

# Auditor's Annual Report on Walsall Council (DRAFT)

2022/23

November 2023



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the 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 those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive summary






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

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the 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 2022/23 is the third 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	2022/23 Auditor judgement on arrangements
Financial sustainability	No risks of significant weakness identified, but several improvement recommendations raised.	No significant weaknesses in arrangements identified, but improvement recommendations made to support the Council in improving arrangements for Adults and Children's Social Care financial sustainability challenges.
Governance	No risks of significant weakness identified	Our work did not identify any areas where we considered that key or improvement recommendations were required
Improving economy, efficiency and effectiveness	No risks of significant weakness identified, but several improvement recommendations raised.	No significant weaknesses in arrangements identified, but improvement recommendations made to support the Council in improving arrangements for performance monitoring, data and benchmarking, and procurement and commissioning.

	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.



## Financial sustainability

During 2022/23, the Council effectively identified and anticipated cost pressures due to the current macroeconomic challenges such as higher inflation. Walsall had a healthy level of reserves and a small overspend in 2022/23. Adult Social Care continues to pose financial challenges for the Council. The structural demand and inflationary pressures in this area have resulted in a current forecast significant overspend for Adult Social Care in 2023/24.

We have raised some improvement recommendations to support the Council in improving arrangements to meet the financial sustainability challenges facing Adults and Childrens Social Care.



## Governance

Our conclusion is that the Council has robust governance arrangements around risk management, and effective reporting mechanisms to Cabinet and the Audit Committee. Our work has not identified any evidence which leads us to conclude that there are weaknesses present, which require recommendations to be raised.



## Improving economy, efficiency and effectiveness

We acknowledge that there have been positive improvements in this area, but the Council is still in a transition period.

Our work has not identified evidence of significant weaknesses within the arrangements. However, we have identified several areas where the Council could make improvements and as such, have raised a number of recommendations. See pages 25-35 for more detail.



We have substantially completed our audit of your financial statements and plan to issue an unqualified audit opinion following the Audit Committee meeting on 20 November 2023. Our findings are set out in further detail on pages 37 to 39. We did not apply any of our additional audit powers and duties during the course of the audit, as set out on the following page.

# Use of auditor's powers

We bring the following matters to your attention:

2022/23

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.

## 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.

# 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 set out their arrangements, and report on 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 8 to 35.

# 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 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 council service areas, as well 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 the sector responds 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 issued 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, such as the Council's neighbour, Birmingham City Council.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor 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 senior 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.

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

# The current LG landscape



## Local context

Walsall Council was created on 1 April 1974 as part of a wider reorganisation of local government in England undertaken at that time. Walsall is a metropolitan borough in the West Midlands, and it is named after its largest town but covers a larger area which also includes Aldridge, Bloxwich, Brownhills, Darlaston, Pelsall and Willenhall. It is bounded on the west by the City of Wolverhampton, the south by the Metropolitan Borough of Sandwell, to the southeast by the City of Birmingham, and by the Staffordshire districts of Lichfield, Cannock Chase and South Staffordshire to the east, north and northwest, respectively. Most of the Borough is highly industrialised and densely populated, but areas around the north and east of the borough are open space.

The Council has in place a Leader and Cabinet system with Overview and Scrutiny Committees in place to review decisions and hold the Cabinet to account. Members are elected every four years, with 60 councillors currently elected. From the first election in 1973 the Council has alternated between Labour and Conservative control. The most recent election was in May 2023, and the Council has had a Conservative majority since 2019. As of 31 March 2023, the political composition of the Council was 38 Conservative, 20 Labour, 2 Independents. The constituents of Walsall voted to leave the EU (by 68% to 32%) in the June 2016 referendum.

The population size is estimated to be circa 284,000 (2021 census), which is a 5.5% increase since 2011. This is lower than the overall increase for England, where the population grew by 6.6% and lower than the average increase for the West Midlands which was 6.2%. Nearby areas like Sandwell and Birmingham have seen their populations increase by around 11.0% and 6.7%, respectively, while others such as Cannock Chase saw an increase of 3.1% and South Staffordshire saw smaller growth of 2.2%.

The Index of Multiple Deprivation ranks Walsall as the 25th most deprived English local authority, however within the locality there are variances of deprivation, with the most deprived areas located in the centre and west. Whilst 44 of the Walsall's 167 neighbourhoods are in the most deprived 10% in England, another 6 are in the least deprived 10%. In Walsall North, 1 in 3 adults are economically inactive compared to 1 in 5 nationally, with Walsall having some of the highest levels of welfare dependency in the country. There are high levels of child poverty which places additional demand on services, with Walsall ranked 14th on the Income Deprivation Affecting Children Index 2019.

Together with the NHS Black Country Integrated Care Board (ICB) and other partners, Walsall Council is focussed on agreed priorities of the Borough, as monitored through the local Health & Wellbeing Board. The Integrated Care Partnership has published the Black Country Integrated Care Strategy to provide a framework for integrated system level working to deal with collective challenges such as the social care system and workforce retention and recruitment issues. Since the 2022-23 financial year, there have been well-publicised issues in relation to Birmingham City Council, which may have future ramifications for the Black Country and West Midlands area, which we will return to in future reviews.

# 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 performance overview

Walsall Council has a history of good financial performance and has consistently demonstrated a track record of robust budget setting and delivery. In previous years, we have stated the Council's awareness to identify the drivers of cost pressures and its ability to mitigate those. These aptitudes have gained more importance due to the macroeconomic situation and the pressures that the public sector is facing nationally. Our work has revealed that the Council continues to take the appropriate steps to identify, monitor and mitigate these cost pressures. However, some of these pressures – especially around Adult Social Care – are increasingly concerning and may pose a threat to the financial sustainability of the Council in the medium-term if they are not mitigated.

## Financial performance in 2022/23

In the financial year 2022/23, the Council had an overall net revenue outturn of £138.08m against a budget of £138.43m, resulting in an underspend variance of £352k out of the gross revenue budget of £703.98m (0.05%). The year ended with a general reserves balance of £18.70m (2021/22: £19.19m) and total earmarked reserves of £188.75m (2021/22: £218.67m). Our review of the use of these reserves have highlighted they were used for their intended purpose. The largest related to Covid-19 grant reserve (£17.70m) for continuing pandemic related pressures.

The capital expenditure for the 2022/23 year totalled £95.45m – which is a 20% increase in respect of the £79.59m from 2021/22 – and was in a net break-even position after the re-profiling of £139.19m into 2023/24. During our work, it came to our attention that there had been a reprofiling of projects in previous years – including a carry forward amount of £153.31m in 2021/22 to 2022/23. Despite understanding the contextual difficulties around capital investment as a result of the macroeconomic conditions in recent years, we challenged management over the reasoning behind the reprofiling of certain capital projects, focusing on those who have been carried forward for more than one year.

Management explained that only three projects have been reprofiled for more than one year. Two of the projects have now been combined and relate to heating systems. They have been rescoped to be provided as a package to gain efficiencies in the delivery. The reason for the further delay in the implementation was due to the availability of new external decarbonisation funding. This project will initially be delivered with external funding first and the Council budgets have been re-phased into future years. The other reprofiled project relates to the installation of 35 electric vehicle charging points. This project is delivered in conjunction with four Black Country Councils, and the procurement and legal functions of the project have been completed jointly. The reason for the reprofiling has been due to delays in both processes. Based on the above, we believe that the reprofiling of these projects is adequate and does not pose a risk of a significant weaknesses regarding the monitoring of capital projects.

Although some element of slippage is expected – and taking into consideration that this levels of slippage are recurrent - £139m (59%) of the capital budget is high. We have noted that £77m of these are due to delays to external funding. Nevertheless, the Council needs to review their capital budgets to ensure they are accurate. Furthermore, we have raised a recommendation to drive further transparency to members on the reasons for slippage and encourage the Council to continue working to minimise the potential risks to service delivery due to delays in capital expenditure.

The Council's PROUD workstream continued in the financial year with £24.22m of savings budgeted for 2022/23. During the year, the Council fully delivered £16.67m and £7.55m were not fully achieved. These £7.55m are expected to be delivered in 2023/24. The Council also mitigated an additional £2.20m through alternate actions or service underspends during the year. Further details on savings and savings plans are given in the next pages of this report.

In terms of reserves, during 2022/23 the Council made use of £62.01m and transferred £32.22m to earmarked reserves.



# Financial sustainability

The use of reserves were partly driven by £17.70m on residual Covid-19 costs from the S31 Covid-19 Response Fund and other related grants carried forward from 2021/22. As of 1<sup>st</sup> of April 2023, the Council had a £18.70m general reserve balance, which was above the minimum threshold of £16.12m set by the s.151 officer.

The Council has effectively identified and anticipated cost pressures, in response to the current challenges created by the macroeconomic downturn. Out of the £32.22m of transfers to reserves, £7.96m relate to anticipated cost pressures resulting from the cost-of-living crisis and social care demand; £7.80m for council liabilities relating to pensions and business rates retention; and £4.85m to grants received in advance.

## Financial planning

We are satisfied with the evidence we have seen that supports the conclusion that the Council has robust arrangements for financial planning.

The Council prepared a balanced budget for 2023/24 and to the period of 2026/27, which allows a more strategic focus to savings, aligning Council finances more directly with the Council's Plan objectives. It is clear from the annual budget report that the Council has effectively considered all aspects of its funding settlement and the potential impacts of demographic and demand changes as part of its estimations. This includes estimation of Council Tax and NNDR receipts as well as the likelihood of the value of government funding in future years. We have not found any evidence that would indicate that the Council's financial plans are based on unrealistic assumptions.

Furthermore, the Council has demonstrated awareness that although it has a track record of adequately managing financial pressures, it is currently experiencing ongoing challenges in relation to the cost-of-living impact and contract management and third-party expenditure. However, these have been reported and where they are known and quantifiable, the financial impact of these have been included within the forecast position. As a result of the pressures, mitigating actions are being instigated, with responsibility being taken by individual services for action to address them, use of appropriate earmarked reserves, and other long-term arrangements.

Walsall has also demonstrated a good understanding of the funding shortfalls over the medium term and has identified a series of saving plans to bridge the funding gap. This is discussed in more detail in the subsequent section.

Moreover, both internal and external stakeholders are engaged in the design and implementation of saving plans through an extensive consultation process. This consultation ensures the alignment of the saving plans with both the Council objectives and also with the community needs.

