

Interim Auditor's Annual Report on City of Wolverhampton Council

2022/23

January 2024



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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. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2021/22 Auditor judgement on arrangements	2022/23 Risk assessment	2022/23 Auditor judgement on arrangements
Financial sustainability	 No significant weaknesses in arrangements identified, but three improvement recommendations made.	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but two improvement recommendations made.
Governance	 No significant weaknesses in arrangements identified or improvement recommendation made.	No risks of significant weakness identified	 No significant weaknesses in arrangements identified but one improvement recommendation raised.
Improving economy, efficiency and effectiveness	 No significant weaknesses in arrangements identified, but three improvement recommendations made.	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but one improvement recommendation made.

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

Executive summary



Financial sustainability

The Council enjoyed strong financial performance in 2022/23, finishing the year within budget with a £1.7m contribution to General Fund reserves. The Council maintained its general reserves balance at 5% net revenue expenditure which is in line with best practice.

The Council is currently forecasting a £1m overspend for 2023/24 primarily driven by children's social care, temporary accommodation pressures alongside pressures in Residents' Services. Work is ongoing to identify mitigating actions to enable the Council to finish with a year-end within budget position.

The Council has a strong history of delivery of savings. Savings delivery is tracked in the budget monitoring reports which are presented quarterly. We raise an updated improvement recommendation to support greater clarity of reporting. Additionally, there is risk in the Council's medium term position. A large proportion of the Council's savings are one-off in nature, though this is a position very much in common with other local authorities. This means that new savings are needing to be identified every year and the one-off savings are built back into the budget as well as undelivered savings, placing additional pressure on the medium term gap. We have raised an improvement recommendation on this.

With regard to the medium term, the Council is undoubtedly in a comparably strong position. The Council has a sensible level of reserves to call on to service the revenue budget. However the level of reserves would not be enough, in isolation, to plug the medium term gap if that were necessary. The current level of reserves provides time for the Council to make difficult decisions, about future budget reduction opportunities, in a strategic and well managed way, over the medium term. If the Council doesn't adopt that strategic approach they will exhaust reserves very quickly, i.e. if no savings were delivered (which is extremely unlikely).

The Council is still in the process of identifying savings to balance the 2024/25 and medium term positions. We acknowledge the risk that this poses to reserves but we rest assurance on the Council's previously strong history of identifying savings and delivering balanced budget position. We acknowledge that the Council is typically prudent and manages budgets effectively.

The Council has strong budget setting and budgetary control arrangements in place.



Governance

The Council has arrangements in place to identify strategic risks, understand them, record them within the risk management system and assess/score them. These arrangements were in place during 2022/23.

The Council has an effective internal audit service in place. This was in place during 2022/23. There was a change in the structure of the service as the Head of internal Audit post was previously shared with Sandwell Council. From August 2023, the arrangement with Sandwell was terminated and a full-time head of service was recruited. Internal audit concluded a reasonable assurance audit opinion for 2022/23. This means that the Council has adequate and effective governance, risk management and internal control processes. This is the equivalent of an unqualified opinion and the highest level of assurance available to Audit Services. We raise an improvement recommendation relating to external assessment for compliance with PSIAS.

The Council has effective Audit & Risk Committee arrangements in place. This is further demonstrated by a high level of compliance with CIPFA's guidance in *Audit Committees: Practical Guidance for Local Authorities and Police (2022)*.

The Council has arrangements in place to monitor compliance with legislation and regulatory standards and to communicate to its staff what behaviours are expected of them.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

Executive summary



Improving economy, efficiency and effectiveness

The Council has a strong culture of reporting key performance indicators (including outcomes) in place. The Our City Our Plan is refreshed every year and the performance indicators are reported to Cabinet quarterly and also to Scrutiny Board. During 2022-2023, the Council reported on performance against Our City: Our Plan priorities in a performance and financial integrated report. There are 49 indicators across the Our City: Our Plan priorities. Of the 49 indicators, the Council reported 40 saw either improved or sustained performance. This demonstrates a strong level of performance.

The Council have an effective procurement function in place. Procurement is guided by the procurement strategy. The Council is in the process of improving Contract Management with the Contract Management Lifecycle Project currently underway. This was partly instigated by the anticipated changes to procurement legislation. The procurement function does not currently report on Key Performance Indicators (KPI) at committee level. The Council is exploring opportunities to report on KPIs and we have reviewed a draft suite of KPIs in development. We raise an improvement recommendation for the Council to consider reporting on a suite of KPIs that can demonstrate the value the procurement function brings to the overall organisation as well as providing an indication of the nature of the procurement activity, for example, number and value of waivers to the Contract Procedure Rules in any given period.

The Council has strong partnership arrangements in place. The Council takes a proactive approach to partnership working and identifying potential stakeholders to engage with. An example of a partnership strategy is the Education, Skills and Employment Strategy launched in 2023.



The Civic Halls Refurbishment

As part of the 2021/22 Value for Money work we undertook a specific review of the Civic Halls refurbishment project. We identified a risk of significant weakness on the basis of the high-profile nature of the project, the challenges it faced and the cost of the programme. Our work concluded that there were not any significant weaknesses in the Council's arrangements associated with the delivery of this project. At the point of concluding this work the Civic Halls had been handed over to the operator and was scheduled to open for events in June 2023. We stated in our conclusion that we would continue to monitor the conclusion of the construction stage and the ongoing legal proceedings as part of our Value for Money work.

Based on our follow-up review of the Civic Halls refurbishment project we continue to be assured that the Council has effective arrangements in place to protect its interests with regards to ongoing legal proceedings. We have not identified any risk of significant weakness.



The West Midlands Pension Fund

The Council has appropriate arrangements in place with respect to the West Midlands Pension Fund, of which City of Wolverhampton Council is the administering authority.



Financial Statements opinion

The 2022/23 audit is still in progress.

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
<p>Statutory recommendations</p> <p>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.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public Interest Report</p> <p>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.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>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.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>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:</p> <ul style="list-style-type: none"> • 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. 	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>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.</p>	<p>We did not make an application for judicial review.</p>

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

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

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

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 26.

The current local government 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 laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. 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 local government landscape (continued)



Local context

City of Wolverhampton Council is the governing body of the City of Wolverhampton, England. It was previously known as Wolverhampton Metropolitan Borough Council (WMBC) prior to the award of city status in 2000, and also as Wolverhampton City Council before adopting the "City of Wolverhampton" branding in 2015.

