

# Walsall Council Auditor's Annual Report 2021/22

March 2023



# 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.



Section	Page
Executive summary	3
Opinion on the financial statements and use of auditor's powers	5
Secure economy, efficiency and effectiveness in the Council's use of resources	6
Financial sustainability	7
Improvement recommendations	12
Governance	14
Improving economy, efficiency and effectiveness	17
Improvement recommendations	21
Follow-up of previous recommendations	23
<b>Appendices</b>	
Appendix A – Responsibilities of the Council	27
Appendix B – Risks of significant weaknesses, our procedures and findings	28
Appendix C – An explanatory note on recommendations	29
Appendix D – Key acronyms and abbreviations	30

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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 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 2021/22 is the second 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. Our conclusions are summarised in the table below.

Criteria	Risk assessment	2020/21 Auditor Judgment		2021/22 Auditor Judgment	
Financial sustainability	Risk of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendation made		No significant weaknesses in arrangements identified. Two improvement recommendation has been made.
Governance	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendation made		No significant weaknesses in arrangements identified. No improvement recommendations have been made.
Improving economy, efficiency and effectiveness	No risks of significant weakness identified		No significant weaknesses in arrangements identified, but improvement recommendation made		No significant weaknesses in arrangements identified. Two improvement recommendation has been made.

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



## Opinion on the financial statements

The Council provided draft accounts for the year ended 31 March 2022 in line with the national deadline and provided a good set of working papers to support them.

We issued an unqualified audit opinion on the Council's financial statements for the year ended 31 March 2022 on 22 March 2023.

We identified no adjustments to the financial statements which impact on the Council's Comprehensive Income and Expenditure Statement.

We did, however require adjustments to the draft statement of Financial Position relating to:

- Pensions assets (£13.8m), due to receipt of updated information
- NNDR appeals provision (£3.8m), which had been identified by management following publication of the draft accounts.

We also reported one unadjusted misstatement, (£6.1m), due to the increase in Property, Plant and Equipment values between the valuation date of 1/1/22 and the year end (31/3/22).

We raised one recommendation, relating to timing differences that had created unreconciled differences on the bank reconciliation (albeit the amounts involved were trivial in nature). Management accepted this recommendation.



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

We bring the following matters to your attention:

## Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We issued an unqualified opinion on the Council's accounts on 22 March 2023.

## Statutory recommendations

N/A

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

## Public Interest Report

N/A

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.

## Application to the Court

N/A

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.

## Advisory notice

N/A

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.

## Judicial review

N/A

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.



# 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.



Our commentary on the Council's arrangements in each of these three areas, is set out on page 6 onwards. Further detail on how we approached our work is included in Appendix B.

# 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 risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Financial Outturn 2021/22

For the 2021/22 financial year, Walsall Council produced a surplus on provision of services of £8.436 million, which after statutory accounting adjustments resulted in a net surplus of £1.49 million (0.23% of gross expenditure). This allowed for a transfer to earmarked reserves which will be utilised to help the Council manage the rising cost of inflation combined with the impact of the recent pay award.

Capital spend in 2021/22 totalled £79.586 million compared to £102.837 million in 2020/21. This was an underspend of £4.16 million against budgets after re-profiling into future years. This was due to re-scoping of projects and capital contributions from the Combined Authority.

The Council's PROUD workstream continued in the financial year, with £28.90 million of savings budgeted for 2021/22. Of this, £21.13 million (73%) were fully delivered in year, with £7.76 million not fully achieved, £2.93 million of this balance was addressed through service underspends, with the remaining balance expected to be delivered in 2022-23.

In terms of reserves the Council made use of £61.68 million of reserves and transferred £68.74 million to earmarked reserves. These mainly related to Covid-19 grants and grants received in advance. Opening general fund and earmarked reserves balances for 2022/23 were £17.69m and £222.70m respectively. Overall, this was a strong outturn for the Council, particularly given the forecast of a £1.08m overspend estimated in February 2022. This was managed through underspends across a number of directorates, a review of central budgets and additional income from direct payment refunds in adult social care. Whilst many directorates were able to manage their budgets the Adult Social Care, Public Health and Hub delivered a £4.49m overspend and continues to put pressure on the Council's budgets in 2022/23.

## Financial Outlook

Walsall Council set a balanced budget for 2022-23, which was approved by Cabinet and Council in February 2022 based on the Government's 1 year finance settlement. The gap over the four years to 2025/26 was forecast at £53.57m, around 21.5% of the Council's total general fund reserve balance of £249m. The funding shortfall was to be addressed through savings. For 2022/23 these had been fully identified, along with 56% for 2023/24 and 10% for 2024/25.

Financial Year	Forecast funding shortfall (Feb 2022)	Savings identified (Feb 2022)	Savings to be identified
2022/23	£18.86m	£18.86m	£0.00m
2023/24	£12.24m	£6.89m	£5.35m
2024/25	£11.53m	£1.15m	£10.38m
2025/26	£10.94m	£0.00m	£10.94m

reserves for the 2022/23 budget in February 2022. Since this, the cost-of-living increases are beginning to materialise, along with the announcement of the local government pay award. This has driven costs of energy, supplies and workforce upwards, and pressures are continuing in social care sectors with increased demand and placement costs, which the Council will address through additional use of reserves. Forecasts at October 2022 expect the Council to make use of a net value of £27m of earmarked reserves for 2022/23. This would reduce the balance from £217m to £190m by March 2023. Whilst a reduction in reserves poses key financial risks, the Council are unlikely to fully exhaust this balance over the medium term based on current forecast funding shortfalls.



# Financial sustainability

The Council is currently focussed on updating the medium-term financial outlook and approving a new approach for setting the 2023/24 budget. The pay award has added an £8.86m pressure for 2022/23, of which £5.45m has been funded through pay and pension budgets, providing an additional cost of £3.41m. There is an expectation that services will manage 5 months of this costs through budget management, with earmarked reserves used to fund the remainder. Due to the 2021/22 underspend transfer to reserves, the Council have some cushion to support rising inflationary costs.

The Council have undertaken an assessment to forecast the potential cost changes in 2022/23. At July 2022 this was forecast to produce a revenue overspend of £2.28 million, with additional high risks of £13.19m identified. By October 2022 this has risen to a budget gap of £5.24million, with further high risks of £8.39m to the revenue forecast identified within social care services. The Council are actively monitoring these and where possible are working with service lines to develop mitigating actions and identify opportunities for savings. The potential overspend of £5.24m would reduce general reserves to £10.87m, below the Council's minimum reserve level of £16.11m.

## Children's Services

An area of continued pressure for the Council is Children's Services, which in 2021/22 had a £6m cost pressures which were covered by the use of covid and non-covid reserves. In this service area, variances and under-delivery of savings (heavily focussed on reducing Third Party Spend) are mainly driven by the short term impact of covid, and ongoing demand pressures, furtherance in the complexity of cases and increasing placement costs as a result.