## Financial outlook

Walsall Council set a balanced budget for 2023/24, which was approved by Cabinet and Council in February 2023. The approved budget confirmed a gross expenditure of £721.69m, estimated aggregate income of £577.52m, and hence a £144.16m of net expenditure for the year.

Furthermore, the 2023/24 budget identified a gap of £46.23m resulting from funding shortfall over the four-year period to 2026/27. This shortfall is planned to be addressed through savings, which for 2023/24 have been fully identified and amount to £15.71m. The Council will also need to deliver the £7.55m carried forward from saving plans in 2022/23, aiming to deliver an aggregate amount of £23.26m.

Walsall has a clear understanding and robust plans for bridging the forecast funding gap over the next 4 years. To achieve its savings, the Council established the PROUD programme which highlights the key areas of savings. Additionally, the corporate budget report shows how future savings will be achieved and how the Council plans on delivering these saving schemes. For 2023/24, PROUD work streams will continue to provide the 'enablers' to allow directorates to deliver their service transformation plans.

Nevertheless, the Q2 corporate financial report 2023/24, which provides a draft forecast year-end revenue position up to August 2023, highlighted a forecast service revenue overspend of £13.46m after service mitigating actions.

The report also highlighted that £9.30m of the savings were at high risk of not being delivered this year and proposed a series of mitigating actions to try and reverse this situation. This is mainly driven by the increased costs – primarily within Adult Social Care. These findings are a slight improvement to the position in June 2023. However, the Council has identified further risks around demand in Adult Social Care and Children Services that are at high risk of occurring that could further increase the overspend position by an estimated £10m.

# Financial sustainability

The opening earmarked reserves balance for 2023/24 was £188.75m. At August 2023, the Council's forecasting expected that this would reduce to £183.89m by the end of the 2023/24 financial year. This movement is driven by the use of £21.92m of reserves balanced by the expected transfer to reserves of £17.06m.

The Council's most recent financial reporting includes an appendix which details the use and transfer of reserves per directorate, providing detailed explanations. However, the Council has also highlighted that if mitigating actions particularly in relation to high-risk savings, are not achieved, the use of reserves will be required to balance the position.

Whilst there is no immediate risk of the exhaustion of general reserves, the failure to deliver approved savings and identify mitigating actions to address the underlying financial position hinders the Council's ability to plan for future financial sustainability and puts an additional pressure on 2024/25 and the medium-term position.

## Walsall PROUD Savings

The 2022/23 budget stated the need to achieve £18.86m of savings across the Council. There was a further £5.36m of savings approved to be carried forward for delivery from 2021/22, giving a total savings target figure of £24.22m due to be achieved in 2022/23. However, the Council only managed to fully deliver £16.67m (69%), and £7.55m was unachieved and carried forward to 2023/24.

Workstream	Delivered £m	Delayed £m	Total £m
Adult Social Care, Public Health & Hub	8.60	5.06	13.66
Children's, Education & Customer Engagement			
- Children's and Education	4.41	1.74	6.15
- Customer Engagement	0.62	0	0.62
Economy, Environment & Communities	1.55	0.43	1.98
Resources & Transformation	1.49	0.32	1.81
<b>Total</b>	<b>16.67</b>	<b>7.55</b>	<b>24.22</b>

Much of the underachievement in savings relates to the Adult Social Care (ASC) service lines (£5.06m), more specifically around Customer Access & Management (CAM), and Income Generation & Cost Recovery workstreams. The CAM value is driven by £1.8m of unachieved savings in ASC in relation to Older People Front Door, and £770k to the delay in efficiencies from the implementation of the Better Care Finance System.

The savings underachievement in Children Services relates to a delay in recruitment of social workers to reduce agency expenditure, and a disruption with the processes in place to reduce impact of placements. Despite not being able to achieve the savings target, the Council has taken steps in the right direction in our opinion and has started to implement our recommendation on developing full savings delivery plans in advance of the financial year, to ensure they are more achievable. This will allow the Council to have a clear detailed plan on how to deliver the proposed saving and monitor its performance, reducing the risk of under-achievements.

Walsall PROUD activity for 2023/24 includes £15.71m of savings with a further £7.55m carried forward from 2022/23, resulting in a figure of £23.26m to be achieved in the year. The Q2 financial monitoring report 2023/24 highlighted that £9.3m (40%) of savings are at high risk of not being delivered. These are concentrated mainly around ASC and CAM. These have been examined in depth by the Council's leadership team and mitigating plans have been put in place to deliver these savings by the end of 2024/25 financial year. For more details on the Adult Social Care plans to mitigate the non-delivered savings, please see the Adult Social Care section in the report.

Savings	Planned £m	Delivered £m	Mitigated £m	Carried forward £m	Percentage achieved (%)
Financial year 2022/23	£24.22	£16.67	£2.20	£7.55	69%
Financial year 2021/22	£28.90	£21.13	£2.93	£5.36	73%

# Financial sustainability

To address the delivery of savings, the Council has taken a series of actions to balance the non-delivery of approved savings during the year. These actions include the review and maximisation of grants, review of contract management arrangements to identify further efficiencies, bring forward any potential savings from 2024/25, re-phasing planned expenditure, among others. Furthermore, new oversight boards are being established to identify corporate areas for cost control and mitigating action development. It would be beneficial if as part of this work future savings plans could be reported as “recurrent” or “non-recurrent” to aid with understanding of benefits of each scheme. We have raised this as an improvement recommendation.

The Council has acknowledged that the delivery of savings is a key area in the financial sustainability of the authority and the importance to fully deliver their planned benefits scheme. Walsall has not been able to fully deliver their approved savings in the past years and 40% of the 2023/24 savings plan is currently forecast as unlikely to be achieved. However, the Council has created detailed mitigating and delivery plans for the carried forward savings to be delivered by the end of the 2024/25 financial year.

Although the evidence examined does not indicate a risk of significant weakness at the time of the audit, we would like to highlight the importance of the delivery and monitoring of savings plans, especially considering the increasing pressures in Adult Social Care. We will closely monitor the development of the mitigating actions and delivery plans for the Walsall PROUD Savings in the upcoming months.

## Financial risks and risk management

The Council has identified that the most significant risks to the financial sustainability of the authority are the cost-of-living inflationary impact on costs, the delay and non-delivery of approved savings, increasing numbers of service users (and hence increasing demand) and specifically, the numbers of service users and placement costs in Adult Social Care.

Risk management is embedded in Walsall’s budget monitoring and forecasting to help in promptly identifying potential variances and pressures. During the 2024/25 budget setting process, the Council has undertaken a review of the costs and income pressures within services. Walsall recognises the need to identify permanent reductions to the Council’s cost base to ensure a balanced budget going forward due to the on-going pressures – particularly around Adult Social Care.

## Adult Social Care

Councils are facing key challenges including:

- The lack of transparency in future funding;
- Increasing demand (and complexity of that demand) across all care cohorts (older persons, learning disability and mental health);
- Increasing prices charged by care providers (due to wider inflationary pressures, difficulties in recruiting care staff and the impacts of the Government’s recent Fair Cost of Care Exercise); and
- Lack of capacity to transform its services to meet the increasing challenges ahead.

As a result, Adult Social Care at the Council is one of the highest risk areas of performance. That risk has only increased further from 2021/22 and especially in the first few months of 2023/24.

At the end of 2022/23, the overspend in the Adult Social Care, Public Health and Hub directorates was £5m (after use of and transfer to earmarked reserves). Over 94% of that overspend came from one area: Demand Management. This relates to meeting the care needs of the Council’s service users. Those needs have increased both in terms of numbers of service users and the average weekly cost of each care package.

The additional costs associated with this increased demand would have been offset in full if all the planned savings in this directorate had been achieved. However, as highlighted on the previous page, only £8.60m of the total £13.66m was delivered with £5.06m of savings delayed to 2023/24. This equated to an under-delivery of 37%.

Recent under-delivery of savings in Adult Social Care is not unique to the Council. The challenges noted above have made it increasingly challenging for all Tier 1 councils to fully deliver all savings whilst managing increasing demand and inflationary pressures. However, in the short to medium term, if this trend of under-delivery of savings was to continue alongside demand and inflationary pressures, it would pose a significant risk to the overall financial sustainability of the Council.

# Financial sustainability

The result is the future financial sustainability of Adult Social Care into 2023-24 and beyond is challenging. Beyond the challenges noted above, the Council is having to grapple with continuing pressures on NHS budgets resulting in reduced funding contributions on some care packages at times as well as increased costs from discharging pressures from acute wards into residential and nursing care homes.

The continuing trend of more placements/packages combined with higher unit costs per placement/package that the Council has faced in recent years is unlikely to reduce in either the short or medium term.

This is all due to wider demographic trends in the Council area (an ageing population living longer with more complex health and social care needs), an increasing proportion of the Council's younger adults population presenting with complex mental health conditions and/or learning disability needs (many of whom are transitioning from Children's services) and care provider markets facing their own financial pressures due to wider inflationary pressures and workforce shortages resulting in material fee uplifts for the Council.

Medium to long term financial planning in Adult Social Care has also been constrained by wider sectoral uncertainty. This includes the delays to some Social Care Reforms (in particular, Charging Reform), the new CQC assurance framework for Adult Social Care and the rollout of Integrated Care Systems. The financial sustainability of demand led services, in particular Adult Social Care, continues to be identified by the Council as a key priority area of focus.

The result is that for 2023/24, the Council has provided additional gross investment of £13.05m to Adult Social Care resulting in a net budget of £73.67m. This factors in other base budget investments of £4.21m and savings to be achieved of £2.05m. This net budget of £73.67m contrasts with total net spend of £73.75m for 2022/23. There was no Adult Social Care precept applied to residents' council tax bills for 2023/24.

Despite this additional investment, the Council is currently (as at August 2023) forecasting an overspend of £12.71m in Adult Social Care for 2023/24. This is before planned use of and transfer to reserves and any further mitigating actions in-year which is currently forecast to reduce the overspend to £6.61m.