The Council has a Leader and Cabinet model of executive arrangements, with each Cabinet Member having political responsibility for assigned service areas. The Council has a total of 60 Councillors. City of Wolverhampton Council is elected by thirds, which means that a third of councillors are elected every year over a four year cycle (with no elections in the fourth year).

As stated in the 2022/23 accounts, Wolverhampton is one of the most densely populated local authority areas in England with 263,727 residents living within its 26.8 square miles boundaries. The latest Indices of Deprivation (2019) show that levels of deprivation in Wolverhampton have fallen since 2015, a change from the 17th most deprived in 2015 to 24th most deprived in 2019 (1 = worst). Wolverhampton is also nationally ranked 19th for Employment deprivation, 42nd for Education deprivation with child poverty levels at 29.1%. Data shows that deprivation in the City is concentrated in a number of 'hot spots.'

Wolverhampton's population is projected to increase by 13% (approximately 32,375 residents) between 2021 and 2043. The City has an ethnically diverse population with 43.3% of residents being of non-white British heritage. Although Wolverhampton has a younger age than the average in England, projections show that the 65+ age group is predicted to grow by 34.2% between 2021 and 2043 compared to the 0-15 population which is only predicted to grow by 1.2%.

Wolverhampton's business base is growing. More businesses were established in the West Midlands during 2022 than in any previous year to date – making it one of the UK's most successful regions. Wolverhampton noted the fourth highest number of new businesses in the region with 3,754 during 2022. The City of Wolverhampton sits right at the heart of one of the UK's largest pools of skilled labour – 323,000 people live in the City's travel to work area.

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.

2022/23 financial performance

In 2022/23, the Council was still feeling the impacts of COVID-19 although the funding from government to meet the costs ceased. We note that there were additional pressures in adult social care, children's services, budget costs, inflation, interest rates, the impact of Brexit and supply chain issues. It is clear that councils were facing a difficult national backdrop against which to make decisions to ensure future financial sustainability.

The Local Government Finance Settlement was a one-year settlement for 2022/23 only. This increased the challenge for the Council to make credible assumptions against which to base budgets.

The Council set a balanced budget for 2022/23 with a net budget requirement of £267.2m without planned use of general reserves. The Council voted to increase Council Tax by 2.99% which incorporated the 1% in relation to Adult Social Care which was the maximum amount permissible without a referendum.

The Council's general reserves balance stood at £13.7m at 2022/23 budget setting which was approximately 5% of the net budget which is in line with recommended best practice.

The Council transferred £4m of its 2021/22 underspend to a specific reserve to support the budget strategy for 2022/23. At 2022/23 budget setting, the Council proposed that £1m of this reserve be set aside to support the 2022/23 budget and £3m set aside to support the 2023/24 budget.

The Council also built in the use of applying capital receipts flexibly to support revenue transformation into the 2022/23 budget. This was originally proposed to be £5m but was reduced to £3m at 2022/23 budget setting.

The Council finished 2022/23 within budget after meeting the costs of redundancy and pension strain. At 2022/23 budget setting, the Council set a target of £11.017m savings (budget reductions, income generation or efficiencies). The favourable outturn position of the Council meant that those targets not delivered in full by the original means were offset by other underspends. The Council keep existing savings targets already built into the budget and MTFS under constant review and if they are considered not to be deliverable then it adjusts the MTFS to reflect this. The appendix of the outturn report details savings and their delivery at year-end. We address the Council's reporting of savings on page 13 and in improvement recommendation 2.

The Council was able to contribute £1.7m to the General Fund reserves balance, increasing the balance to £15.3m to ensure it maintains 5% of the net budget for 2023/24. This was approved by Cabinet on 22 February 2023.

The Council did not end up using the £3m capital receipts to fund revenue transformation. Capital receipts were used to finance capital expenditure, thereby mitigating the need for borrowing.

2023/24 financial performance

The Local Government Finance Settlement 2023/24 was challenging but more generous than most authorities were expecting. The Spending Review total for local government increased by £1.6 billion in 2022/23 and in 2023/24 the Review stated that this would be the same 'cash' level as 2022/23. Though the impact of COVID on Council finances has reduced significantly, the current predicted high inflation rates and cost of living crisis has increased pressure on Council budgets.

Financial sustainability

Inflation, in particular, is presenting as a considerable cost pressure in 2023/24 budgets impacting Council costs. The funding settlement for Wolverhampton showed an increase of 10% in core spending power.

The Council set a net budget requirement for 2023/24 of £306.4m for General Fund services without the use of general reserves. The 2023/24 budget included an increase of 4.99% for Council Tax which incorporated the 2% in relation to Adult Social Care which was the maximum amount permissible without a referendum.

The budget included a £1.7m transfer from the Budget Strategy Reserve to the General Fund reserve in order to ensure it maintains the 5% of net revenue budget threshold in line with good practice.

The 2023/24 budget included a net savings target of £1.107m. The Council is monitoring delivery against this in the budget monitoring reports. There are recurrent savings of £8.6m, included in this are total efficiency targets of £6.2m which were held corporately at the time of budget setting. The Council is continuing work to allocate this target based on underspends and efficiencies in 2022/23. The Council notes that £4.2m of this target is one off in nature. The £1.107m is reflective of the reversal of one-off savings being added back in the subsequent year and, to a lesser extent, the removal of savings failed to be delivered in previous years. The Council includes in the budget monitoring reports a table (Table 1) which notes the progress on the savings. Our commentary on savings reporting is on page 13 and improvement recommendation 2.

As reported in the Council's latest budget monitoring report to November 2023 Cabinet, the Council is forecasting a £1m overspend against the 2023/24 budget. Work is ongoing to identify ways to reduce the pressure and bring the budget back into line. The current overspend position is after accounting for the use of £2.5m of the Future Years Budget Strategy Reserve.

The Council's general reserves balance stood at £15.3m at the end of 2022/23. This reserve, however, is not the only reserve that the Council is able to call on to manage risks associated with the revenue budget. The Council also have earmarked reserves which can be used to service revenue budget deficits. The Council's Future Years Budget Strategy Reserve stood at £11.5m as at 31 March 2023. There is also the Budget Contingency Reserve which was £5.6m at the end of 2022/23 and the Re-organisation Reserve which was £5.9m. These reserves are earmarked reserves that the Council has put aside to fund the revenue budget.