The Council invested an additional £8m in Children's Services for 2022/23, however this area continues to place pressure on the Council's budgets with the latest position for 2022/23, a forecast overspend of £3.69m after use of reserves. This is mainly driven by increased demand costs and delays in recruitment driving higher agency costs. There is also further risks to the budget of £2.67m concentrated around fostering and potential trends in external residential placement costs. This is an area the Council will have to ensure to continually monitor throughout the financial year to manage overspends.

## Adults' Services (ASC)

The most significant financial challenge for the Council relates to Adult's Services. In 2021/22 the Adults Social Care, Public Health and Hub had a £7.11m overspend in year, reduced to £4.49m after use of earmarked reserves. Whilst a significant proportion of this was driven by delayed achievement of savings (as detailed on next slides) there were also significant additional staffing costs due to use of agency and interims across a range of ASC teams. This is an area where the Council have a number of vacancies making both business as usual performance and transformational change difficult to achieve. This is evident from the under-achievement of the PROUD savings target in 2021/22 and the current performance for 2022/23 which places £7m of benefits at high risk of non-delivery. A number of these are delayed as delivery plans or details of savings have not yet been finalised.

The result of the above is that for 2022/23, there is an estimated overspend of £7.74m in year, reduced to £2.5m after use of reserves. As in 2021/22 this is mainly driven by the cost of interim management and agency staff costs, combined with delays in delivery savings. The directorate has also been impacted by contractual inflation and continued negotiations with the CCG in relation to Joint Funding arrangement payments. The ASC Continuous Improvement Board is re-profiling savings to determine an achievable position. There is a risk that if mitigating action plans are not developed the net forecasted overspend could increase to £5.3m after use of reserves. The Council are aware of the pressures on ASC and the corporate budget plan highlights continued investment of over the medium term of £34m, along with consideration of re-profiling of savings in this area. As with Children's Social Care this is an area the Council will need to continually monitor throughout the financial year in order to actively manage overspends and delays in savings progress.



# Financial Sustainability

## PROUD savings

The Council's 2021/22 savings target of £28.9m was not fully achieved in year, with £21.13m (73%) fully delivered and £7.76m unachieved. £2.93m of this was mitigated in year through service underspends meaning £5.36m was carried forward for delivery in 2022/23.

**Table 7: Delivery of Savings by Proud Workstream 2021/22**

Workstream	Delivered £	Delayed £	Total £
Customer Access & Management	1,145,423	3,682,127	4,827,550
Connected Working (Perform Plus)	259,809	56,416	316,225
Third Party Spend	8,882,030	884,701	9,566,731
Income Generation & Cost Recovery	6,370,869	2,611,057	8,981,926
Corporate Landlord	400,397	0	400,397
Designing Ways of Working - Hubs	243,402	172,874	416,276
Designing Ways of Working - Enabling Support Services (Admin & Business Support)	650,667	223,395	874,062
Designing Ways of Working - Enabling Support Services	3,381,748	133,333	3,515,081
<b>Total</b>	<b>21,134,345</b>	<b>7,763,903</b>	<b>28,898,248</b>

The majority of the underachievement related to Customer Access & Management (CAM) and Income Generation & Cost Recovery workstreams, mainly concentrated within Adult Social Care service lines. The CAM value is driven by £2.3m of unachieved savings in Adult Social Care (ASC) in relation to Older People Front Door along with delayed restructures in the resilient communities (£523k) and money home job (MHJ) team (£206k) due to continuing Covid-19 pressures. The ASC issues are a national problem but are causing difficulties in Walsall due to the current recruitment issues within the service area. This has delayed large scale transformation of services due to the need for staff to prioritise service provision and upcoming regulatory changes.

Within Income Generation & Cost Recovery £1.7m relates to joint funding arrangement variation with the CCG, where dialogue continues to realise these savings. Other elements relate to smaller amounts impacted by Covid-19 which will be introduced in 2022/23 such as Court Income (£100k) following re-openings and Council Tax penalty charges (£150k).

Additionally, much of the Third Party Spend delay is concentrated within the Children's Social Care service line which has been impacted by Covid-19 effects, court delays, recruitment issues and increases in complex cases.

© 2022 Grant Thornton UK LLP. Confidential and information only.

Walsall PROUD activity for 2022/23 includes £18.86m of savings with a further £5.36m carried forward from 2021/22, resulting in a figure of £24.22m to be achieved in year. In July 2022 the Council reported to Cabinet that £10.7m of these benefits were at high risk of non-delivery, £9.8m of which was directly within ADSC. The Council's most recent financial performance reporting to October 2022 shows this has reduced to £8.02m of high-risk benefits, £7m of which within ASC.

Directorate	Savings target	High Risk Saving	Identified Mitigation
ASC, PH & Hub	£10.346m	£7.061m	£0.985m
EEC	£0.772m	£0.609m	£0.609m
CSC	£0.748m	£0.350m	£0.350m
<b>Total</b>	<b>£11.866m</b>	<b>£8.020m</b>	<b>£1.944m</b>

In order to support delivery of savings, particularly concentrated in Adults, an ASC Continuous Improvement Programme Board has been created. The service line is also working with the CAM team to progress customer access for the Front Door. It is our view that the significant target combined with the under achievement in 2021/22 and the lack of capacity within both the ASC and CAM teams mean it is unlikely that ASC will be in the position to make the total savings required in year.

Whilst it is evident that the service line are making progress, due to the fact that the high risk savings have decreased from £9.7m to £7.1m, this remains a key issue particularly as all delivery plans are not finalised. There is a clear risk of under-delivery the later in the financial year that service transformation plans and projects are finalised.

More widely the Council are working collectively with service leaders to develop Service Transformation Plans (STPs) which include mitigating actions in order to reduce spend and realise benefits by year end as a result of the widening budget gap. Whilst the Council have a good track record of making savings, there are key areas which are causing delays year on year and simply carrying forward the savings plans is not a sustainable option. The Council should look to reprofiling savings particularly in areas which are under-resourced in order to ensure there are achievable in year.



# Financial Sustainability

## PROUD transformation activity

Walsall PROUD is a large-scale, whole Council technology enabled transformation programme, first approved by Cabinet in October 2018 and in conjunction with the Council's strategic partner. The plans include multiple workstreams including income generation, corporate landlord and service transformation focusses, which directly support the Council's priorities.

During Covid-19 many activities were disrupted as the Council responded to the pandemic. However, there is evidence that significant progress has been made, although it is clear that the transformation has not yet been fully executed.

Examples of achieved delivery include customer satisfaction rising from 67% to 73% due to changes with the Customer Relationship Management system, the website and centralisation of the Customer Experience Centre. The Customer Access Management workstream continues to develop with completion of the digital customer platform. Whilst this was originally expected in April 2023 this has been delayed as the Council build more internal capacity in the ICT team. The CAM workstream is critical to £4.4m of agreed efficiencies in 2023/24, to ensure achievement the Council have procured external transformation capability to support progress.