This material forecast overspend in Adult Social Care is being driven by a number of factors including:

- Lower attrition rate in service users exiting care (i.e., the Council is providing, or funding, care to service users for longer now on average).
- The outcomes of annual reviews of service users' needs (a statutory requirement) resulting in material increases. Historically, the outcome of these reviews would result in c.40% increasing, 30% staying the same and 30% decreasing. Since September 2022, there has been a significant shift whereby since April 2023, over 80% of these reviews are now resulting in an increase. Again, this is the result of many factors, but they include backlogs in knee and hip replacement surgeries, people discharged from hospital with higher needs than historically, dementia clinic backlogs and higher rates of carer breakdown post COVID pandemic.
- Negotiated fee uplifts to care providers following the Fair Cost of Care Exercise has resulted in a c.£7m increase in annual provider costs. The Council has received c.£2.3m from the Government from the Market Sustainability and Fair Cost of Care Fund to provide for these fee uplifts but the net result is the Council has a c.£4.7m net additional cost to fund.
- Whilst the number of young people transitioning from Children's services to Adult Social Care has remained steady, the average cost of each package has increased materially due to wider inflationary pressures and a shortage of value-for-money placements locally.

These are all structural demand and inflationary pressures resulting in the current forecast overspend in Adult Social Care. They are unlikely to reduce or stabilise materially in the short to medium term for the reasons previously noted in this report. However, it should be noted that the current forecast overspend in Adult Social Care assumes that the current pressures continue on their current trajectory and do not reduce or stabilise materially in 2023/24.

# Financial sustainability

The directorate does have a number of mitigating plans to better manage these pressures in the future including:

- The development of a community reablement service;<sup>1</sup>
- Better managing and developing the learning disability and mental health provider market to utilise supported living provision more effectively and reduce down costly voids;
- Increasing the transformation capacity within the senior leadership team in Adult Social Care; and
- Improving the level of funding received from Health partners on some health and social care placements.

However, the Directorate has advised that all these plans would neither fully mitigate the current forecast spend in 2023/24 nor meet the financial challenges going forward if demand and inflationary pressures in care markets continue on their current trajectory.

## Childrens Social Care

Councils are facing key challenges including:

- An increase in the number of Children-in-Care (CiC) or otherwise known as Looked After Children (LAC)). This is the result of wider societal challenges including increasing deprivation, domestic violence, substance misuse and mental health needs;
- Changing CiC placement mix to more expensive ones such as Independent Fostering Arrangements (IFA's) and external residential placements due to a net reduction in in-house foster carers and increase in young people's challenging behaviours;
- Significant increases in the weekly costs of external residential placements for CiC; and
- Increasing costs in SEND service delivery including SEN Transport.

As a result, Childrens Social Care at the Council is one of the highest risk areas of performance. That risk has only increased further from 2021/22 including in the first few months of 2023/24.

At the end of 2022/23, the overspend in the Children, Education and Customer Engagement directorate was £8.19m (after use of and transfer to earmarked reserves). Of that £8.19m overspend, £7.80m came from one area: increases in CiC placement spend.

This overspend was not primarily demand driven (i.e., there was no significant increase in the number of CiC in 2022/23). Indeed, there was a small drop-off: 661 placements at the beginning of the year to 651 placements in March 2023. It was driven by:

- Significant increases in the average weekly cost of IFA's and external residential placements; and
- The mix of CiC placements changing:
  - The number of in-house fostering placements fell by nearly 30;
  - The number of connected carer placements fell by nearly 20; and
  - The number of external residential placements increased by nearly 20 (which are by far the most expensive type of placement at c.£5,000 per week on average).

Further, as noted on page 10, there was an under-delivery of savings in this directorate of £1.74m.

As a result, for 2023/24, the Council has provided additional gross investment of £18.83m to the Directorate resulting in a net budget of £78.41m. This factors in other base budget investments of £0.24m and savings to be achieved of £3.41m.

Despite this additional investment, the Council is currently (as at August 2023) forecasting an overspend of £5.79m in Childrens Social Care (excluding Customer Engagement) for 2023/24. This is before planned use of and transfer to reserves and any further mitigating actions in-year which is currently forecast to reduce the overspend to £2.97m.

This material forecast overspend in Childrens Social Care is being driven by a number of factors including:

- Further increases in the average weekly cost of external residential placements to c.£5,500;
- Further increase in the number of IFA's compared to in-house fostering placements as well as the average weekly cost of IFA's increasing to over £1,000; and
- The profile of some CiC changing to an older mix with more complex needs resulting in the requirement for more external residential placements to meet those needs.

# Financial sustainability

Again, these are all structural demand and inflationary pressures resulting in the current forecast overspend in Childrens Social Care. They are unlikely to reduce or stabilise materially in the short to medium term. However, the directorate does have a number of mitigating plans to better manage these pressures in the future including:

- Increasing the capacity of in-house residential provision (compared to using external residential placements). The Council recently opened a fourth children's home with a fifth planned to be opened shortly;
- Increasing the net number of in-house foster carers (which is materially cheaper than using IFA's). The Council has invested in a series of marketing campaigns to better attract potential in-house foster carers and is currently recruiting more than they are losing per annum;
- Reduce the number of young people becoming CiC in the first place through improved social care practice and more effective targeting of Early Help resources in the first instance;
- Working with other West Midlands councils to refresh their external CiC placement framework to achieve better value-for-money placements; and
- More proactively looking to step down some CiC into alternative arrangements.

However, like with Adult Social Care, it is important to note that in the short to medium term, if these mitigating plans do not eliminate the recent trend of under-delivery of savings as well as stabilising and/or reducing current demand and inflationary pressures in Children's Social Care, it will pose a significant risk to the overall financial sustainability of the Council.

Finally, there was a joint local area SEND inspection by CQC and OFSTED<sup>2</sup> in June 2022 following an inspection in 2019 which identified nine areas of significant weakness. The 2022 inspection highlighted that the Council had made sufficient progress in seven of the nine areas. The two areas where sufficient progress had not been made were:

- Poor quality Education and Health Care<sup>3</sup> (EHC) plans, which do not accurately reflect children's and young people's special educational needs, and do not adhere to the statutory timescales for completion; and
- Poor quality of the Local Offer (the information directory that shows what provision is available locally for children and young people with SEND), which does not meet the requirement of the code of practice.

The Council advised that subsequent to the June 2022 inspection, further investment has been made in improving the quality of EHC plans as well as the local offer. The result is that the number of EHC plans has subsequently increased, the conversion of requests for an EHC plan has increased whilst complaints from families had reduced. However, both the increase in the number of EHC plans and the conversion rate is likely to put additional financial pressure on the High Needs Block of the Dedicated Schools Grant in 2023/24 and beyond.

## Conclusion

During 2022/23, the Council effectively identified and anticipated cost pressures, and in response to the current challenges created by the macroeconomic downturn. Walsall had a relatively healthy level of reserves and its budgetary overspend was minimum, in the circumstances. Furthermore, capital expenditure totalled £95.45m and was in a net break-even position after the reprofiling of some projects. In terms of savings, the Council managed to fully deliver £16.67m (69%) and £7.55m were unachieved and carried forward to 2023/24. These were mainly a result of the rising pressures around ASC and CSC.

The 2023/24 budget identified a gap of c£46.23m resulting from funding shortfall over the four-year period to 2026/27. This shortfall is planned to be addressed through savings, which for 2023/24 have been fully identified and amount to £23.26m. Nevertheless, the future of ASC is challenging. The structural demand and inflationary pressures have resulted in forecasting a net overspend of £6.61m in ASC for 2023/24. They are unlikely to reduce materially in the short to medium term. CSC are also experiencing structural demand and inflationary pressures resulting in further cost pressures for the authority.

Although the evidence examined does not indicate a risk of significant weakness at the time of the audit, we have raised some improvement recommendations to support the Council in improving arrangements for meeting Adult's and Children's Social care financial sustainability challenges.

Whilst there is no immediate risk of the exhaustion of general reserves, the failure to deliver approved savings and identify mitigating actions to address the underlying financial position hinders the Council's ability to plan for future financial sustainability and puts an additional pressure on 2024/25 and the medium-term position.

# Financial sustainability

## Budget setting process

The Corporate Budget Plan for 2023/24 to 2026/27 was presented at the February 2023 Cabinet meeting alongside other relevant financial strategies such as the Capital Strategy, the Flexible Use of Capital Receipts Strategy and the Treasury Management and Investment Strategy.

Within the Corporate Budget Plan, the budget setting approach is clearly detailed. The report states that the resources allocated, and budgets set are guided mainly by the Council Plan and the Medium-Term Financial Framework. This is highlighted by the 4-year approach in the current budget setting process, which allows a more strategic focus to savings, aligning council's finance more directly with the objectives. The budget approach is designed to provide a framework that ensures the successful delivery of the council's corporate vision and priorities and guarantees value for money in the delivery of outcomes.

When considering the allocation of resources, the Council examines the funding for the development of services that will be required and the need to either redirect existing resources or identify new sources of income. In doing so, Walsall considers alternative proposals and scenarios before the final version of the budget is agreed, and studies the reasoning behind the expenditure, the outcomes, and different scenarios to provide a more efficient service. The Council also reflects on methods of service delivery to achieve the best value for money, and the current structure and capacity.

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 internally approved by the Council. The Budget Consultation is governed by the Corporate Consultation Protocol which is best practice guidance followed by the Council. The focus of this documentation is to ensure that consultations are carried out in a fair and lawful manner so as to minimise the risk of judicial review. It is clear from our work that the Council prioritises stakeholder engagement and ensure the voices of service users are reflected in the reports which are provided to members for decision making purposes.

## Budgetary control

The Council has effective arrangements to monitor the budget throughout the financial year and address the key risks and pressures that arise in a timely manner. There are also adequate procedures to report these to those in charge with governance and effectively implement mitigating actions if required.

The Council's financial position and the progress against savings targets are reviewed by service areas and monthly narrative reports are produced. These are sent to CMT meetings to allow the discussion of variances and the specific circumstances to appropriately develop mitigating actions at both directorate and executive levels.

During the 2022/23 financial audit, Internal Audit conducted a review of the budgetary control and provided an overall finding of substantial assurance. The report explained that budget holders are trained in how to forecast and manage budgets with oversight from service line managers to reduce risks of overspends.

## Conclusion

Our work has not revealed evidence that would indicate a potential risk of significant weakness regarding financial governance. The Council has demonstrated robust processes during the budget setting process and budgetary control.

# Improvement recommendations

## Improvement Recommendation 1

The Council needs to drive further transparency to members on the reasons for slippage and encourage the Council to continue working to minimise the potential risks to service delivery due to delays in capital expenditure.