The Re-organisation Reserve has been delineated as the reserve that will fund redundancies so this reserve can service overspends if redundancies or re-organisation is a contributing factor to the overspend. It is important to note that these reserves have been self-allocated by the Council and are not bound by law or any grant conditions. Therefore, should the Council find itself in financial difficulty, there is the option of repurposing these reserves to fund general revenue budget pressures.

	As at 31 March 2023
	£m
General reserves balance	15.3
Future Years Budget Strategy Reserve	11.5
Budget Contingency Reserve	5.6
Re-organisation Reserve	5.9
Total	38.3

Table 1: Reserves available to service the revenue budget

Source: 2022/23 outturn report

The reserves position therefore demonstrates that, even if the overspend position materialises, the Council has enough reserves to be able to call on to comfortably finish the financial year with a sufficient level of reserves to weather future financial difficulties in the short term. This is not to undermine the importance of maintaining a healthy level of reserves and not to diminish the reserves balance to an unsustainable degree. Key to this is the identification and delivery of savings.

Financial sustainability

2024/25 financial planning

In October 2023, the Council presented its second and latest draft budget for 2024/25 to Cabinet. In this document, the Council detailed that it is still forecasting a budget deficit of £2.6m for 2024/25, meaning that the Council will still need to identify £2.6m of savings/efficiencies in order to close the gap. The current 2024/25 budget is forecasting £3.6m of savings and the need to use £3.2m of reserves. See Table 2 below. This leaves £2.6m of the budget gap for 2024/25 which remains unaccounted for. The default position is to assume that, if savings are not identified before the end of the year, that the Council will need to fill this gap through reserves.

As previously documented, the Council's reserves are in a robust position. If the Council had to meet the £2.6m of the budget gap from its reserve balance this wouldn't put the Council in a perilous financial position in the short term. This provides time for the Council to make difficult decisions, about future budget reduction opportunities, in a strategic and well managed way, over the medium term.

	2024/25
	£m
Total Expenditure	338.2
Total Income	(325.6)
Budget Gap	12.6
Savings	6.8
Approved planned use of reserves	3.2
Remainder of gap left to fund	2.6

Table 2: 2024/25 Budget Gap

Source: Draft Budget 2024-2025 and Medium Term Financial Strategy

The medium term

The Council has acknowledged that the medium-term financial plan and outlook beyond 2023/24 remains uncertain. In an atmosphere of political and international uncertainty, economic challenges such as high inflation, increased interest rates, lack of clarity on future financial settlements and the long-term impact of greater service demand, authorities are tasked with the difficult duty of demonstrating a resilient and sustainable position from which to weather shocks.

The Council has a medium term financial strategy (MTFS). The MTFS was agreed at the 1 March 2023 meeting of Full Council.

As per the budget presented in February 2023, the Council are forecasting a £24m cumulative budget gap over the medium term (to 2025/26). The budget gap can be defined as the difference between the estimates cost of services, net of fees, charges and rents and the estimated resources available from taxation and government. A budget gap can be closed by identifying cost savings and efficiencies, generating increased income or funding, developing cost avoidance strategies (e.g. preventative or demand management strategies) or by cutting or reducing services to the statutory minimum requirement.

The table overleaf (Table 3) shows the Council's forecast medium term gap based on the February 2023 iteration of the medium term financial plan. The Council can close the budget gap by identifying and delivering savings and using reserves. It is important to note that this is before the October 2023 update to the 2024/25 budget, so the figures for 2024/25 do not reflect the most up to date position.

The Council plans to identify as much savings as possible in order to reduce the reliance on reserves. The Council therefore does not plan to actually use the reserves laid out in the table, the intention is to identify savings. As is evident by the table, the Council focus is on balancing the budget for the forthcoming year (year one of the MTFS). Given the increasingly uncertain economic and political wider environment and lack of direction on central government funding, balancing successive years becomes increasingly difficult due to the variability in the assumptions the Council uses and the effort to remain prudent. We therefore support the Council's strategy.

Financial sustainability

The Council has robust and adequate reserves in the context of the level of the medium term forecast budget gap. This is a position that is becoming increasingly uncommon due to the difficulties facing the local government sector and is a credit to the Authority's judicious and prudent financial management.

	2023/24	2024/25	2025/26
	£m	£m	£m
Total Expenditure	307.5	325.6	340.0
Total Income	(306.4)	(316.4)	(316.1)
Budget Gap	1.1	9.2	23.9
Savings	(1.1)	7.2	(0.9)
Default use of reserves	0.0	16.4	23.1

Table 3: The medium term budget gap

Source: 2023-2024 Budget and Medium Term Financial Strategy 2023-2024 - 2025-2026

The positive balance in 2024/25 for savings reflects that a number of savings proposals for the prior year (2023/24) are one-off and are therefore reversed out the following year. Since this budget report, the Council have been able to identify additional savings for 2024/25 as is demonstrated on page 14.

While the Council is in a stronger position than many others in the sector currently, there are still risks associated with the medium term position. A significant sum of the Council's savings are non-recurrent in nature, this means that they are only taking the organisation into the next year and not providing any security for the medium term. This is further represented by the fact that the Council focuses on balancing year one of the MTFP as it becomes increasingly difficult to identify savings further down the line.

The Council has also not had a perfect history in terms of savings delivery – there have been savings that have been deleted due to failure to deliver or the emergence of pressures resulting in a failure to deliver. The Council recognises these risks and demonstrates this by the 'RED' RAG rating for the overall level of risk associated with the Draft 2024/25 budget and Medium-Term Financial Strategy.

We raise an improvement recommendation encouraging the Council to prioritise identifying savings at the earliest possible opportunity, to focus on identifying recurrent savings which are allocated to service lines and not held corporately and to ensure the maintenance of the general reserves balance. We do not consider this to be an unusual position for local authorities to be in given the current climate but nonetheless want to emphasise the importance of these measures in their relation to the financial sustainability of the Council.

In our 2021/22 report, we raised an improvement recommendation surrounding greater clarity of reporting in savings. We acknowledge that the Council has made progress in this area and there is clear evidence of effort to implement our recommendation. Despite this progress, we believe further efforts are necessary to ensure the spirit of the recommendation is captured and we therefore raise a further improvement recommendation. We encourage the Council to include a forecast level of savings delivery in the budget monitoring reports to highlight to users of the reports the likelihood of delivery and the level of assurance in the Council's savings plans. At present, it is difficult for users to understand whether the savings identified at the start of the year at budget setting were based on robust assumptions as the Council does not provide clarity on the development of those savings. In the reports, there is commentary on each of the savings but, in our opinion, it is somewhat vague. For example, commentary might state that a particular saving may be achievable 'in part' but does not indicate whether this is 10% or 90% chance of deliverability. Greater clarity in this area would enhance the utility of the reports.