The programme has also increased levels of employee engagement up from 57% (2017) to 61% (Nov 2021). With some individual measures increasing by up to 38% across 4 years. This has been achieved through development of an Organisational Development Strategy with clear career pathways and talent attraction and retention plans. The Council has also heavily focussed on supporting agile ways of working which has been consistently represented through our interviews with appreciation for flexibility and hybrid measures consistently raised as a key enabler for both transformation and business as usual practices. This workstream continues to progress at pace with the establishment of a corporate Wellbeing Framework and further embedding of cross directorate working and collaboration through Senior Manager and Director Group meetings.

Contributing measures and questions	2017 scores (Strongly agree / agree)	2020 scores (Strongly agree / agree)	2021 scores (Strongly agree / agree)	Change (2017 to 2021)
Walsall Council inspires me to do the best in my job.	62%	77%	80%	+38
I feel valued and recognised for the work I do.	41%	63%	65%	+25
I have the tools (physical resources, equipment, technology) I need to do my job effectively.	53%	68%	75%	+22

© 2022 Grant Thornton UK LLP. Confidential and information only.

One of the main aims of PROUD was for the Council to amplify its own capabilities and grow own talent internally through working closely with their strategic partner, in order to ensure long term self-sufficiency. Along with some recruitment in key areas such as performance insights to drive this forward further, this appears to be building, with some key support still needed in the technology space, as recognised by the Council.

The next stages of Proud will focus delivery of benefits through Directors owning Strategic Transformation Plans, enabled, and supported by the capabilities delivered through the enabling workstreams. It is evident from speaking to individuals is that there is a clear cultural drive which is underpinned by the enhanced cohesiveness of the organisation which has been built through the PROUD transformation activity. Individuals in service lines understand the key outcomes the Council are striving to achieve organisationally and there is trust in senior leaders from a transformation perspective.

The big challenge for the Council will be continuing the momentum of the PROUD work as an embedded part of business as usual, particularly when combined with the uncertainty of future funding regimes. PROUD has become a hook for the new ways of working at the Council and it will be for senior leaders at the executive and service level to ensure this continues. This has been recognised and the Council have reorganised to strengthen the Head of Service Level roles particularly within finance and in May 2022 updated the scheme of delegations to simplify decision making and ensure consistency across governance arrangements. The Council has also identified a need to prioritise resource in ICT teams to ensure further delays due to lack of capacity do not hinder future progress.

The Council monitor progress through the Walsall PROUD Programme Board which produces highlight reports with RAG ratings for each of the workstreams progress, alongside BRAG ratings for financial picture. This ensures all attendees are aware of the transformational and financial benefits achieved and where risks are arising throughout the year. In March 2021 Cabinet were provided with an update on the overall progress of the programme with an update on the next stages. The Council also has a Proud Programme Management Office, and the Transformation and Change Team have been supporting with tracking and embedding benefits as part of the programme. Moving forward, the Council will need to continue to identify savings beyond the scope of the current transformation programme, as Government funding changes and increasing demand and cost pressures will continue to put pressure on Council finances. For any new investment beyond the scope of the current programme, it is proposed to add to the existing financial parameters with indicators that may better reflect the returns delivered on benefits. For instance, payback of the investment is secured within a certain number of years, the exact payback period being dependent on the project.



# Financial sustainability

## Key findings

The Council continued to face significant costs because of the Covid-19 pandemic, both indirectly through increased demand and complexity within social care, and more directly through loss of income from fee generating services. In relation to the latter, whilst some income losses were reimbursed for 2021/22 the Council accounts that total lost income totalled £1.76m, with only £631k reimbursed. Delayed reopening of services such as Courts have also impacted planned PROUD savings.

The Council has prepared a Medium-Term Financial Outlook looking forward to 2025/26 which at the time of writing in February 2022 was based on prudent assumptions, with a clear focus on the impact of demand and inflation. Risks to the financial outlook were considered as part of this process and have been clearly outlined in the report to Cabinet.

Reserves were in place to deal with many of these risks however further inflationary pressures have arisen since then particularly in relation to fuel and energy costs, combined with the impact of the increased pay award, which have widened the budgetary gap for 2022/23 and future years. As at February 2022 the funding shortfall was £53.57m to be addressed through use of earmarked reserves and savings programmes. Whilst the Council have a healthy earmarked reserve balance of £217m at April 2022, in the current financial environment this could be eroded if PROUD savings are not delivered over the medium term.

The Council is currently assessing the impact of the inflationary and demand pressures, and exploring mitigating actions with service line leads. There is evidence that plans are being developed to help bridge the widening gap and it is evident that the Council are taking an organisational-wide approach. The key pressures sit within both Adults and Children Services and finance team members are working closely with each of these service areas to ensure realistic plans are built despite capacity issues.

Overall we are satisfied with the Council's approach to financial planning and savings delivery in the context of the current environment and have not identified any significant weaknesses in these arrangements. The Council is aware of the drivers of cost pressures and officers are working together to ensure these are mitigated where possible. PROUD delivered over £20m of savings in year, and whilst a number of schemes are under pressure in 2022/23, governance arrangements such as the ASC Continuous Improvement Board have been put in place in order to aid delivery, despite demand and capacity pressures.

# Improvement recommendations



## Financial sustainability

**Recommendation 1** The Council should ensure that all saving delivery plans are fully developed in advance of the financial year beginning. It should also consider reprofiling identified savings in areas that are under-resourced (for example ASC), to ensure they are achievable.

### Why/impact

From our experience one of the most common causes of not meeting a savings target by year end is the fact that delivery plans are not fully identified at the start of the year. This is due to the fact that a high level of unidentified schemes in the first quarter, means the Council have a shorter time frame with which to take the necessary actions to achieve the savings required. We have identified that a lack of capacity within the ASC team contributed to a savings under-achievement in 2021/22 and is likely to result in an under-delivery of savings in 2022/23.

### Summary findings

The Council achieved 73% (£21.13m) of their savings targets during the 2021-2022 financial year. The majority of the undelivered savings were mainly concentrated with the Adult Social Care service line which continues to struggle to deliver savings during 2022-2023 with £7.1m of savings highlighted as high-risk at October 2022. Updates to Cabinet show that the reasoning for this is due to delivery plans not yet being finalised.

### Management Comments

The Council agrees that all savings delivery plans should be in place prior to approval of the budget. There were 105 savings approved within the 2021/22 budget, the vast majority of which had plans in place. ASC provided high level plans at this stage and were developing their detailed delivery plans and resource requirements. The Council has recognised the capacity issues within ASC and Proud Board received and approved the ASC continuous improvement programme investment bid in November, which will provide extra capacity within the service, with a focus on delivering the transformation and delivery benefits. Additionally, the impact of delayed delivery of savings has been reflected in the draft Budget for 2023/24 under construction, with ASC savings expected to be those partly reprofiled / rolled forward from 2022/23, limiting further savings to £2.19m to ensure realistic plans can be put in place for delivery of these.