## Summary findings

Our work has revealed that the Council has reprofiled a total of £139.19m from their £234.64m of capital budget. Although some element of slippage is expected – and taking into consideration that this levels of slippage are recurrent - £139m (59%) of the capital budget is high. We have also noted that £77m of these are due to delays to external funding. Nevertheless, further transparency to members on the reasons for this slippage and a review of the capital budget is need to minimise the potential risk to service delivery due to delays in capital expenditure.

## Criteria impacted



Financial sustainability

## Auditor judgement

The total slippage on capital was of £139.19m, which is 59% of the capital budget. The high levels of slippage have been recurring (c67% slippage levels in 2021/22). As a result, we have concluded that a review of the capital budget is needed to ensure that the projects budgeted in the year are realistic. Furthermore, in the public available information there is no reasoning for the slippage. Further transparency is required to appropriately inform members on the motives behind these delays and to minimise risks of service delivery.

## Management comments

Finance had identified the need to fully review the profiling of the capital programme and during 2023/24 has undertaken that review. This indicated the need to amend the spend profile in line with the cash flow and key milestone forecasts (including procurement timelines, governance approval processes, etc) of the 2023/24 programme. A report was presented to Cabinet in July 2023 and £108.11m of project spend was rephased into 2024/25 and beyond, resulting in a revised capital programme for 2023/24 of £134.75m. This has allowed for a more accurate and transparent reporting of forecast spend within 2023/24 and future years. A narrative detailing the reason for the reprofiling per scheme was provided to Cabinet to aid decision making. Future reporting can then focus on actual capital slippage and the reasons for this. This improved reporting will be maintained on an ongoing basis.

## Lead officer

Head of Finance (Finance Business Partnering and ESS Projects)

Progressing the actions management has identified to address the recommendations made will 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 that external auditors can make is explained in Appendix B.



# Improvement recommendations

## Improvement Recommendation 2

The Council could improve understanding and transparency on savings plans by including information on whether savings figures are recurrent or non-recurrent. Whilst the savings reporting is detailed, it is not immediately clear which schemes will deliver savings as a one-off return and those which will have an impact year-on-year.

## Summary findings

Walsall PROUD activity for 2023/24 includes £15.71m of savings with a further £7.55m carried forward from 2022/23, resulting in a figure of £23.26m to be achieved in the year. The Council has acknowledged that the delivery of savings is a key area in the financial sustainability of the authority and the importance to fully deliver their planned benefits scheme. Walsall has not been able to fully deliver their approved savings in the past years and 40% of the 2023/24 savings plan is currently forecast as unlikely to be achieved. However, the Council has created detailed mitigating and delivery plans for the carried forward savings to be delivered by the end of the 2024/25 financial year. It would be beneficial if as part of this work future savings plans could be reported as “recurrent” or “non-recurrent” to aid with understanding of benefits of each scheme.

## Criteria impacted



Financial sustainability

## Auditor judgement

Walsall's savings plans and monitoring are clear and detailed. The Council have plans in place to mitigate against savings plans which are at “high risk” of not being achieved. However, in the reporting savings are not currently labelled as recurrent or non-recurrent. In the current financial environment, there can be an increasing reliance across the sector on non-recurrent savings. Whilst these non-recurrent savings can improve the authority's financial position in year, and are an important part of the overall financial picture, they do not fundamentally change the cost of running the Council and therefore cannot necessarily be repeated in subsequent years. It would be beneficial for members and local residents to be aware of the proportion of savings which fall into this category to help aid scrutiny and decision-making.

## Management comments

This will be made clearer in all reports. Immediate implementation.

## Lead officer

Head of Finance and Assurance

Progressing the actions management has identified to address the recommendations made will 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 that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 3

Adult Social Care needs to realign its medium to long term strategy and transformation plans to better meet increasing structural demand and inflationary pressures across many care cohorts to fit within the Council's overall budgetary position.

## Summary findings

Our work has revealed that the Council is facing a material forecast overspend in Adult Social Care in FY2023/24 resulting from increasing demand and inflationary pressures across many care cohorts. Even with the existing mitigations in place, or those being proposed currently, the Directorate has advised that these will neither fully mitigate the current forecast spend in 2023/24 nor meet the financial challenges going forward if demand and inflationary pressures in care markets continue on their current trajectory.

## Criteria impacted



Financial sustainability

## Auditor judgement

Adult Social Care costs and demand continues to exert significant pressure on the Council's finances.

Councils are facing key challenges including:

- The lack of transparency in future funding;
- Increasing demand (and complexity of that demand) across all care cohorts (older persons, learning disability and mental health);
- Increasing prices charged by care providers (due to wider inflationary pressures, difficulties in recruiting care staff and the impacts of the Government's recent Fair Cost of Care Exercise); and
- Lack of capacity to transform its services to meet the increasing challenges ahead.

As a result, Adult Social Care at the Council is one of the highest risk areas of performance. That risk has only increased further from 2021/22 and especially in the first few months of 2023/24. At the end of 2022/23, the overspend in the Adult Social Care, Public Health and Hub directorates was £5m (after use of and transfer to earmarked reserves). Recent under-delivery of savings in Adult Social Care is not unique to the Council. The challenges noted above have made it increasingly challenging for all Tier 1 councils to fully deliver all savings whilst managing increasing demand and inflationary pressures. However, in the short to medium term, if this trend of under-delivery of savings was to continue alongside demand and inflationary pressures, it would pose a significant risk to the overall financial sustainability of the Council.

## Management comments

ASC is in the process of reviewing the ASC Continuous improvement programme which will include updating the vision, strategy and key deliverables and programme documents. The new programme will be implemented by April 2024. The Continuous Improvement Programme will be split into two work streams, the first will be focussed on savings delivery activity with demand management as a key theme in that plan, the other focussed on processes, pathways and people that do not relate to a savings delivery. Projects within the savings delivery workstream will be consolidated and prioritised with clear updated plans, business cases and RAIDD logs in place. The Continuous Improvement programme will continue to report into the Walsall Proud Board. Investment is included in the MTFO to increase the Leadership capacity within the Directorate to support the delivery of savings in 2024/25.

## Lead officer

Director – Adult Social Care

# Improvement recommendations

## Improvement Recommendation 4

Children's Social Care needs to realign its medium to long term strategy and transformation plans to better meet increasing structural demand and inflationary pressures, especially within CiC, to fit within the Council's overall budgetary position.

## Summary findings

Our work has revealed that the Council is facing a material forecast overspend in Children's Social Care in FY2023/24 resulting primarily from significant increases in the average cost of CiC placements. Even with the existing mitigations in place, or those being proposed currently, the Directorate has advised that unless demand and inflationary pressures reduce or stabilise significantly, these pressures will result in greater financial sustainability challenges ahead.

## Criteria impacted



Financial sustainability

## Auditor judgement

At the end of 2022/23, the overspend in the Children, Education and Customer Engagement directorate was £8.19m (after use of and transfer to earmarked reserves). This overspend was not primarily demand driven but caused by significant increases in weekly costs. Despite additional investment, the Council is currently (as at August 2023) forecasting an overspend of £5.79m in Children's Social Care (excluding Customer Engagement) for 2023/24. This is before planned use of and transfer to reserves and any further mitigating actions in-year which is currently forecast to reduce the overspend to £2.97m. These are all structural demand and inflationary pressures resulting in the current forecast overspend in Children's Social Care. They are unlikely to reduce or stabilise materially in the short to medium term. Whilst, the directorate does have a number of mitigating plans, if these do not eliminate the recent trend of under-delivery of savings as well as stabilising and/or reducing current demand and inflationary pressures in Children's Social Care, it will pose a significant risk to the overall financial sustainability of the Council.

## Management comments

Walsall's Children's Services current cost pressures are in-line with the national picture and, although costs continue to increase, extensive work has been undertaken to effectively manage demand. On-going placement sufficiency issues continues to be the biggest challenge for the service, which has been further compromised by recent changes in legislation. Walsall's Placement Sufficiency Strategy has been updated in 2023, with a robust analysis of our children in care population. Service transformation plans are in place to mitigate against current pressures, these mitigations include increasing the number of in-house foster carers, expanding internal residential provision, expanding the Family Safeguarding Model to support children returning home and the development of an offer for adolescents with complex needs. We are also working with Impower who are conducting a 16 week diagnostic review focusing on placements for children in care and children subject to Education, Health and Care Plans with high needs. The service has identified cost benefits to be achieved through the delivery of service transformation plans and extensive work is underway in the service to prevent further pressures on the financial position and support the full delivery of all identified benefits. Walsall is working with West Midlands local authorities to review both the residential and foster care frameworks to enable us to commission more cost-effective placements. All this work will be incorporated into budget setting processes to ensure alignment between council plan priorities, forecast spend, resource allocation and the need for any further action to address any shortfalls in budgetary provision.

## Lead officer

Director Children's Social Work

Progressing the actions management has identified to address the recommendations made will 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 that external auditors can make is explained in Appendix B.

# 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.
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

## Overview

Governance is the system by which an organisation is controlled and operated and is the mechanism by which it and its staff are held to account. It works from Council meetings to the front line. Ethics, risk management, compliance, internal control and best practice are all elements of governance. Effective governance requires both clear and unambiguous structures and processes and effective working of people within these frameworks. Effective governance also requires an open culture that promotes transparency, a willingness to learn and improve, without fear of speaking up.

## Risk management

The Council has a Risk Management Strategy (RMS) in place which is designed to identify, evaluate, manage and mitigate the risks to the council delivering on its objectives. The RMS outlines the Council's Risk Management Cycle which includes the methodology to help support the following 5 stages: (I) Risk Identification, (II) Risk Analysis, (III) Prioritisation, (IV) Risk Management, and (V) Review/Monitor.

The RMS has been subject to an independent review and updated following the 2022/23 Internal Audit Plan by Mazars. The report provided the draft findings of a review of the current RMS and concluded that Walsall Council has in place a formalised and functional RMS, which is strongly supported by the creation and dissemination of consistent templates such as Risk Registers, and reporting to the Directorate Group, CMT and Audit Committee. There was also a consensus among stakeholders of a significant improvement over risk strategy, processes awareness and consistency over recent years.

However, the report identified some gaps and recommended the Council to define its risk appetite and for this update to include further details around horizon scanning, particular risk areas, communication and reporting. It also recommended that the strategy should expand on the definition of roles and responsibilities of Officers and Committees, and the creation of guidelines and risk management training for Officers below Senior Management level.