Capital

The Council approved the Capital Programme 2022-2023 to 2026-2027 on 1 March 2023 at full Council. The General Fund capital programme for 2022/23 was approved at £97.474m. The capital programme reflects the priorities of the Strategic Asset Management Plan.

As per the outturn report for 2022/23, the Council recorded £67.6m, which represents £69.3% of its original budget.

Financial sustainability

Council capital programmes across the country are being highly impacted by working restrictions, procurement delays, supply chain issues, public consultation, funding and financing considerations and potential planning permission submissions. Compared to many of the other local authorities we work with, this level of delivery against budget is positive to note.

Budget setting

A sound budget is essential to ensure effective financial control in any organisation and the preparation of the annual budget is a key activity at every council. The budget and council tax is required to be approved by full Council prior to the start of the new financial year.

The City of Wolverhampton Council met this deadline by approving the budget for 2023/24 on 1 March 2023 therefore complying with its statutory responsibility.

The Council keeps its medium term financial strategy (MTFS) under regular and continuous review. For example, an update to the MTFP was presented to the October 2023 Cabinet, updating the MTFP for the 2024/25 budget position we get closer to the 2024/25 financial year and the Council is identifying further savings and efficiencies to incorporate into the budget.

Councillors decide the Council's overall policies and set the budget each year. The Cabinet makes decisions in line with the Council's overall policies and budget. As detailed in the City of Wolverhampton Constitution, if the Cabinet wishes to make decisions outside the budget or policy framework, it must be referred to Full Council to decide.

The Council uses the Financial Strategy, which was approved by Council in March 2019, to guide financial management. The strategy consists of five core principles:

- Focusing on Core Business: giving focus on activities that deliver the outcomes that local people need and which align to the Council Plan
- Promoting Independence and Wellbeing: enabling local people to live independently by unlocking capacity within communities to provide an effective and supportive environment

- Delivering Inclusive Economic Growth: continuing to drive investment in the City to create future economic and employment opportunities
- Balancing Risk: ensuring decisions are based on evidence, data and customer insight
- Commercialising the Approach: boosting social value in the city by maximizing local procurement spend with people and businesses.

There is evidence of strong internal and external engagement in the budget setting processes. Assumptions around demand and information on cost pressures are compiled by the Directorates alongside finance colleagues where they are incorporated into the budget. Members are involved in the identification of savings and savings proposals are approved alongside the Council's budget and MTFP at full Council.

Over the last thirteen years of budget setting processes, the Council has been able to identify budget reductions in the region of £240m. This serves as an example of the effectiveness of the Council's budget setting process and general approach to financial management.

Budgetary control

Once the financial year has started, the Council monitors actual spend and income against the approved budget. This is primarily undertaken monthly by budget holders with elected members receiving reports highlighting specific issues or concerns on a regular basis.

During 2022/23, the Cabinet received budget monitoring reports in the form of the joint 'Performance and Budget Monitoring' reports. The outturn for 2021/22 was presented in June 2022. Reports for 2022/23 were presented quarterly with the final outturn report being presented in July 2023.

The City of Wolverhampton has a strong record of financial management that has put the Council in a better position than most to weather the current and future wider economic outlook. There is an effective framework of financial accountability that is understood and applied throughout the organisation. This was further evidenced during 2022/23 when, at quarter 1, the Council was forecasting a £5.4m overspend for the year. This was reduced to £1.5m at the next report. The Council finished 2022/23 within budget, demonstrating the ability of management to act on the information presented in the budget reports regarding adverse variances and being able to implement mitigations to bring the budget in line.

Financial sustainability

There is clear evidence of integration of non-financial information with financial information. The Council provide an integrated finance, performance and risk report in the organisation's reporting arrangements. In this way, Members can consider all three factors simultaneously. An example is the November 2023 Cabinet report. The Council also report integrated finance and performance reports against Our City Our Plan priorities.

There is evidence of the Council's approach reaping benefits, over a number of years and across a number of services, the Council has been able to deliver savings/efficiencies without impacting on the delivery of Council priorities.

Conclusion

The Council enjoyed strong financial performance in 2022/23, finishing the year within budget with a contribution to reserves. The Council maintained its general reserves balance at 5% net revenue expenditure which is in line with best practice.

The Council is currently forecasting a £1m overspend for 2023/24 primarily driven by children's social care, temporary accommodation and pressures in Residents' Services. Work is ongoing to identify mitigating actions to enable a year-end within budget position.

The Council has a strong history of delivery of savings. Savings delivery is tracked in the budget monitoring reports which are presented quarterly. We raise an improvement recommendation to support greater clarity of reporting. Additionally, there is risk in the Council's medium term position. A large proportion of the Council's savings are one-off in nature, though this is a position very much in common with other local authorities. This means that new savings are needing to be identified every year and the one-off savings are built back into the budget as well as undelivered savings, placing additional pressure on the medium term gap. We have raised an improving recommendation on this.

It is important to note the Council's reserves position is robust and adequate in the context. However, the Council should not become complacent given the risk and volatility of the medium term position. We also note that the overall signs are that the Council are coping with the current economic challenges comparatively well.



Improvement recommendations

This recommendation is an update to improvement recommendation 1 in the 2021/22 report:

Improvement Recommendation 1

The Council should prioritise:

- identifying savings for the medium term at the earliest possible opportunity,
- focusing on identifying recurrent savings which are allocated to service lines and budget holders and not held corporately
- ensuring savings are supported by robust quality impact assessments.

Summary findings

While the Council is in a stronger position than many others in the sector currently, there are still risks associated with the medium term position. A significant sum of the Council's savings are non-recurrent in nature, this means that they are only taking the organisation into the next year and not providing any security for the medium term. This is further represented by the fact that the Council focuses on balancing year one of the MTFP as it becomes increasingly difficult to identify savings further down the line. The Council has also not had a perfect history in terms of savings delivery – there have been savings that have been deleted due to failure to deliver or the emergence of pressures resulting in a failure to deliver. The Council recognise these risks and demonstrate this by the 'RED' RAG rating for the overall level of risk associated with the Draft 2024/25 budget and Medium-Term Financial Strategy.