Timescale for implementation – by 23 February 2023 (Budget Council date)



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



# Improvement recommendations



## Financial sustainability

**Recommendation 2** The Council should consider making use of alternative indicators of success for the PROUD benefits to help highlight the returns being delivered over the longer term as a result of transformation activity. E.g. payback periods. It should also ensure that resources are prioritised to support delivery of PROUD.

### Why/impact

Continuing the momentum of the PROUD work will be key to the Council addressing challenges around future funding and demand. For any new investment beyond the scope of the current programme, it is proposed to add to the existing financial parameters with indicators that may better reflect the returns delivered on benefits. For instance, payback of the investment is secured within a certain number of years, the exact payback period being dependent on the project.

### Summary findings

Moving forward, the Council will need to continue to identify savings beyond the scope of the current transformation programme, as Government funding changes and increasing demand and cost pressures will continue to put pressure on Council finances. As difficult decisions may need to be made, it would be useful for the Council to have an increased understanding of the benefits being realised from the PROUD work taking place.

### Management Comments

In March of this year, Cabinet received a report identifying that, as Proud evolves beyond delivery of the current programme from 2024/25 onwards, and funding and demand continues to be a challenge, there will be a requirement for additional benefits to be identified and delivered to meet the revised medium term financial outlook. Revised workstreams have been created to progress this, alongside service transformation plans. The report also identified that alternative indicators of success would need to be developed. The Proud Programme Management Office, Finance and the newly established Hub will coordinate these success indicators through the existing Council Plan mechanisms in place (Measure of Success Indicators). Resource plans are in place to support delivery and these continue to be monitored and updated as required.

Timescale for implementation – by 1 April 2023



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

# 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; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Risk Management

The Council have an effective Risk Management Strategy which helps them identify, analyse, prioritise and manage and monitor the mitigation of risks. They make use of a Strategic Risk Register (SRR) to provide structure on how to review and manage risks. It describes the risk, identifies the accountable officer and a deadline to implement a mitigation plan. There is also a scoring matrix included in the SRR, which allows risks to be scored by both impact and likelihood, to help inform mitigation and management plans. The SRR is regularly updated to ensure alignment with the most recent version of the Corporate Plans and the Council's latest objectives and aims. So far, there have been 4 versions of the SSR. The most recent update was submitted to the Audit Committee in September 2022.

The Council are in the process of developing an 'Assurance Map' to be incorporated into the SRR. This will display the different levels of internal and external assurance used for risk management. This transparency has the aim of improving quality and compliance in risk management. The Council have established an implementation plan for the Assurance Map, with an initial version submitted to the Audit Committee in September 2021 as part of the regular SRR updates and will be further developed throughout 2022 and 2023. Our assessment of the Assurance Map is that it will significantly improve the Council's risk management strategy. This is through better oversight of the measures in place to deal with risks, the ability to make more accurate current and target risk scores and the ability to consider assurances in risk mitigation plans.

Planned mitigations are generally delivered in a timely manner. For example, the Cabinet approved a Centre of Excellence and Transformation and Change Team in November 2021 to mitigate the risk of not achieving desired outcomes from the Proud Programme. This demonstrates the value of the SSR in establishing effective assurances that can be mobilised and speaks to the overall effectiveness of the council's risk management strategy.

The Audit Committee receives regular updates on risk management. Our review of meeting minutes show Audit Committee members are proactive in challenging officers on whether risks are being appropriately managed. During the February 2022 meeting, members questioned the impact risks associated with the Proud Programme will have on transformation savings and financial resilience of the Council. In response, as an additional assurance to manage this risk, the Audit Committee agreed to invite relevant lead officers to meetings. This was so risks that could impact financial resilience can be reviewed. This exemplifies the level of focus the Council give to risk management and dealing with risks as they arise. Through all the structures in place to ensure continuous improvement in quality of risk management, It is clear that it is a core area of focus for the Council.



# Governance

## Internal Audit and Counter Fraud

The Council received a 'Moderate' assurance rating by the Head of Internal Audit for 2021/22. This is consistent with the rating for the previous year. Of the 40 internal audits undertaken in the year, 7 were given a 'Substantial' level of assurance, 24 'Moderate' and 10 'Limited'.

A key focus on the Audit Committee during 2021/22 has been on ensuring that, where Internal Audit raise recommendations, management implement them promptly. Internal Audit provided an update on the implementation of recommendations in their Internal Audit Annual Report which shows a slight increase in performance in 2021/22, with 96% of due recommendations implemented compared to 89% in the prior year. There were no overdue high priority recommendations.

Implementation of recommendations is particularly pertinent in the current changing environment with increased budget pressures, workforce issues, digital transformation and changing demands. It is therefore imperative that the Council and Audit Committee continue to hold senior management accountable for any potential delays in internal audit response times.

Counter Fraud is evidently an area where the Council have increased their focus during 2021/22. In April 2021 the Audit Committee approved an updated Counter Fraud and Corruption Policy along with a Response Plan to ensure this was effectively embedded. Updates were presented in both September 2021 and February 2022, with Fraud Training also provided to members. The Plan sets out a step-by-step guide on work to be undertaken to improve counter fraud capacity. Notably, one of the actions outlined in the Response Plan was to review required capacity for counter fraud services and balance out internal and external resources to be delivered by June 2021. Subsequently, in July 2021, Walsall entered a two year contract with Solihull Council where Solihull's role is to proactively support fraud investigations. This Response Plan has allowed the Council to deliver on fraud work in a timely manner despite capacity constraints. This also speaks to how target delivery dates of all work packages within the Response Plan provides accountability and a structure to consistently progress with counter fraud initiatives. Evidently, the Response Plan is effective in driving continuous improvement within the Counter Fraud function of the Council.

## Financial Governance

The budget for 2022/23 was presented at the February 2022 Cabinet meeting alongside other relevant financial strategies such as the annual Treasury Management and Capital Budget Strategies. A range of internal and external stakeholders are engaged in the budget-setting process, including service users, trade unions, and scrutiny committees through the consultation process, before the budget is approved internally within the Council.

Throughout the year the financial position and savings progress are reviewed by service areas through production of monthly narrative reports. Monthly reports are also sent to CMT meetings which allows discussion of variances and changing circumstances in order to develop mitigation at both the directorate and executive levels. Internal audit conducted a review of budgetary control in the financial year which provided an overall finding of substantial assurance. They found that budget holders are trained in how to forecast and manage budgets with oversight from service line accountants to reduce risks of overspends. Whilst there were some instances of budget holders not being automatically notified of budgets, there are plans in place for this to change in future years with the introduction of live dashboards. The internal audit report did highlight that some budget holders expressed a decreased level of access to finance business partners, this was as a result of temporary turnover in the team with plans to hire replacements and increase interactions and support available. The Council has evidenced that it has robust arrangements in place with regards to financial overview and scrutiny.