Management agreed to take these on board and an updated RMS will be presented and approved to the Audit Committee and Cabinet towards the end of the 2023/24 financial year.

The Council has a Strategic Risk Register (SRR) that is updated quarterly and reported to the Audit Committee on a quarterly basis.

The Strategic Risk Register summarises the key risks and scores them based on an assessment of each individual risk profile by analysing the impact and likelihood. This provides an overall view of the significance of the risk's threat to the achievement of the objectives. These are later multiplied to give an overall score which is used to help inform the response to the risk. Each risk is individually scored again after considering the listed internal controls and mitigations. Every risk has a target score and actions with specific timelines in order to achieve this target.

All employees are expected to understand the risks that relate to their role and play a part in reporting and managing these, they also must report on emerging risks on a timely manner. Each Directorate has in place a Risk Champion to provide support for staff in reporting and monitoring of risks.

# Governance

The Risk Champions also ensure the day to day running of the risk management processes. They report to the Executive Directors/Transformation Leads who ensure that risk management is implemented throughout their directorate and manage these as appropriate. They escalate risks as appropriate to the Corporate Management Team (CMT) and Strategic Risk Register as appropriate. The Chief Executive and CMT ensures that corporate risk register reflects the organisational risks of the Council and supports risk management throughout the organisation through review and development of the Risk Management Strategy. Cabinet must have regard for the risks faced by the Council through their decision-making processes. The Audit Committee (AC) have responsibility for risk management through review of the mechanisms for the assessment and management of risk and the review of regular reports on risk management which allows them to make decisions on appropriate mitigating action. They must seek assurances that action is taken on risk related issues identified by auditors and review effectiveness of key control strategies. Additionally, Internal Audit offer objective assurance on current risk management activity throughout the year.

As a result, we believe that there are robust governance arrangements around risk management in the Council, and effective reporting mechanisms to Cabinet and the Audit Committee.

## Internal Audit

The internal audit (IA) function has been outsourced to Mazars since 2016. Mazars services are designed to conform to the Public Sector Internal Audit Standards and their approach meets the requirements of the International Professional Practices Framework (IPPF). Mazars are a well-known internal auditor across the public sector.

The IA function provides a detailed plan for the year. In 2022/23, the plan was presented and approved by the Audit Committee in February 2022. The approach to the plan was risk-based and taking into consideration corporate priorities as well as the key strategic risks identified. The plan highlights three main areas of focus: (I) core financial systems, (II) operational risks, and (III) strategic risks. Within these areas of focus, the operational plan proposes 23 audit areas, and supported by 7 more audit areas. For each area, the IA Plan highlights the scope of work required, risk category, planned number of days to be spent on the work and the proposed quarter in which the work would be undertaken.

Once the IA plan is reported and approved, the IA function produces progress reports on a minimum of a quarterly basis to the Audit Committee. This gives the Audit Committee the opportunity to be provided with sufficient assurance that internal controls are operating effectively or not. Furthermore, it allows the opportunity to ask for further details in any of the audit areas of the operational plan, and to be flexible on the dates of the assurance work for any areas. The internal auditors also have fortnightly meetings with the Head of Finance and quarterly updates with the S151 officer.

At the end of the year, the IA function presents the Annual Report (IAAR) and their audit opinion for the year. This report covers the work undertaken for the year and incorporates the audit opinion on the adequacy and effectiveness of the council's framework of governance, risk management and internal controls.

The 2022/23 IAAR concludes that on the basis of the audit work performed, the opinion on the framework of governance, risk management, and control is Moderate in its overall adequacy and effectiveness, with some improvements required to enhance adequacy. Furthermore, the report stated that whilst weaknesses and exceptions were highlighted by the audit work, none of the reviews concluded with unsatisfactory assurance. The report highlighted ten areas with limited assurance, of which 4 were schools. The remaining areas were Temporary Accommodation; Climate Emergency Action Plan, Cross Council Collaboration for Savings Plans, Walsall PROUD Programme Adults CIP, Procurement and CADMUS – Family of Schools. We have inquired with IA on these and confirmed that the Council is in the process of addressing them.

The Climate Emergency Action Plan, Cross Council Collaboration for Savings Plans, Walsall PROUD Programme Adults CIP and Procurement issues have been addressed in more detail in the 3Es section of this report. For further information on CADMUS – please see next section of the report. We have closely monitored the progress made with regard to Temporary Accommodation and the Council are effectively working to address the recommendations raised.

Based on the review of relevant documentation and our conversation with the Head of Internal Audit, we consider the internal audit function to be adequate and effective.

# Governance

## Compliance with legislation

The internal audit team reported limited assurance regarding the audit of the CADMUS – family of schools. CADMUS is a federation of schools although each school has retained its own Governing Body. During the audit, a number of areas that required significant improvement in the control environment were identified, which resulted in 4 high priority recommendations which indicated weaknesses in governance, risk management and controls.

The ‘CADMUS Inclusive’ programme, is a commercial venture that provides support to schools and academies for their SEND, behaviour and exclusion needs. The questions raised by the internal audit report have been discussed with management and CADMUS leaders, with changes agreed and monitoring in place moving forward. This is in relation to compliance with the School Governance (Federations) (England) Regulations 2012. Members have been aware of the issue through internal audit reporting to the Audit Committee but we want to bring to members’ attention the risk of legislative and regulatory non-compliance in this area and the subsequent potential reputational risk. However, given the Council’s proactive response to address the issues, we recommend that officers closely monitor the development of this issue in the upcoming months, and reassess the impact. Internal audit has also included other school federations within its 2023/24 audit plan to understand if this is a wider issue. We will review this as part of our 2023/24 value for money work.

As part of our work, we have encountered various internal and external mechanisms are used to ensure the Council meets the necessary standards and legislative requirements. Our work has not identified any significant non-compliance with the Constitution, statutory requirements, or expected standards of behaviour – apart from the aforementioned issues with CADMUS. We have not found evidence of any serious data breaches at the Council.

Members and Officers are made aware of the appropriate standards of conduct and expectations on ethics and behaviours when they are inducted into the role, and they are provided with copies of the Constitution, Code of Conduct and other relevant HR policies.

Officer behaviour is monitored through the HR department. Member behaviour is monitored through the Standards Committee. The Monitoring Officer also has responsibilities in relation to compliance with laws and regulation and communication with employees in respect of ethical behaviour and conduct.

The functions of the Standards Committee are determined by statute and the Constitution. The Standards Committee has a role in ensuring and promoting good ethical conduct. The Constitution clearly sets out the role of officers and members, including the three main statutory posts of the Chief Finance Officer (S151 officer), Head of Paid Service and Monitoring Officer.

The Standards Committee has now taken oversight of member development to ensure that Elected Members undertake appropriate training to assist them in fulfilling the requirements of their role. This includes mandatory training for Committees dealing with planning and employment issues.

## Decision-making effectiveness

The Council’s decision-making processes are open and transparent. Through our review we have not identified evidence to indicate significant deficiencies in the underlying arrangements.

Major decisions such as the budget and the corporate plan are made by all councillors at Full Council. All councillors are members of Full Council. Councillors and the public, who are on the register of electors, may ask questions on any matter in relation to which the Council have powers or duties. Most decisions are taken by the Cabinet which is responsible for implementing budget, strategies and policies. The Cabinet is the main decision-making group, responsible for implementing the Council’s policies and budget. For all these decisions, reports on the topic under consideration are prepared for the Cabinet or Council, usually after review by one or more of the other sub-committees first. Members therefore can scrutinise the relevant reports at both this level if on the relevant sub-committee and at the Full Council meeting.

# Governance

The Council is engaged with and provides appropriate levels of scrutiny to external and internal audit. There is no evidence of serious and pervasive weaknesses in final accounts processes leading to material errors in draft accounts, failure to meet statutory reporting deadlines and/or a modified opinion on the financial statements. From the review of Audit Committee and Cabinet papers, and the discussions with the senior officers, we can see that there is appropriate 'tone from the top' regarding the decision-making process and respecting the principles of transparency, openness and ownership marked in the Constitution.

We have not found any indications of reactive or unlawful decision making that could have a negative impact, either financially, or reputationally.

## Consultations

Consultation with service users is an area that Walsall Council regularly undertakes. The Council engages well with service users through consultation processes, all of which are available on its website with clear and detailed information made available in order for stakeholders to make clear and informed comments on proposals.

Residents, service users, business ratepayers, employees' and their representatives, and other stakeholders are consulted on the budget setting process annually. An equality impact assessment is conducted both for individual service policies and organisational structure changes prior to submission of the budget to full Council for approval. The cumulative impact is assessed and actions arising from those assessments are implemented, and corporately monitored.

## Audit Committee

In previous years, we reported the need to improve several aspects within the Audit Committee for the Council to have an effective body that provided sufficient and adequate level of scrutiny, review and assurance. During the 2022/23 year, the Council has made significant improvement regarding the effectiveness of the Audit Committee.

The Council has implemented a training programme for members to ensure they are comfortable with the Committee topics and reports, focussed on improving continuity of members and high attendance at meetings.

This improvement has been reinforced by the conclusions of the January 2023 Local Government Association (LGA) Corporate Peer Review. The Council was subject to an independent review to examine the effectiveness of the Council's overall internal control environment and the Audit Committee's role in providing independent assurance. The report details that the LGA team 'heard particular praise for the Council's Audit Committee, and recognition for the contribution of the Chair in taking this forward over a number of years. This includes the effective use of a risk strategy, clear reporting of corporate risks, and constructive engagement with external audit. This continuity of Chair has been important to the Committee as there has been a level of churn in other Committee Members'. Furthermore, the report affirms the Audit Committee function was singled out as 'one of the strongest they have seen'. Overall, the report does not highlight any significant areas of improvement to bring to the attention of the Council.

Our conversations with the head of internal audit and other key members of personnel also brought to our attention the role and the relevance of the work completed by the independent chair of the committee. We have not found any evidence that would indicate gaps in the Audit Committee effectiveness.

# Governance

## Workforce and senior leadership team

The Council currently has an organisational development and workforce strategy that reflects the direction, priorities and risks that the authority is facing. Within those risks, there is special emphasis on recruitment and retention, and the need to attract younger employees across the organisation. The Council is currently undertaking a cultural transformation led by the Director of Human Resources. This transformation aims to make Walsall Council a more attractive place to work to effectively tackle the aging workforce and the recruitment and retention issues, which are a concern for many councils.