We raise an improvement recommendation encouraging the local authority to prioritise identifying savings at the earliest possible opportunity, to focus on identifying recurrent savings which are allocated to service lines and not held corporately and ensure the maintenance of the general reserves balance. We do not consider this to be an unusual position for local authorities to be in given the current climate but nonetheless want to emphasise the importance of these measures in their relation to the financial sustainability of the Council.

Criteria impacted

Financial sustainability 

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed, the Council will continue to prioritise the identification of recurrent savings.

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

This recommendation is an update to improvement recommendation 2 in the 2021/22 report:

The Council should consider including in the budget monitoring reports a savings delivery forecast for that particular year which gives an indication of the proportion of savings likely to be delivered in the financial year. For example, the savings forecast can take the form of a RAG-rated tracker or a percentage.

Summary findings

In our 2021/22 report, we raised an improvement recommendation surrounding greater clarity of reporting in savings. We encourage the Council to include a forecast level of savings delivery in the budget monitoring reports to highlight to users of the reports the likelihood of delivery and the level of assurance in the Council's savings plans. At present, it is difficult for users to understand whether the savings identified at the start of the year at budget setting were based on robust assumptions as the Council does not provide clarity on the development of those savings. In the reports, there is commentary on each of the savings but it is vague. For example, commentary might state that a particular saving may be achievable 'in part' but does not indicate whether this is 10% or 90% chance of deliverability. Greater clarity in this area would enhance the utility of the reports.

Criteria impacted

Financial sustainability 

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed, the Council will build on the improvements made to further develop the reporting of savings delivery.

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.

Risk management

The Council has arrangements in place to identify strategic risks, understand them, record them within the risk management system and assess/score them. These arrangements were in place during 2022/23. Risk management is guided by the Risk Management Framework. A copy of the current framework was presented to the November 2023 Audit & Risk Committee.

The framework sets out the approach to risk management. It is aligned to Our City Our Plan. The framework is reviewed on annual basis to take into account environmental changes, changes in the Council's risk appetite and to ensure compliance with best practice. The framework aims to encourage the Council to maintain a system to identify, assess, prioritise and manage risks facing the Council (at all levels - from strategic to operational, including its work with partners and on individual projects). The framework includes the Council's risk appetite and risk scoring system. At Wolverhampton, risks are scored using a 5 by 5 matrix approach rating the likelihood of materialisation against the impact of the risk materialising from 1 to 5. The cumulative score can be plotted to identify whether risks should be Red, Amber or Green.

The Strategic Risk Register (SRR) is updated and reported on a regular basis to the Senior Executive Board (SEB), Cabinet and Audit & Risk Committee. Cabinet receives quarterly integrated performance, budget and risk monitoring reports updated against Our City: Our Plan priorities, these in turn are taken to and debated at the Council's Overview and Scrutiny Committee (the Scrutiny Board). In addition to the Strategic Risk Register, Cabinet receives updates on the main budgetary risk facing the Council.

The main risks facing the Council, as with other local authorities are the uncertainties around the future funding streams, impact of demand on statutory services, and inflationary pressures due to the 'cost of living' crisis. SEB regularly review the budget and medium-term financial strategy which incorporates potential known financial risks facing the council.

In September 2023, internal audit stated when presenting the Strategic Risk Register that there had been a refresh exercise performed of the SRR with the SEB. In November 2023, the Strategic Risk Register was presented to Audit & Risk Committee. The register has been refreshed and reviewed by SEB. As a result of this review, 17 new risks have been added to the register (including nationally publicised risks such as equal pay, reinforced autoclaved aerated concrete (RAAC) etc.). This takes the number of risks from 15 to 32 risks. The wording of the risks has been reviewed to ensure they accurately reflect what the Council can control. The report stated 'Although the number of risks has increased from 15 risks to 32 risks this should not be viewed negatively. Having a detailed risk register shows the Council are a mature and transparent organisation in terms of the way it manages their risks. Having an effective risk management process in place demonstrates strong governance. By identifying new and emerging risks on the horizon the Council can ensure that early mitigations can be put in place to manage risks effectively.'

We re-iterate that, while this seems to be a sizeable number of risks, the Council has a rationale behind the reason for including this number of risks and there is approach to discussing the risks through deep dives into a few risks. This approach ensures that risk scrutiny is not diluted due to the large number of risks.

Governance

We do not have concerns that the number of risks is indicative of any type of weakness at the Authority but rather demonstrative of a sound approach to risk management.

The new and refreshed strategic risk register from November 2023 has some presentational changes. A detailed scoring breakdown of the current and target scores (likelihood and impact scores) has now been included. A rationale has now been provided to explain how the target score has been determined. A new summary sheet has been provided at the front of the register to give a high level view of risks, per portfolio holder. This also provides details of the scoring criteria used to determine the risks.

Internal audit

The Council has an effective internal audit service in place. This was in place during 2022/23. Internal audit serves an important function as the main independence source of assurance on all internal controls. Internal audit is central to the Council's framework of assurance and is required to acquire an understanding of the Council's risks and overall control environment.

There was a change in the structure of the service as the Head of Internal Audit post was previously shared with Sandwell Council. From August 2023, the arrangement with Sandwell was terminated and a full-time head of service was recruited. The Council continue to monitor this change in arrangement and provide assurance for a smooth transition.

Internal audit concluded a reasonable assurance audit opinion for 2022/23. This means that the Council has adequate and effective governance, risk management and internal control processes. This is the equivalent of an unqualified opinion and the highest level of assurance available to Audit Services. As stated in paragraph 1.3 "In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes."

The Audit & Risk Committee reviewed and updated the Committee's Terms of Reference in order to ensure it remained fit for purpose in 22/23. Internal audit monitor the implementation of previous key recommendations and any major issues of concern relating to their non-implementation is reported to the Audit & Risk Committee. No limited assurance audit reports reported as at 25 September 2023.

Internal audit is required to be externally assessed for compliance with PSIAS every 5 years. We queried with internal audit to ask when they were last externally assessed for compliance with PSIAS.

We were informed that the last time they were assessed was five years ago. We therefore raise an improvement recommendation reminding/encouraging the authority to seek external assessment for compliance with PSIAS. It is worth noting that the internal audit service do perform a self-assessment for compliance with PSIAS and found themselves to be compliant for 2022/23.