## Consultations

Whilst the Council has a forward plan in place for Budget Consultations, this does not yet exist for other types of consultation activity. Our review suggests that there is a risk of lack of capacity within the corporate consulting team within the Council; only one member of staff leads on consultation work with support from one member of IT staff who has now recently left the organisation. However the Council has recognised this risk and has an arrangement with the Consultation Institute to provide external support. The need for skills and resilience in consultation resources may become increasingly important as they seek to respond to the changing financial landscape and increased demand within their communities, which may necessitate more in-depth consultation work than has been undertaken in previous years, both as part of the Budget Consultation and more widely.



# Governance

## Sherbourne Recycling Limited (SRL)

Sherbourne Recycling Limited was created on 1<sup>st</sup> April 2021 to build and run a new Material Recycling Facility (MRF) just outside Coventry. Walsall Council are one of 8 local authority partners involved in the joint venture and each Council has a long-term waste supply agreement with SRL. Walsall Council have a 19.66% shareholding, making them the second largest shareholder providing a £0.197m equity holding.

The Council entered into this arrangement to support the improvement of their recycling rate, with the aim of reaching the national recycling target of 65% recycling of all household waste by 2023, from a current value of 40%. This initiative is directly linked to the Council Plan marker of ensuring more waste is recycled with less going to landfill.

Our review revealed a confidence within the Council that the new MRF, which is currently under construction, will provide a long-term solution to the Council's waste management services and cost management. The new MRF will allow more control over what the Council can do with commodities they own i.e. they can sell or reinvest. This serves a wider, long-term aim of financial resilience.

Led by Coventry City Council, the partners collaborated to develop the business case for the new MRF. The main benefit of which was that Councils would have more control over their waste management and more discretion in the way they manage their commodity assets.

A Cabinet report was first submitted in September 2019. This included financial modelling completed by a specialist external resource and also considered alternative best and worst case scenarios. Our review of Cabinet reports show an original funding approval of £9.9m including a £1m contingency and £0.3m of shares, with the remaining £8.61m as a loan. However in March 2021 an additional £1.58m investment was required from the Council after an independent market report was commissioned. This highlighted the need to increase in the size and sophistication of the project as a result of increased anticipated market demand post-pandemic and higher levels of automation due to a depleting industry workforce. However it was noted that Cabinet approval was sought before the final business case was updated and approved, although Cabinet were provided with figures reflecting the worst-case scenario which still showcased that the scheme was viable. Details on the key changes and financial impacts since the original May 2019 business case were also presented.

The Council are projected to receive a net interest on the loan repayment over the life of the contract. Although, importantly, key assumptions behind the financial modelling are that the Council will provide funds through borrowing and the type of loan will be similar to the one used in the model. Moreover, the recent change in government and cost of living crisis mean inflation and interest rates are unpredictable, both factors which will impact the net interest rate of return on Walsall's funding of the MRF. Therefore the Council may expect a delayed return and this should be kept under review.

There was internal and external engagement exercises carried out as part of the decision-making process around the new MRF. However as the location of the is near Coventry, therefore would not directly affect Walsall residents, the public of Walsall were not included in surveys. However the Council were well represented in internal consultations between the partners through the form of Board meetings and subgroups to raise concerns.

The SRL project has defined governance outlining management and decision-making arrangements and all partner councils have involvement and responsibility. There are two main governing authorities for the SRL – the Shareholder Panel and the Board. Both these authorities sit separately to the Councils but consist of representatives from each. The Shareholder Panel are responsible for key decisions, typically when escalated by Board for key decisions. The Board is responsible for general management of SRL and make decisions on operations, low value contracts and approve minor amendments to stakeholder financials and the business plan. Together, the Shareholder Panel and Board provide the necessary guidance and protocols to ensure the continued value of SRL.

Beyond this, there are many subgroups that correspond to different functional services involved in development of the new MRF. These include Business Case, Operational, Financial, Functional, Procurement, Compliance and Engagement groups. Our review highlighted that Walsall Board representatives have regular meetings with subgroups demonstrating a level of oversight with day-to-day construction and overall progress of the new MRF.

Our high level review of the decision-making process involved in the investment in SRL appears to showcase clear partner collaboration, continuing governance arrangements and oversight and approval from Cabinet members. From our review we identified that the updated Full Business Case was not available for Cabinet in March 2021 when the increased investment was requested, but evidence was provided that shows that updated figures were presented to help inform the decision-making process.



# 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 and Data Insights

The Council uses a key priority framework to set strategic intent and deliver outcomes which were first agreed by Cabinet in 2019. For 2021/22 the Council has produced a one year Corporate Plan due to the unprecedented situation they were operating in at the national level. This was to provide a greater focus on aims, priorities and outcomes for the benefit of residents. This is a refreshed version of the 2018-2021 Corporate Plan with a 3 year Corporate Plan to be published for 2022-2025.

The Council set out 5 priorities, which are underpinned by 10 outcomes for residents. To ensure progress is measurable towards outcomes over the year, each outcome has two markers of success. These 20 markers of success (along 34 indicators) have been used as a tool to measure progress over the year on achievement to outcomes and reported to Cabinet on a quarterly basis. They have been colour coded, with green showing positive progress, amber highlighting stable or slight dip in performance, and red showcasing underperformance.

For 2021/22, the 21 of the 30 baseline indicators which were measurable at year end, showed progress against the baseline. With 6 rated amber and 3 rated as red. The latter related to low apprenticeship programme enrolments, low performance against % of EHC assessments completed within 20 week timeframe due to backlogs and increases in first time entrants into the criminal justice system.

A recommendation was raised in our 2020/21 work with regards to the integration of financial and performance reporting. The recommendation identified that it may be useful to incorporate these in order to help with identification of risks and financial sustainability. The Council have not yet introduced this but are making plans to progress this further and, as a result, this recommendation has been raised for 2021/22.

It has been noted that at the directorate level - both national and local level data is used to inform decisions for service improvements and establish shortfalls in its current services. Whilst in the previous year we recommended the Council consider the use of cost unit benchmarking, this is an area the Council are currently considering through market research of the platforms available.

Currently the Council's reporting on their key achievements are very narrative focussed with minimal use of data and visual outputs to communicate markers of success. However, it is clear this is a key focus for the Council with development of a new Business Insights Hub working closely with the Policy & Strategy Team. The Council's vision is to have a more consistent approach to data and performance measurement across the Council and to improve data quality principles. As a result, these teams are in the process of developing the corporate performance measurements and how automation and further use of Power BI Dashboards could be used.

As a first step the Council's Digital Strategy 2022-2025 was presented to Cabinet in March 2022 providing a blueprint of how the Council could further leverage digital capabilities. This has been separated into 5 themes and not only focusses on improving the digital skillset and infrastructure of the Council but utilising this across the region.