Furthermore, at the time of the audit, the Council is undergoing a period of change and has a number of interim directors in post. Our conversation with senior leadership confirmed that despite the high numbers of interims, there is a high level of continuity as they have been internally recruited. The rationale behind this system is twofold. Firstly, it provides the new Chief Executive flexibility in order to mould the senior leadership team and to adapt. Secondly, it responds to the increasing tendency at a national level in which Councils are having difficulties to secure recruitment at a senior level. At the current stage, we do not believe that the high number of interim positions at senior leadership team poses a risk of a significant weakness. Nevertheless, this will need to be monitored in the upcoming months, now the new Chief Executive has joined the authority.

## Climate change

Walsall has had a Climate Emergency Action Plan (CEAP) since 2020 which identified actions up to 2025 and focussed on Scope 1 greenhouse gas (GHG) emissions (direct emissions from owned/controlled sources) and Scope 2 GHG emissions (indirect emissions) from the generation of purchase energy.

During the 2022/23 year, the Council has taken a further step to increase its response to climate change. On 18 October 2022, a report was submitted to Cabinet regarding the CEAP where it was recommended that the council works with all relevant partners and stakeholders to make the borough carbon neutral by 2041 (in alignment with the West Midlands Combined Authority) and that a revised action plan be developed that delivers outcomes in pursuit of the Borough being carbon neutral by 2041 (previous target was 2050).

To ensure appropriate governance and controls framework, the Council established the Climate Change Task Force Group (CCTFG). It is comprised of senior staff members across the Council, including Heads of Service and Directors. These members meet quarterly and discuss progress on actions from the CEAP and other climate related initiatives at the Council. An annual report regarding progress will be submitted to Cabinet in December, along with an updated CEAP. In March 2023, Internal Audit issued a report regarding the effectiveness of the CEAP and the adequacy of the governance and control arrangements to ensure the successful delivery of the climate objectives. The IA opinion on the 'adequacy of system design' for the CEAP was limited assurance. The IA report recommendations were focused on the progress monitoring by the CMT of the actions within the CEAP, the ownership of actions, the necessity of a revised CEAP, the capacity to deliver and monitor these actions, and the need for a new climate change strategy.

In response to these findings, the Council has appointed a Climate Change Programme manager who will have responsibility for delivering the Council's climate change objectives. Furthermore, the Council has taken a series of actions to mitigate the risks identified by Internal Audit which include: (I) a full review of the terms of reference of the CCTFG to ensure consistent senior management buy-in with attendance to this group monitored; (II) the recruitment process of two new Net Zero Project Officers; (III) the establishment of a borough wide Climate and Environment Forum as part of the Walsall PROUD Partnership - first meeting took place on 26 January 2023 and Terms of Reference for this group are currently being developed; and (IV) a Climate Change Strategy is currently being drafted. This strategy will align with the 'We are Walsall 2040' Borough Plan and will be presented to Cabinet in December 2023.

As a result, we believe that the Council is doing all that could be expected at this stage, to establish robust arrangements around the monitoring and delivery of Climate Change objectives. We will monitor the development of the new strategy and new forum as part of the Walsall PROUD Partnership in future years.

## Conclusion

Based on the work performed, review of relevant documentation and conversations with key personnel in the Council, we have not identified any evidence that would indicate a potential risk of significant weakness in the governance arrangements within the Council.



# 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 information and monitoring

The Council uses a key priority framework and uses this framework to set the strategic intent to deliver outcomes and will help to inform key decisions. These were agreed by the Cabinet in 2019. In February 2022, Cabinet was presented and approved a new Council Plan that covered 2022-2025. This plan is a comprehensive document that sets out ambitions for the Council, the outcomes that will be achieved and explains how progress towards those outcomes will be measured.

The Council plan states five main priorities for the Council: (I) Economic; (II) People; (III) Internal Focus; (IV) Children; and (V) Communities. Furthermore, these priorities are supported by ten outcomes directly linked with each category (2 outcomes per category).

Progress against these outcomes is measured by utilisation of a series of 'markers of success' that enable the body to monitor the Council's performance in these areas and identify potential improvements needed. Each Marker of Success has an agreed baseline, the 'point zero' from which the year's outcomes will continue to be measured. Each quarter, a template questionnaire is completed by the named 'data owner', and signed off by a director, which then populates the Dashboard. Responsibility for reporting performance against the Council Plan from 2022/23 onwards lies with the Policy & Strategy Unit. This allows the teams across the Hub to work closely with services to develop an insightful understanding of performance to help drive the achievement of outcomes. These are reported on a quarterly basis to Cabinet.

Once analysed, Cabinet receives a report and detailed appendices including a performance reporting grid, a summary of the key achievements against each marker of success, and any potential identified interdependencies against each marker of success.

In prior years, we raised a recommendation with regard to the integration of financial and performance reporting to help with the identification of risks and financial sustainability.



# Improving economy, efficiency and effectiveness

The Council has made progress on this matter, presenting both financial and performance information at the same meetings, allowing members to undertake an overall review of the performance of the Council. Further development in this area is planned, with a full integration of the new performance system in the 2024/25 financial year.

Nevertheless, our conversation with key personnel showcased several areas that required improvement regarding performance monitoring and the use of benchmarking and data.

Although Walsall currently has a Council Plan with a set of priorities and markers of success, there are questions over the congruence of the current priorities set and their alignment with Walsall 2040 vision, and the ability of the markers of success to effectively monitor progress against the 2040 vision. We would like to highlight that the performance and data team are aware of this and are working on the development of a refreshed Council Plan that will go to Cabinet in the upcoming months. This refreshed plan will aim to reflect the 2040 vision and provide a performance monitoring framework aligned with the 2040 objectives. The January 2023 LGA Corporate Peer Challenge Report has also highlighted this issue. As a result, we have raised an improvement recommendation to ensure that the Council Plan is aligned to the long-term objectives of the organisation and the performance monitoring framework has key performance indicators (KPIs) that ensure the appropriate monitoring of the progress against these objectives.

Our work has also revealed that there is not a consistent process in place to ensure that the data reported is reliable and accurate. We have observed quality assurance arrangements in some directorates – mainly driven by the data team – but there are several instances in which there is a lack of assurance over the accuracy and reliability of the data reported from the directorates. Accurate and reliable data reporting is pivotal to effective decision-making. The reported data needs to reflect accurately the reality across the Council. Therefore, we recommend to establish a cross-directorate assurance mechanism to ensure that the data reported is accurate.

The Council also needs to improve its arrangements to benchmark costs and performance against comparable authorities to identify areas for improvement. Although the direction of travel on this regard has improved, our conversation with key officials showed that benchmarking is only used out of necessity rather than as a tool to identify areas of improvement or potential significant weaknesses.

We recognise that there have been recent efforts to increase the utilisation of benchmarking tools. However, at the moment, there is no consistency in the use of these to identify how Walsall compares with other authorities and it is not evident across all service areas that it is being regularly utilised as a tool for improvement. The main reason for this has been a general lack of capacity and the necessity to launch training across the different directorates on how to use and optimise these tools.

As a result, we have raised an improvement recommendation to reflect the use of benchmarking to improve the Council's performance. In order to do this, the Council needs to provide training to its staff to understand how to use the potential of these tools across the performance and data team, and the directorates.



# Improving economy, efficiency and effectiveness

## Partnership working

Walsall's Council Plan has a strong focus on continuing to build strong partnerships. The Council can effectively identify partners and works with them to transform shared strategies into action.

As part of the Black Country Integrated Care Partnership (ICP), Walsall and other partners are focussed on agreed priorities of the Borough. The ICP has published the Black Country Integrated Care Strategy to provide a framework for integrated system level working to deal with collective challenges such as the social care system and workforce retention and recruitment issues.

The January 2023 LGA Peer review highlighted there was evidence of effective partnerships in a number of service areas and a wider Council approach to working positively and collaboratively with others. This has been particularly noticeable in areas such as health and social care, the operation of seven integrated teams, OFSTED rating Children's services as 'good', and praise for the organisational focus and approach to addressing delayed transfers of care.

However, this report also highlights specific examples on how to improve the partnership model that Walsall has. The report recommended to focus on the opportunities to partner to deliver improvements following the next phase of WAW2040.

Furthermore, and despite the general view of the Council as a pragmatic and positive partner for other organisations, the report recommends Walsall to review the partnership governance arrangements to embed this alignment into formal structures, reduce duplication, and maximise collective efforts.

Based on the findings of our work, we have not identified any evidence that would indicate a risk of significant weakness in relation on how Walsall works with its partners.

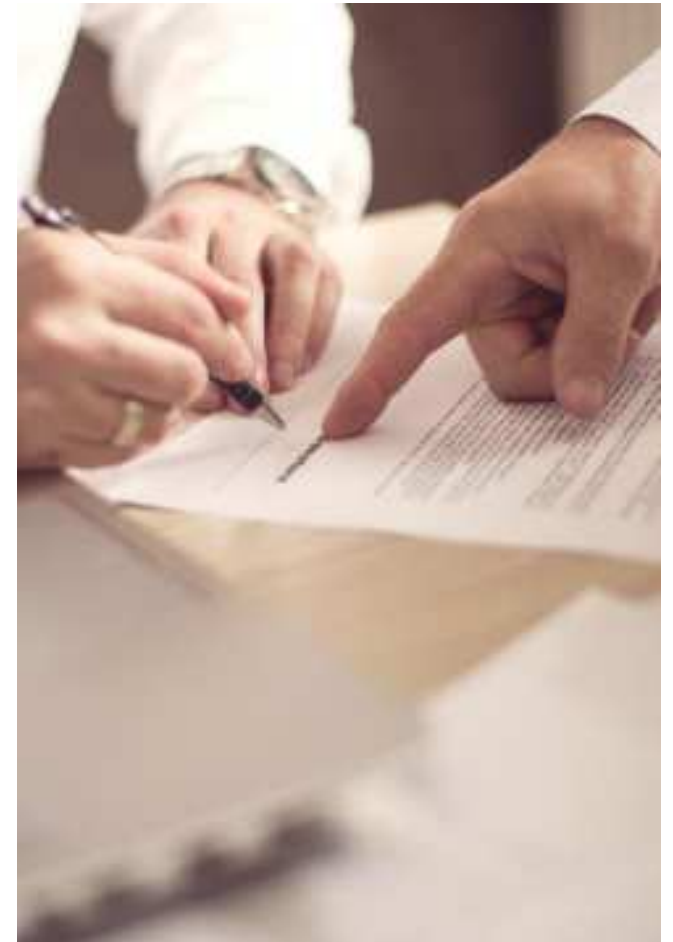
## Walsall Local Plan

In October 2022, a joint statement was released by the 4 local planning authorities in the Black Country announcing that the Black Country Plan was not going to proceed. As a result, the Council presented the Walsall Local Plan, which will provide the framework for the long-term planning of Walsall.