Audit & Risk Committee

The purpose of the Audit & Risk Committee is to provide an independent and high level focus on the adequacy of governance, risk and control arrangements at the Council. The Committee provides independent scrutiny of the authority's financial and nonfinancial performance to the extent that it affects the authority's exposure to risk and weakness the control environment and to oversee the financial reporting process.

We recognise that since the May 2023 elections the make-up of the Committee has changed. We make these comments irrespective of the individual make-up of the Committee but rather of the structure and operation of the Audit & Risk Committee.

There are no statutory requirements that determine the composition of audit committees. The Audit & Risk Committee at City of Wolverhampton Council is comprised of eight councillors and two independent members. CIPFA's recommendation in *Audit Committees: Practical Guidance for Local Authorities and Police* (2022) is authorities should strive to have no more than eight elected members. The Council is therefore meeting this recommendation of best practice. CIPFA recognises that committees of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group.

CIPFA guidance emphasises the importance of the separation of executive roles and the membership of the audit committee. Where an authority has a cabinet system of governance, as at City of Wolverhampton Council, including a member of the cabinet on the committee is discouraged. We have compared the membership of the Audit & Risk Committee with the members of the Executive to ensure a clear separation. We can confirm that no members of the Executive are also members of the Audit & Risk Committee, in line with the guidance.

Governance

CIPFA guidance and the Redmond Review (2020) recommend the committee includes two co-opted independent members. City of Wolverhampton Council has two independent members, in line guidance.

To discharge its responsibilities effectively, CIPFA guidance recommends the committee meet at least four times a year. During 2022/23, the Audit & Risk Committee met six times.

CIPFA guidance recommends that the audit committee report annually on how it has complied with its position statement, discharged its responsibilities and include an assessment of its performance. The Audit & Risk Committee perform an annual self-assessment, this was reported to the September 2023 meeting.

Compliance

The Council has arrangements in place to monitor compliance with legislation and regulatory standards and to communicate to its staff what behaviours are expected of them. The Council has a Code of Conduct in place and during 2022/23 put in place additional councillor training on the Code of Conduct and rules of debate.

The Council set an aim in 21/22 to ensure that all relevant staff complete information governance/governance training to provide confidence that the Council is meeting all its legal duties. During 2022/23, the Individual Executive Decision Notice process was shared and updated with relevant officers and an internal audit review of the process took place and found substantial assurance. Regular reporting to the Governance and Ethics Committee on compliance with Governance/Transparency Requirements provides assurance that the Council is meeting its legal duties.

There is no evidence of significant or repeated departure from key regulatory or statutory requirements or professional standards. During 2022/23, the Council performed a self assessment of its compliance with the CIPFA Financial Management Code and found it to be compliant with a few limited number of matters where improvement areas were identified. As a result of this review, an action plan has been prepared and implementation is being monitored. Results of this exercise are going to be reported to the Audit & Risk Committee where appropriate.

The Council also assessed its compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government and found it to be compliant.

The Council revised the Code of Corporate Governance which was updated in November 2022 to ensure alignment with the latest principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

Leadership & decision-making

We note one risk surrounding the departure of the current longstanding Section 151 officer of the Council in 2023/24. The current Director of Finance has been at the organisation for a considerable number of years and will depart in 2023/24. The Council is putting in place arrangements to recruit an appropriately qualified replacement. In the interim, the current Deputy Chief Executive will be awarded Section 151 powers until a suitable replacement is found. The Deputy Chief Executive previously held the role of Section 151 officer so is experienced in the requirements of the role. The Council have arrangements in place to mitigate against this risk and are in the process of preparing for the Section 151's imminent departure. We rest assurance on the Council's arrangements for appropriately managing this change in senior leadership but note it as a risk.

Conclusion

The Council has arrangements in place to identify strategic risks, understand them, record them within the risk management system and assess/score them. These arrangements were in place during 2022/23.

The Council has an effective internal audit service in place. This was in place during 2022/23. Internal audit concluded a reasonable assurance audit opinion for 2022/23. This means that the Council has adequate and effective governance, risk management and internal control processes. This is the equivalent of an unqualified opinion and the highest level of assurance available to Audit Services. We raise an improvement recommendation relating to external assessment for compliance with PSIAS.

The Council has effective Audit & Risk Committee arrangements in place. This is further demonstrated by a high level of compliance with CIPFA's guidance in Audit Committees: Practical Guidance for Local Authorities and Police (2022).

The Council has arrangements in place to monitor compliance with legislation and regulatory standards and to communicate to its staff what behaviours are expected of them.

Improvement recommendations

Improvement Recommendation 3

We encourage the Council to seek external assessment to ensure compliance with PSIAS.

Summary findings

Internal audit is required to be externally assessed for compliance with PSIAS every 5 years. We queried with internal audit to ask when they were last externally assessed for compliance with PSIAS. We were informed that the last time they were assessed was five years ago. We therefore raise an improvement recommendation reminding/encouraging the authority to seek external assessment for compliance with PSIAS. It is worth noting that the internal audit service do perform a self-assessment for compliance with PSIAS and found themselves to be compliant for 2022/23.

Criteria impacted

Governance 

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed, the Council will ensure that an external assessment is undertaken.

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.

Improving economy, efficiency and effectiveness



We considered how the Council:

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

Performance

The Council has a strong culture of reporting key performance indicators (including outcomes) in place. The Our City Our Plan is refreshed every year and the performance indicators are reported to Cabinet quarterly and also to Scrutiny Board. Each of the 6 scrutiny panels, which are focused on key aspects of Our City, Our Plan, then looks at performance, budget and risk within their specific areas and is able to carry out additional reviews to drive forwards performance.

The Council's 'Our Vision 2030' document sets out the aspirations and priorities for Wolverhampton.

Our City: Our Plan was approved by Full Council in March 2023. To ensure the Council's resource continues to be aligned to the needs and priorities of local people the plan has been refreshed. In March 2023, the Council approved the refreshed Our City: Our Plan which provides the strategic framework for delivering the ambition that 'Wulfrunians will live longer, healthier lives.' It sets out how the Council will continue to work alongside its local, regional and national partners to improve outcomes for local people. Delivery of this ambition is supported by six overarching priorities:

- Strong families where children grow up well and achieve their full potential.
- Fulfilled lives for all with quality care for those that need it.
- Healthy, inclusive communities.