A new performance management framework has been provided for 2022-25, which is to provide the council a more robust structure of how it reports performance and feeds back to the Cabinet. Evaluation of this change will be picked up in future VFM work.



# Improving economy, efficiency and effectiveness

## Partnership working

There are many examples of effective partnership working across Walsall. An independent review by The Institute for Community Research and Development at University of Wolverhampton has been published on the response to COVID-19, and has shown that partnership working was a dominant feature, enabling the Council to meet the challenges that were presented to the community during the pandemic. The review also highlights strong and effective leadership from Walsall Council.

Additionally the Council is part of the Walsall Safeguarding Partnership. This group has a number of different sub-groups which focus on performance improvement on the front line and at the executive level. Additionally a report is published each year for both adults and children's which highlight the work of the partnership, the effectiveness of relationships, levels of contributions by partners, progress on learning and improvements, difference made on the ground, evidence of the impact of work for outcomes. This is presented to each of the partners own scrutiny committees including the Councils and the Chief Executive of the Council along with PCC and CCGs equivalents.

Furthermore, the Council has developed the initiative of 'We are Walsall 2040'. This is an exercise which will bring together organisations from across Walsall to develop a vision for the future of the Borough. Within the initiative, over 10,000 residents and businesses will be asked for their views and what they want Walsall to look and be like in 2040 and beyond. The aim of this initiative is to help the Council and its partners to prioritise resources and to develop shared ambitions, helped by the views and experiences, ideas and ambitions of those within the Council. This would reinforce the view that the body engages and consults with its stakeholders to determine its local priorities.

The monitoring of different service agreements and partnerships take different forms depending on the circumstances but regular performance monitoring reports on partnerships are taken to Cabinet when needed. e.g. Through the Health & Wellbeing Board, Strategic Investment Board, Contract Boards & Performance Boards etc. Additionally, the Q4 achievements report highlights the work of partnerships through the year, such as 'Walsall Works'. This is a Council initiative which directly feeds into one of the key markers of success. It involves working with partners to support local people to find jobs, apprenticeships and access training, whilst also working with local businesses looking to invest in their future workforce.

Throughout the year Walsall Council were also part of the 'The Black Country Plan'. The Draft Black Country Plan contained planning policies and land allocations to support the growth and regeneration of the Black Country over the years to 2039. It had been prepared and approved for consultation by the four Black Country Authorities (Dudley, Sandwell, Walsall, and City of Wolverhampton) during 2021/22. However in October 2022, it was announced that the authorities were unable to reach an agreement on the approach to planning for future development needs. Therefore Walsall will need to develop their own local plan.

Partnership working is a key component of the Council's Digital Strategy 2022-2025 which focusses on embracing digital opportunities across the region. The Council plan to make use of the data sharing arrangements and partnership working forums which are already in place with Digital Region included as one of the five key pillars. Their aim is to explore digital integrations with partner agencies in order to remove siloed working. This has been drafted with a direct link to the West Midlands Digital Roadmap 2021-2026 which sets out a vision to increase connectivity and linkages across the various industries of the region.

The Council recognise that there are still elements of their partnership working which could be improved, particularly around the care economy. Work with health colleagues particularly as part of the Integrated Care System is ongoing to understand social and health needs across the borough, utilising national processes, local trackers and data collation that was put in place at the start of the pandemic. Additionally the Council is undertaking a refreshed approach to commissioning adult social care in a way which will focus on incorporating wider health partners.

It is clear that partnership working is a key strength for Walsall Council particularly strengthened by pandemic working arrangements, which have continued into 2021/22. This provided us with evidence that the Council are building on these working arrangements across the region to help achieve their desired outcomes. Looking forwards the Council want to focus on digital enhancement, but have taken a broader view of this to ensure that the rich data available within the region is incorporated into their programme of work. It is evident that for Walsall breaking down existing barriers is recognised as a key to success.



# Improving economy, efficiency and effectiveness

## Procurement and Contract Management

During 2021/22 the Council's corporate procurement team was based within Adult Social Care but aided all directorates on contract management activities. Responsibilities for contract management sits within the service areas and the Council make use of In-Tend portal for both procurement and contract management activity although practices can vary across the Council.

During the year, internal audit reviewed commissioning strategy within the Resilient Communities team and contract management within the Council. Both of which resulted in findings of moderate assurance on adequacy of the system design and limited assurance on the effectiveness of operating controls. Across both reviews it was highlighted that there was a lack of documented guidance in place for both commissioning and contract management. Review of contract management by IA showcased that there is a lack of consistency across the Council and no specific contract management guidance was in place during the 2021-2022 financial year. Additionally contract registers whilst updated did not include all necessary information and did not have a consistent format.

One of the key elements of the Walsall Proud Programme was to create the Hub as a core team of core specialists to reduce duplication and will include commissioning, procurement and contract management. All procurement activity is being reviewed with a focus on reducing third party spend and improving the 'Procure to Pay' processes. This has involved the Council setting up a Third Party Spend Board to support services through commissioning and procurement. Additionally, The Council have begun work to strengthen their business case process in year, working across the organisation to standardise formats and ensure they align with project management principles.

This work was still in progress during the 2021/22 financial year and the commissioning, procurement and contract management hub is in design phase. During the year the emphasis has been on a significant piece of work involving updating the current contracts register, analysing 3 year spend profiles, and understanding procurement patterns and commissioning needs to inform the development of a new Procurement Strategy. Therefore, during the year, the Procurement Strategy was still in development, with plans to have an approved strategy in place by April 2023.

Whilst we can see that progress is being made in these areas, the Council need to ensure consistency across the Council for contract management, procurement and commissioning. Whilst this will be aided by the current procurement, commissioning and contract management workstream, namely The Hub, it will require buy-in from all service lines and clear communication of aims and procedures through policies, guidance and templates.

© 2022 Grant Thornton UK LLP. Confidential and information only.

## Adult Social Care

According to The British Red Cross Covid-19 vulnerability index, Walsall is in the top 20% of most vulnerable local authorities in England so are particularly sensitive to impacts of the pandemic. This is evident in the struggles facing the Adult's social care sector which has seen changes in demand and cost. This is combined with the national level reform, which the service area have also been preparing for throughout the 2021/22 financial year and beyond.

Until 2019/20 the adult social care budgets have been relatively predictable, however during 2021/2022 the directorate have struggled with accuracy of projections which has had financial impacts on service line budgets. Savings targets are a significant challenge and have led to an under-delivery against savings target in 2021/22 and a forecast under-delivery in 2022/23.