The Walsall Local Plan (WLP) forms the basis of decisions on planning applications and other matters relating to the use and development of land. It provides certainty for developers and protection for sites and buildings that are of value for environmental, economic and social reasons.

In November 2022, a document was presented to Cabinet that explained the function of the WLP and which included a detailed timetable for the development of the WLP. The Council has released a consultation to ensure that stakeholders' views are reflected in the plan as it will inform future Cabinet decisions.

We consider that the Council has appropriately addressed the need of a strategic plan to substitute the Black Country Plan. The WLP is on schedule and currently undertaking a consultation phase period and will be reviewed by the results will be reviewed by the Scrutiny Committee in the upcoming weeks. Hence, the Council is taking steps in the right direction, and we will monitor the development of this plan and its implementation in the upcoming months.



# Improving economy, efficiency and effectiveness

## Procurement and contract management

In previous years, we have reported the Council's need for improvement regarding the consistency and lack of guidance around procurement, contract management and commissioning.

Walsall's Commissioning, Procurement and Contract Management function (CPCM) was managed under the Hub in Adult Social Care. During 2022/23, it was meant to be restructured altogether. However, and following recommendations from both internal and external regulators, the Council reassessed its plans and split the procurement and contract management function - which is currently under the oversight of the S151 Officer and the interim Head of Procurement and Contract Management - and the commissioning function which will remain under the Hub.

The Council is currently in a transition period, with clear plans to design the new procurement and contract management team, but waiting to receive the input of the new Chief Executive who has very recently joined the authority. In the meantime, the Council has put interim arrangements in place to ensure adequate procurement and contract management procedures until the definitive structure is in place. Walsall is also setting up new governance bodies and extra layers of assurance to ensure a better functioning procurement and contract management function.

During 2022/23, the Council was subject to a commercial impact assessment, and most of the recommendations and deficiencies identified were related to procurement and contract management. Furthermore, Internal Audit provided limited assurance in its 2022/23 assessment of procurement. The IA report highlighted several deficiencies and provided 6 medium priority recommendations and 1 low recommendation. The main findings were on the lack of efficiency over the design of the procurement functionality in One Source, the contract register, and contract rules being outdated, a lack of record of contract waivers, among others.

The Council has taken a proactive approach on these findings and has started a programme to tackle the key recommendations of these reports. Measures within this programme include contract management improvements; delivery of social value of contracts; or value for money assessment for current contracts.

These key implementations are planned to be fully delivered by December 2023.

Management is also currently addressing the issues with the contract register. We will closely monitor the development of the contract register as this has been identified as a deficiency for multiple years.

The Council is also undertaking a process of centralisation of the monitoring and registering of contract waivers. As part of the restructuring, the Council has created a new workstream within the PROUD Programme named 'Third Party Spend'. This workstream will sit under the procurement and contract management function and their focus will be on proactivity towards contract management. An assurance board was created in April 2023 - Third Party Spend Board - which will oversee and monitor the performance of current contracts and create a contract pipeline to understand the contracts finishing in the next 6-12 months. This will allow the Council to identify which contracts may need to be renewed or reprocured, and study alternative delivery models and assess the value for money of the current provider. The Third Party Spend workstream will also own the waiver registry and the creation of a specific board for approval of waivers. Moreover, escalation mechanisms to CMT will be designed, and quarterly meetings with CMT will be held for transparency purposes.

Whilst we acknowledge that the Council is in a transition period and that progress is being made in these areas, there are still deficiencies regarding the state of the contract register which does not comply with the Local Government Transparency Code 2015, lack of control and monitoring on contract management, and a working centralised registry of contract waivers. Hence, although we recognise that the Council is taking the right steps to improve its governance and value for money arrangements in this area, we have raised a number of improvement recommendations.

# Improving economy, efficiency and effectiveness

## Conclusion

Walsall Council currently has a key priority framework and uses this framework to set the strategic intent to deliver outcomes and will help to inform key decisions. The Council Plan 2022-2025 is a comprehensive document that sets out ambitions for the Council, the outcomes that will be achieved and explains how progress towards those outcomes will be measured. However, there are questions over the congruence of the current priorities set and their alignment with Walsall 2040 vision. Although the Council is aware of this and is working on remediating it, we have raised an improvement recommendation to highlight the importance of developing new KPIs that are suitable to monitor progress against the long-term objectives of the authority.

Furthermore, our work has revealed that there is no consistency to ensuring that the data reported is reliable and accurate, which is fundamental to ensure effective decision-making. The reported data needs to reflect accurately the reality across the Council and the organisation should be assured this is the case. Therefore, we have raised an improvement recommendation to establish a cross-directorate assurance mechanism to ensure that the data reported is accurate.

The Council also needs to improve its arrangements in place to benchmarking costs and performance against comparable authorities to identify areas for improvement. Although there is a positive direction of travel in this area, benchmarking is only used out of necessity rather than as a tool to identify areas of improvement or potential significant weaknesses. We have raised an improvement recommendation to reflect the necessity of the use of benchmarking to improve the Council's performance.

Based on the findings of our work, we have not identified any evidence that would indicate a risk of significant weakness in relation to how Walsall works with its partners; and that the Council has appropriately addressed the need of a strategic plan to substitute the Block Country Plan. We will monitor the development of this plan and its implementation in the upcoming months,

The Council is currently in a transition period, with clear plans to design the new procurement and contract management team but awaiting the input of the new Chief Executive. In the meantime, the Council has put interim arrangements in place to ensure adequate procurement and contract management procedures until the definitive structure is in place. Walsall is also setting up new governance bodies and extra layers of assurance to ensure a better functioning procurement and contract management function.

Whilst we acknowledge that the Council is in a transition period and that progress is being made in these areas, there are still deficiencies regarding the state of the contract register, which does not comply with the Local Government Transparency Code 2015, lack of control and monitoring on contract management, and a working centralised registry of contract waivers. Hence, despite the Council taking the right steps to improve its governance and value for money arrangements in this area, we have raised a number of improvement recommendations.

# Improvement recommendations

## Improvement Recommendation 5

The Council Plan needs to align with the long-term objectives of the Council and the Walsall 2040 Vision. The performance monitoring framework and its critical markers of success should be designed to monitor performance against these long-term objectives.

## Summary findings

Our conversations with key personnel and review of documentation has illustrated that although there is an effective monitoring of performance against the Council Plan, this framework is misaligned with the long-term objectives of the Council. As a result, a review is needed to make sure that the markers of success also encompass the long-term objectives of the organisation.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Good performance management should focus on metrics which link back to the long-term objectives in order to identify progress towards these. If not linked to the Council Plan this can lead to “good” scores on targets, but without recognition of intended outcomes and how the numbers relate to outcomes and lives of local residents. Whilst the governance around performance management is in place, the metrics themselves should be reviewed to ensure they actively align with the Council’s long-term vision.

## Management comments

A new Council Plan is scheduled for development during 2024 to align with the Borough vision We are Walsall 2040 and ensure a coherent strategic framework for the Council that is aligned to an effective performance monitoring process. As a part of the Council Plan development, we will be reviewing and re-designing a new quarterly performance process. This includes ensuring a broader range of benchmarkable indicators to assess the internal health of the organisation, place, finance and service delivery as well as ensuring a more impactful process for quarterly performance discussions.

## Lead officer

Head of Policy and Strategy.

Progressing the actions management has identified to address the recommendations made will 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 that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 6

Walsall should establish a cross-directorate assurance mechanism to ensure that the data reported is accurate and reliable.

## Summary findings

Our work has also revealed that there is not a consistent process to ensure that data reported is reliable and accurate. We have observed quality assurance arrangements in some directorates – mainly driven by the data team – but there are several instances in which there is a lack of assurance over the accuracy and reliability of the data reported from the directorates.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Accurate and reliable data reporting is pivotal to effective decision-making. The reported data needs to reflect accurately the reality across the Council.

## Management comments

The Business Insights Service was established in January 2023, within the Corporate Hub. At this point, responsibility for reporting from a number of client level databases transferred into the Hub, along with existing data quality practices, some of which have been improved since. The BI service has engaged in a programme of data exploration across WMBC, working with services to better understand data recording and reporting requirements that are new to them. This programme includes exploration of data quality issues, and development of scorecards and reports designed to improve data quality. The existence of a corporate BI service provides the best opportunity to ensure a consistent approach to data quality. Work will continue through 2023/24.

The BI service is also charged with developing a corporate Data and Insights Strategy, within which data quality and data stewardship is a fundamental consideration. The Strategy will be completed by 31 December 2023 with implementation by 31 March 2025.

## Lead officer

Head of Business Insights

Progressing the actions management has identified to address the recommendations made will 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 that external auditors can make is explained in Appendix B.

# Improvement recommendations

## Improvement Recommendation 7

The Council should utilise the benchmarking tools available to identify areas for performance improvement and be consistent across directorates. Furthermore, the Council needs to provide training to its staff to understand the potential of these tools and how to use them.

## Summary findings

Our work has showcased that the Council needs to improve its arrangements in place to benchmark costs and performance against comparable authorities to identify areas for improvement. Although the direction of travel on this regard has improved, our conversation with key officials showed that benchmarking is only used out of necessity rather than as a tool to identify areas of improvement or potential significant weaknesses.

We would like to recognise that there have been recent efforts to increase the utilisation of benchmarking tools. However, at the moment, there is no consistency in the use of these to identify where Walsall is compared to other authorities and is not used for the identification of areas of improvement.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Effective benchmarking aims to both explain differences in performance and to help learn from the good practice and experience of others. Comparisons can aid in providing insights into strengths and areas which need more targeted focus. Identifying improvement areas is critical to understanding how to deliver better results for residents and stakeholders and benchmarking can help with this by understanding which authorities are performing well and understanding their potential solutions. Whilst benchmarking is currently in place, this could be utilised more proactively and effectively throughout the Council. This could be aided by more training for staff.