- Good homes in well-connected neighbourhoods.
- More local people into good jobs and training.
- Thriving economy in all parts of the city

During 2022-2023, the Council reported on performance against Our City: Our Plan priorities in a performance and financial integrated report. There are 49 indicators across the Our City: Our Plan priorities. Of the 49 indicators, the Council reported 40 saw either improved or sustained performance. Some of the highlights of this performance included:

- Sustained performance for placement stability of children in care, making Wolverhampton one of the best local authorities in the country for placement stability.
- A reduction in the numbers of First Time Entrants into the youth justice system – over halved in two years
- Top quartile performance for 16- and 17-year-olds in education, employment or training
- Highest ever percentage of adult social care users saying services made them feel safe and secure.
- Large in year increase of health check-ups for those 40-74, a key priority for the authority through 2022-2023
- Improved housing affordability and energy efficiency
- Three times as many premises being able to access full fibre and the first rapid car charging units in the city.
- Increase in the number of local businesses being spent with by the Council, supporting the Wolverhampton Pound approach.

Improving economy, efficiency and effectiveness

- Residents waiting over two minutes less when they call customer services

This demonstrates the Council's strong performance against its plan.

Additionally, Wolverhampton as an area has consistently had one of the highest claimant count rates (for unemployment benefit) over several years, including pre-pandemic years, and unemployment levels continue to be high. This was discussed in the Strategic Risk Register for Unemployment presented to the September 2023 Audit & Risk Committee.

The Council is one of several organisations working in the City to help raise employment levels. Wolves at Work is partly funded by the Council and offers support for job seekers. The local authority in partnership with DWP runs a Youth Employment Hub at The Way youth facility in the City centre. It is now in its second year, having exceeded its first year targets, supporting 860 young people, with 311 (36%) going into work since it opened. The team also works with the City of Wolverhampton College at the City's second Youth Employment Hub, on its Bilston campus.

Procurement and contract management

The Procurement Strategy in place at the Council was agreed in March 2023. The strategy provides a framework to support the delivery of high quality public services that offer value for money.

There are a number of documents which help to guide procurement and contract management activity at the organisation.

There is a Procurement User Guide in place which helps to guide officers as they engage with suppliers. There is another User Guide which focuses on Contract Management and use of Key Performance Indicators (KPIs). This guide aims to help officers understand what is meant by contract management and how KPIs play their part in monitoring the performance of contracts. We reviewed two other User Guides which focus on understanding Terms of Conditions and Jargon Busting. These user guides serve as examples of the Council investing in ensuring its officers are well supported with meaningful information, policies and guidance to support procurement activity at the organisation.

The Council has a Procurement Pipeline in place. This contains the details of contracts expected to be re-procured and new procurement projects that are expected to be undertaken both within the next 3 years. Under new regulations, the Council must publish anything over £100m in the annual procurement pipeline.

A peer review exercise was performed to assess the level of readiness for the Procurement Bill and the Council scored among the highest in the cohort. The presentation given also updated on the training of staff in contract management and developing a streamlined contract process.

The Wolverhampton Pound and Community Wealth Building initiatives continue to be in place. These approaches seek to engage the local economy to ensure that local businesses, service providers and individuals are provided with opportunities in relation to contract management and procurement.

There is a Contract Management Framework in place. The Council spends in the region of £150 to £200m per year on a wide range of goods and services. Contracts underpin some of the Council's most critical activities. The purpose of the framework is to provide the organisation with a guide and description of the responsibilities for managing contracts. It highlights what needs to be considered when contracts are established, administered, and managed, and when contracts end. It was developed using the National Audit Office's 'Good Practice Contract Management Framework 2016.'

The Council is in the process of improving Contract Management with the Contract Management Lifecycle Project currently underway. This was partly instigated by the anticipated changes to procurement legislation. As part of this project, the Council has trained all contract managers on contract management via the Government Commercial College. The Council has also just purchased a new contract management system which will be used for all contract management. The Council identified that the current system is not necessarily fit for purpose and purchased the new system in response to this. This demonstrates that the organisation self-assesses its processes and introduces changes in response to identification of weaknesses.

The Council has a Contracts Register in place. This is publicly available and appears to be actively updated.

The procurement function do not currently report on Key Performance Indicators (KPI) at Cabinet and/or committee level. The Council is exploring opportunities to report on KPIs and we have reviewed a draft suite of KPIs in development.

Improving economy, efficiency and effectiveness

We raise an improvement recommendation for the Council to consider the inclusion of appropriate KPIs in procurement reporting that can demonstrate the value the procurement function brings to the overall organisation as well as providing an indication of the nature of the procurement activity, for example, number and value of waivers to the Contract Procedure Rules in any given period.

Partnerships

The Council takes a proactive approach to partnership working and identifying potential stakeholders to engage with.

Integrated Care Systems (ICS) were created as part of the Health and Care Act 2022 and became statutory from July 2022. Upper tier and unitary Local Authorities are required to be members of ICSs as key partners. City of Wolverhampton Council is part of the Black Country Integrated Care System. The Integrated Care Board (ICB) was established on 1 July 2022 with the vision of working to bring health and social care services together for the good of communities in the Black Country region. The Council works alongside ICB partners to support the vision for a healthier place with healthier people and healthier futures.

The Council is also a constituent authority of the West Midlands Combined Authority (WMCA), which was set up in 2016 to support the growth of economies and invest in transport, skills and wellbeing. It works in partnership with the WMCA to deliver outcomes for the city. Addressing skills is a key part of the partnership working in action with a range of stakeholders, including WMCA.

An example of a partnership-level strategy is the newly approved Education, Skills and Employment Strategy.

In September 2023, Full Council approved the strategy. As mentioned in the performance section, Wolverhampton has the second highest unemployment rate in England at 7.9%. The Education, Skills and Employment Strategy forms part of the city's effort to tackle this systemic issue.

The strategy aims to share the risks of unemployment in the city by working closely with schools, key system owners and agencies within Wolverhampton. The strategy focuses on the life journey of local people in the city. The Council would look at developing the five priority areas and work with partners to deliver the transformation programmes. The strategy is a key part of the Shared Prosperity Fund which began in April 2023 delivered through the West Midlands Combined Authority – demonstrating partnership working in action, specifically with the Combined Authority.

The Council also has partnerships with the local educational institutions. In the Principal Social Worker Annual Report 2022/23, the Council mentioned the intention to build on the existing partnership with University of Wolverhampton to support the link between research and practice particularly with the creation of research circles. The Principal Social Worker at Wolverhampton is also the local lead for the regional West Midlands Social Work Teaching Partnership, co-chairing for the regional Children's PSW network and the single point of contact for SWE.