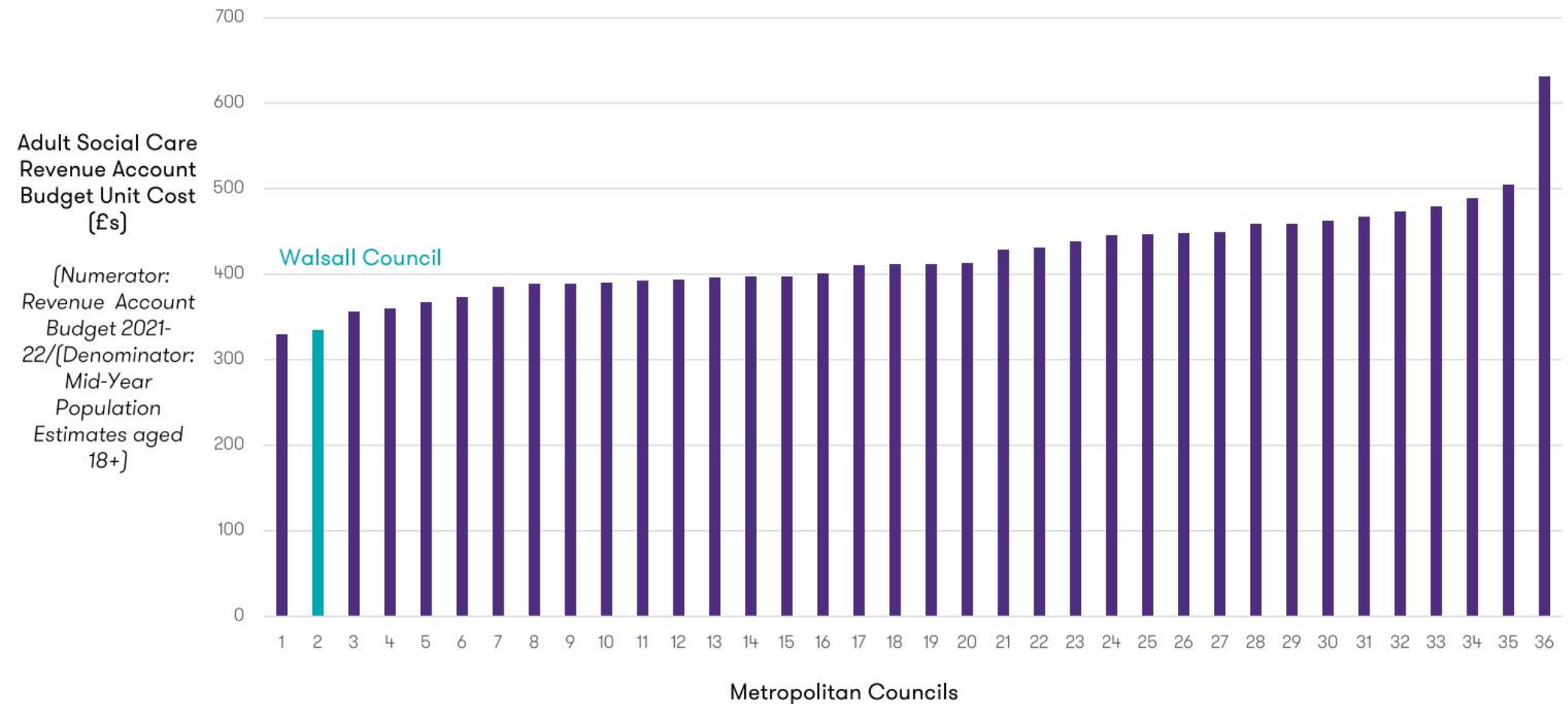
The service area is also struggling with capacity issues due to workforce gaps throughout the directorate structure, which has meant that the additional activity need to deliver savings programmes has not always been possible. This is a more recent problem for the Council which historically has not always struggled in this area. Our discussions with the leads showcased that there is a workforce plan in place which is being discussed at a regional level to encourage collaboration and allow for harmonisation of rates of pay. Additionally, the Council are reliant on external partners as much of the transformation plan in this area requires whole system change. This has become particularly apparent regarding the Joint Funding arrangements, which had a financial impact of £1.7m as referenced in the financial sustainability section of this report. Negotiations continue with health partners.

Whilst the service area is grappling with year on year overspends, this has necessitated some use of earmarked reserves. Our benchmarking analysis has shown that in comparison to other local authorities Adult Social Care spend is in the bottom 20% nationally. Which may highlight why further savings are proving difficult. (See analysis on next slide).

However, despite the financial challenges, the Council's operational performance and outcomes continue to improve. With the Council moving from 112nd in the Adult Social Care Outcomes Framework ('ASCOF') Rankings in 2018/19 to 54th. However, this showcases there is still room for improvement. Furthermore, the Council undertook an ASC Peer Review the results of which were reported to the Social Care and Health Overview and Scrutiny Committee in December 2021. This has fed into the Council's action plan and is used to engender further improvements across the working areas.

# Improving economy, efficiency and effectiveness

Adult Social Care Metropolitan Cost Ranking (2021/22 Budgets)





# Improvement recommendations



## Improving economy, efficiency and effectiveness

**Recommendation 3** The Council need to ensure consistency across the Council for contract management, procurement and commissioning. Once fully developed by the Hub this will require clear communication of templates, guidance and policies combined with regular training to ensure full understanding across the Council.

**Why/impact** A lack of guidance in relation to procurement, contract management and commissioning makes the Council more vulnerable to financial risk and reputation damage from non-compliance with regulatory standards. Robust contract management will help the Council to maximise savings and service quality.

**Summary findings** Whilst we can see that progress is being made in these areas, the Council need to ensure consistency across the Council for contract management, procurement and commissioning. Whilst this will be aided by the current procurement, commissioning and contract management workstream, namely The Hub, it will require buy-in from all service lines and clear communication of aims and procedures through policies, guidance and templates.

**Management Comments** Key progress has been made developing a consistent contracts register and spend analysis, the next stage of this is to ensure that the appropriate systems are in place to provide management information to support further efficiency. A procurement and contract management strategy is planned and will encompass the needs of the council's economic strategy and transformation plans. Development of processes and the broader service offer will continue as part of the transition away from the current transactional approach to a more developed commercial and strategic offer.

Timescale for implementation – by 31 July 2023



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

# Improvement recommendations



## Improving economy, efficiency and effectiveness

### Recommendation 4

The Council should introduce integrated reporting for financial and performance management to support with the identification of risks around financial sustainability.

### Why/impact

The financial and non-financial performance of the Council was not always presented at the same meetings and integrated reporting would allow members to take an overall view of the performance of the Council.

### Summary findings

The Council have approved a Policy and Strategy Hub structure with a Head of Policy and Strategy appointed in early 2022 and an intention to recruit to the rest of the structure. However, limited capacity and a focus on the 2022-25 Council Plan and 'We are Walsall 2040' has meant that integrated reporting has not yet been implemented. A Corporate Performance Management Framework was updated in 2021/22 and approved by Cabinet in June 2022. The Council should finalise this work and introduce integrated financial and performance reporting.