## Management comments

The new Council Plan quarterly performance process will be devised to have clear benchmarkable metrics and indicators, and we are keen to understand our performance against nearest neighbours and comparator authorities. BI include benchmarking data where available into Council performance and insight reports, particularly in high demand/cost areas such as ASC and CSC. BI are also developing VFM benchmarking tools (e.g. Grant Thornton tool) with service areas, with plan to strengthen their use in service planning and budget setting activity into the next financial year. Following the creation of a new Council Plan and quarterly performance process the Council's Corporate Performance Framework will be amended to ensure benchmarking is encapsulated strongly within.

## Lead officer

Head of Business Insights and Head of Finance and Assurance

Progressing the actions management has identified to address the recommendations made will 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 that external auditors can make is explained in Appendix B.



# Improvement recommendations

## Improvement Recommendation 8

The Council should create a new procurement strategy that appropriately reflects the new structure within the procurement and contract management function. It should also incorporate the role of the Third Party Spend workstream and the new assurance boards created.

## Summary findings

The work performed has shown that the Council is currently in a transition period in which the procurement and contract management function is being separated from commissioning. As a result the current procurement strategy does not reflect the Council's current way of working.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

As several new assurance bodies and workstreams are being incorporated into the new procurement and contract management function, the Council needs to create a new strategy that reflects the new reality of procurement and contract management of the Council. This will provide a strategic framework and detailed guide on how procurement and contract management will work in Walsall.

## Management comments

A draft strategy has been prepared and will be finalised upon confirmation of the structure of the Procurement & Contract Management (P&CM) team and will incorporate the continuous improvement work (commercial), the contract management classifications and the category management model as part of the new operating model for P&CM moving forward. This will be fully implemented by June 2024.

## Lead officer

Director of Finance, Corporate Landlord and Assurance

# Improvement recommendations

## Improvement Recommendation 9

The Council should have an up-to-date contract register that complies with the requirements of the Local Government Transparency Code 2015. The contract register should be continuously reviewed and monitored.

## Summary findings

The Internal Audit review of procurement highlighted that the contract register did not comply with the Local Government Transparency Code 2015. Our work has also showed that the contract register is not up to date and does not comply with legislation. Although we acknowledge that the Council has taken action to remedy this situation, at the time of the audit, it was not fully implemented. We will monitor the development of the new Contract Register in the upcoming months.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

Members and local people should be able to access the contracts register in a timely manner in order to aid understanding on how money is spent, and decisions are made. Fraud can thrive where decisions are not open to scrutiny and details of spending, contracts and service provision are hidden from view. Greater transparency, can be used as a tool to combat the risk of fraud. In order to comply with the Local Government Transparency Code 2015 the Council need to update and keep their contract register under regular review. This Code has been issued to meet the government's desire to increase democratic accountability, with transparency as the key foundation.

## Management comments

The contract register is now 80% digitised and is continually reviewed (daily) getting it more accurate and up to date every month and this is published in line with the transparency requirement monthly.

## Lead officer

Director of Finance, Corporate Landlord and Assurance

# Improvement recommendations

## Improvement Recommendation 10

The procurement and contract management team should maintain an up-to-date centralised record of waivers.

## Summary findings

The work performed has shown that the Council does not currently have a centralised record of waivers. This was also highlighted by the internal audit assessment on procurement. Walsall's leadership are aware and currently working to correct this. The procurement and contract management function have started to compile waivers and the Third Party Spend Board will oversee the centralised waivers record process. From January 2024, the Council is planning that any waiver requests will need to be approved through the TPSB.

## Criteria impacted



Improving economy, efficiency and effectiveness

## Auditor judgement

During 2022/23, internal audit highlighted several deficiencies within procurement including a lack of record of contract waivers. The use of a waiver function is an important facility, and when it used in an appropriate manner it can allow the council to achieve value and efficiencies therefore supporting the achievement of value for money. The risk is that if waiver forms are not completed in a timely, accurately or complete manner this could prevent achievement of value for money. By collating a register of waivers, the Council can gain assurance that processes have been followed and appropriately authorised.

## Management comments

Third Party Spend Board now receives all waivers and breaches for oversight, the procurement team holds these centrally and provides CMT and Statutory officers a summary of these each quarter.

## Lead officer

Director of Finance, Corporate Landlord and Assurance.

# Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1 The Council should ensure that all saving delivery plans are fully developed in advance of the finance year beginning. It should also consider reprofiling identified savings in areas that are under-resourced (for example ASC), to ensure they are achievable.	Improvement	March 2023	The recommendation has been addressed and is being actively implemented by the Council. Detailed saving plans are being prepared and developed as part of the 2024/25 budget setting process.	Yes	No.
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.	Improvement	March 2023	The Council has incorporated alternative indicators as part of the indicators of success, especially around customer engagement, economic inefficiency and value for money. Resources are being prioritised to support the delivery of transformation programmes.	Yes	No
3 The Council needs to ensure consistency across the organisation 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.	Improvement	March 2023	The Council addressed our recommendation, and it is currently in a transition period. The Contact management, Procurement and Commissioning function has been redesigned and has been separated. Although there has been some progress made, we have raised new improvement recommendations to better reflect the new reality of the Council.	Partly addressed	Yes – see recommendations 7, 8, and 9
4 The Council should introduce integrated reporting for financial and performance management to support with the identification of risks around financial sustainability.	Improvement	March 2023	The Council accepted the recommendation and as per their timescale for implementation, full integration of new performance reporting system will be ready for April 2024. However, the Council have incorporated financial and non-financial reporting into the same Cabinet and CMT meetings to provide a more holistic view and help identify risks around financial sustainability.	Yes – partly addressed	Yes – to be monitored

# 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 2023 and of its expenditure and income for the year then ended.
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23.
- 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.
- 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

We plan to issue an unqualified opinion on the Council's financial statements.

The full opinion will be included in the Council's Annual Financial Report for 2022/23, which will be available from the Council's website.

Further information on our audit of the financial statements is set out overleaf.



# Opinion on the financial statements



## Timescale for the audit of the financial statements

- We issued our Audit Plan on 25 September and presented it to the Audit Committee.
- Our planning work was undertaken in March 2023, with fieldwork taking place from July.
- The Council provided draft financial statements in line with the national timetable of 30 May 2023.
- During the course of the audit both your finance team and our audit team faced audit challenges again this year, such as cover for sickness absence and access to key audit evidence.
- The opinion on the financial statements has not yet been issued, but we plan to issue an unqualified opinion following the Audit Committee on 20 November 2023.

## Findings from the audit of the financial statements

We completed the following work in relation to significant risks of material misstatement in the financial statements:

- Presumed risk of management override of controls  
We evaluated the design effectiveness of the Council's controls around journal entries, analysed the journals population and tested those that were deemed to be of highest risk, and assessed the reasonableness of the estimates and judgements made by management in the financial statements.
- Valuation of land and buildings and surplus assets  
We identified a number of assets that had valuation movements outside our expectations. We agreed the valuer's assumptions to supporting evidence and are satisfied that these were not unreasonable, subject to finalisation. We also tested a selection of the residual population, to ensure the source data that underpins the valuations is accurate.
- Valuation of net pension liability  
We undertook procedures to confirm the reasonableness of the actuarial assumptions made by the Council's actuary and assessed the accuracy and completeness of the data provided by the Council to the actuary to estimate the liabilities. We were also required to undertake audit procedures on the latest triennial valuation of the West Midlands Pension Fund.

Although at the time of writing this report our work is subject to finalisation, no significant matters have been identified through the above to date, and no significant adjustments have been made to the financial statements as a result of the audit.

More detailed findings are set out in our Audit Findings Report, which was presented to the Council's Audit Committee on 20 November 2023. Requests for this Audit Findings Report should be directed to the Council.



# Other reporting requirements



## Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Audit Committee on 20 November 2023.

## Whole of Government Accounts

To support the audit of the Whole of Government Accounts, we are required to examine and report on the consistency of the Council's consolidation schedules with their audited financial statements. No specified procedures were required under the group audit instructions issued by the National Audit Office, as the Council does not exceed the threshold specified by the NAO. We will issue our Assurance Statement when we provide our opinion on the accounts.



# 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	N/A
Key	The NAO Code of Audit Practice requires that where auditors 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'.	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	16-19, 30-35

# Appendix C:

## Sources of evidence



### Staff involved

- Deborah Hindson, Interim Chief Executive
- Shaun Darcy, Director of Finance, Corporate Landlord and Assurance (S151 Officer)
- Anthony Cox, Director of Governance and Monitoring Officer
- Vicky Buckley, Head of Finance and Assurance (Deputy S151 Officer)
- Karen Griffiths, Head of Policy & Strategy
- James Thomas, Interim Head of Service Business Insights
- Sarah Knowles, Internal Audit Manager
- Michele Leith, Director of HR, OD and Administration & Business Support
- Kerrie Allward, Executive Director of Adult Social Care, Public Health, and Hub
- Colleen Male, Interim Executive Director: Childrens and Customer



### Key Documents Reviewed

- Annual Review of Effectiveness of the System of Internal Control and Annual Governance Statement 2022-23
- Audit Committee Role, Remit and Work Programme 2023-24
- Black Country Plan - Walsall Local Plan
- Constitution
- Corporate Budget Plan – 2022-23
- Corporate Financial Performance
- Corporate Peer Challenge Report
- Council Corporate Budget Plan 2023-24
- Council Plan 2022 – 2025
- Council Plan Markers of Success Q4 22-23
- Counter Fraud and Corruption Arrangements
- Draft Revenue Budget and Draft Capital Programme 2023-24 2026-27
- Early Help Strategy
- Internal Audit Annual Report and Head of Internal Audit Opinion 2022-23



### Key Documents Reviewed

- Internal Audit – Limited Assurance report
- Internal Audit Work Plan and Charter 2022-23
- Internal Audit Progress Report 2023-24
- Medium Term Financial Strategy
- Ofsted - COC - Send Inspection Walsall - June 2022
- Pre-Audit Outturn 2022-23 Procurement and contract management strategy
- Climate Action Plan
- Review of the Effectiveness of the Audit Committee
- Risk Management Strategy
- Strategic Risk Register Report
- Walsall PROUD Programme
- Walsall Statement of Accounts 2022-23
- Walsall - Summary of Children's Services
- We Are Walsall 2040 Borough Plan



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