### Management Comments

The reporting of financial performance and non-financial performance will be aligned where practicable. The Policy and Strategy and Hub structure was approved and the Head of Policy and Strategy appointed during the latter part of 2021/2022 with the rest of the structure being established/recruited to. Due to limited capacity, the focus has been on the Council Plan 2022-25 and 'We are Walsall 2040'. The Head of Finance and Assurance and Head of Policy and Strategy have agreed that integrated reporting development is beneficial and is being planned for further development during 2023.

Timescale for implementation – Full integration of new performance reporting system for 2024/25 (1 April 2024) with reporting starting towards that process for 2023/24 (1 April) onwards



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



# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Enhanced training for members on the importance of adequate reserves level for long-term financial sustainability	Improvement	2021	<i>Management Progress Update:</i> Briefings held with all groups on Budget. Reserves levels and S25. Statement were included in briefings. The S151 officer also briefed Overview Scrutiny on the importance of challenge on the council's reserves levels and S25. Statement.	Yes	Further briefings are being arranged for the 2023/24 budget setting.
2	Develop a Forward Plan of future consultation	Improvement	2021	<i>Management Progress Update:</i> A forward plan of consultations for the Budget is produced and monitored annually to ensure that adequate consultation is undertaken. The Council have plans to expand this to cover all consultations	No	The Council have plans to expand this in future years.  Timescale for implementation – by 31 January 2023
3	Continue to undertake regular reviews of PROUD savings delivery and the need to amend or reprofile the savings targets as appropriate	Improvement	2021	<i>Management Progress Update:</i> Monthly monitoring is undertaken and reported. Reprofiting of £7.76m of savings was required from 2021/22 to 2022/23 due to ongoing challenges experienced from Covid-19. Of this £2.41m was delivered from 1 April 2023. The remainder - £0.71m in Children's and £4.64m in ASC - is being tracked in 2022/23. There continues to be some challenges in this area, in respect of the lasting demand from Covid-19 but also more widely, as is being experienced nationally. Significant investment was agreed within the 2022/23 to alleviate some of these pressures. ASC continues to experience challenges including resource, with a separate Proud workstream for ASC being created in 2022/23 to support delivery of the change required.  For 2021/22, despite the continuing impact of Covid-19, £21.34m of approved savings were still delivered in full, a significant achievement. The council ensured that mitigating actions were put in place during 2021/22 to manage savings shortfalls, and the council outturn was under budget for 2021/22, with reserves intact.	Yes	No

# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	Review and update the fraud risk register as appropriate and ensure regular monitoring of fraud risks is embedded into the governance structure.	Improvement	2021	<i>Management Progress Update:</i> Solihull were appointed to support delivery of the Response Plan in July 2021. This involved firstly review and refresh of the Counter Fraud Policy and development of the revised Response plan which was submitted to Audit Committee February 2022. Fraud risk assessment workshops are now being held across all directorates to establish a Fraud Risk Register. Aligned with this, a training awareness plan and training materials are being developed to support awareness raising. The Fraud risk register will be reported to Audit Committee during 2022/23.	No – but work is underway to make progress	The Fraud Risk Register has not yet been developed, this continues to be a work in progress as fraud workshops continue to take place.  Timescale for implementation – by 31 July 2023
5	Develop a more formal and structured programme of training for Audit Committee members.	Improvement	2021	<i>Management Progress Update:</i> One-to-one meetings provided to new members of the Committee. Induction training meeting held for all members. Training agreed and held for specific topics aligned to the work programme – risk management, financial reporting, fraud, etc.	Yes	No but training must continue to be provided on relevant topic areas and for new members.
6	Develop formal succession planning for Audit Committee members.	Improvement	2021	<i>Management Update:</i> S151 has discussed continuity of membership with Group leaders. Audit Committee membership reviewed during 2021/22 leading to a change in membership for the 2022/23 municipal year.	No	There continues to be a vacancy on the Audit Committee which needs to be filled and a succession plan developed.  Timescale for implementation – by 30 June 2023



# Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7	Introduce integrated reporting for financial and performance management.	Improvement	2021	<i>Management Progress Update:</i> Policy and Strategy and Hub structure approved and Head of Policy and Strategy appointed latter part of 2021/2022 with rest of structure being established/recruited to. Due to limited capacity, focus has been on Council Plan 2022-25 and We are Walsall 2040. Head of Finance and Policy and Strategy have agreed integrated reporting development is beneficial and is being planned in. Corporate Performance Management Framework also updated during 2021/22 and approved June 2022 by Cabinet.	No – but work is underway	The Council should fully implemented the identified steps to integrate financial and performance management reporting.  Timescale for implementation – 1 April 2024 onwards
8	Review the scope for use of benchmarking against other local authorities (where information is available) as part of quarterly or annual reporting.	Improvement	2021	<i>Management Progress Update:</i> Head of BI appointed. BI structure approved August 2022. Benchmarking data and reports used in individual services - Head of Finance and BI exploring use of available benchmarking data to ensure a consistent approach across the council. Intention to make more use of that in next budget setting round (2024/25).	No – but work is underway	Continuation of workstream.  Timescale for implementation – by 31 May 2023

# 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) 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 – Risks of significant weaknesses, our procedures and findings

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

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Financial sustainability was identified as a potential risk of significant weakness on the following basis:</p> <ul style="list-style-type: none"> <li>- The Council was forecasting achievement of financial plans for 2021/22, having agreed savings of £28.9m, and set a balanced budget for 2022/23 including £18.9m of identified savings. It had a Medium Term Financial Plan in place covering the period to the end of 2025/26.</li> <li>- The ongoing impact of COVID-19 and potential impacts on Adult Social Care, public health and income generation activities meant increased uncertainty over future funding and costs in the medium to long term.</li> </ul>	<p>We undertook detailed work on the financial arrangements of the Council to assess the risk of significant weakness. This included a detailed review of the Council's savings plans, savings delivery and financial forecasts.</p>	<p>Overall we were satisfied with the Council's approach to financial planning and savings delivery. Key to this is the PROUD scheme and the savings it has delivered for the Council.</p>	<p>Appropriate arrangements in place, no key recommendation raised and two improvement recommendations raised.</p>



# Appendix C – 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
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
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	Pages 11, 12, 20 and 21

# Appendix D - Key acronyms and abbreviations

The following acronyms and abbreviations have been used within this report

ASC – Adult Social Care

CAM – Customer Access and Management

SRR – Strategic Risk Register

MRF – Material Recycling Facility

SRL – Sherborne Recycling Limited

ASCOF – Adult Social Care Outcomes Framework

CIPFA/LASAAC – Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee

CSC – Children Social Care

STP – Service Transformation Plans

BRAG – Blue, Red, Amber, Green

CMT – Corporate Management Team

MRF – Material Recycling Facility

VFM – Value for Money

CCG – Clinical Commissioning Group

IA – Internal Audit