Conclusion

The Council has a strong culture of reporting key performance indicators (including outcomes) in place. The Our City Our Plan is refreshed every year and the performance indicators are reported to Cabinet quarterly and also to Scrutiny Board. During 2022-2023, the Council reported on performance against Our City: Our Plan priorities in a performance and financial integrated report. There are 49 indicators across the Our City: Our Plan priorities. Of the 49 indicators, the Council reported 40 saw either improved or sustained performance. This demonstrates a strong level of performance.

There is an effective procurement function in place. The Council is in the process of improving Contract Management with the Contract Management Lifecycle Project currently underway. The procurement function does not currently report on Key Performance Indicators (KPI) at committee level. The Council is exploring opportunities to report on KPIs and we have reviewed a draft suite of KPIs in development. We raise an improvement recommendation on this.

The Council has strong partnership arrangements in place, taking a proactive approach to both partnership working and identifying potential stakeholders to engage with. An example of a partnership strategy is the Education, Skills and Employment Strategy launched in 2023.

Improvement recommendations

Improvement Recommendation 4

We encourage the procurement function to report on Key Performance Indicators (KPIs) to Cabinet and/or committee level.

Summary findings

The procurement function does not currently report on Key Performance Indicators (KPI) at committee level. The Council is exploring opportunities to report on KPIs and we have reviewed a draft suite of KPIs in development. We raise an improvement recommendation for the Council to consider reporting on a suite of KPIs that can demonstrate the value the procurement function brings to the overall organisation as well as providing an indication of the nature of the procurement activity, for example, number and value of waivers to the Contract Procedure Rules in any given period.

Criteria impacted



Improving economy, efficiency and effectiveness

Auditor judgement

Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.

Management comments

Agreed, the Council will consider including appropriate KPIs in procurement reporting.

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.

Civic Halls Refurbishment – Follow up on Additional Value for Money work

As part of the 2021/22 Value for Money work we undertook a specific review of the Civic Halls refurbishment project. We identified a risk of significant weakness on the basis of the high-profile nature of the project, the challenges it faced and the cost of the programme. Our work concluded that there was not any significant weaknesses in the Council's arrangements associated with the delivery of this project.

At the point of concluding this work the Civic Halls had been handed over to the operator and was scheduled to open for events in June 2023. We stated in our conclusion that we would continue to monitor the conclusion of the construction stage and the ongoing legal proceedings as part of our Value for Money work.

Our findings from this follow up work are detailed below.

Approach

Our approach to this follow up work is not as detailed as the approach taken during the 2021/22 due to the nature of our findings and the progression of the project as a whole.

We have reviewed relevant documents relating to the Civic Halls refurbishment and also met with the Council's Monitoring Officer to discuss the project and the current status of ongoing legal proceedings.

Findings

Operation of Civic Halls

The Civic Halls hosted its first event on in late May 2023 and has operated an extensive programme of events since the re-opening. We have not looked at the operational performance in any detail as we were satisfied from our work last year that the Council had effective arrangements in contracting with AEG as operator. From our work we have not identified any operational concerns.

Budget

The agreed budget for the Civic Halls Refurbishment is £48.1m. As part of our follow-up work we have reviewed the current position against this budget and the expected outturn. Based on interviews with the S151 Officer and Monitoring Officer, supplemented with review of documents, the current forecast is that the project will be delivered within this budget envelope. This is pending the outcome of ongoing legal proceedings which are discussed later in this report. Overall, we have identified no concerns in relation to the forecast budget outturn of the Civic Halls refurbishment.

Ongoing legal proceedings

On 5th December 2023 the defects certificate was issued, marking the 1 year anniversary of the building being handed over to AEG as operators. The Council are engaged with AtkinsRealis (formerly Faithful & Gould) to review this defects certificate to determine what constitutes a real defect ahead of issuing the Final Certificate on 9th January 2024.

The issuing of the Final Certificate indicates another milestone in the conclusion of the construction phase of the Civic Halls refurbishment but there remains ongoing legal mechanisms under the contract that will need to be concluded.

Professional support

The Council continues to engage with appropriate professional support to ensure that it protects its position with regards to the ongoing legal proceedings. From a legal perspective the Council utilises Trowers & Hamlin for support and AtkinsRealis for expertise with regards to technical expertise.

Alongside this professional support the Council has demonstrated that it has robust internal monitoring arrangements, centred around the Civic Halls Restoration Programme Board.

Conclusion

Based on our follow-up review of the Civic Halls refurbishment project we continue to be assured that the Council has effective arrangements in place to protect its interests with regards to ongoing legal proceedings. We have not identified any risk of significant weakness.

The West Midlands Pension Fund

Financial sustainability

The pension fund plans and manages its resources to ensure it can continue to deliver its services. The City of Wolverhampton Council are the administering authority for the West Midlands Pension Fund. The West Midlands Pension Fund works in partnership over 800 participating employers to support pension saving and provide benefits to 340,000 members and employees who provide public services, which support communities across the West Midlands.

The Fund's total operating budget increased from £116m in 2022/23 to £122.7m in 2023/24. The Fund ensures value for money in its services through a range of considerations, particularly the additional services, support and outreach it provides and engagement from peers and industry bodies. The Fund actively supports scheme and industry-wide research and working groups to aid in developing a common approach to create value for customers. The Fund ensures costs are monitored, controlled and are appropriate. The Fund's finance function continues with its transformation programme which started in 2022 to update, enhance and develop its controls and processes. The Fund reports positive developments in the programme such as enhanced accounting capabilities and internal controls through review across interdependent teams. The next stage is to review the use of technology to support financial processes, developing internal reporting to ensure resilience and increasing scrutiny to ensure continued achievement of best value.

The Fund is required to be formally valued every 3 years (triennial) by a qualified actuary. The main purpose is to monitor the assets of the Fund against the liabilities of the pension benefits payable. The Fund was last valued at the end of 2021/22. We perform testing of the pension fund valuations as part of our financial statements audit.

The financial performance of the Fund is presented to the Local Pensions Committee. At the October 2023 meeting, the Annual Report and Accounts for 2022/23 were presented to the Committee ahead of publication on the Fund's website. Investment Governance reports are regularly presented to the Board to provide updates on investment related matters, on responsible investment activities and ongoing development of LGPS Central Investment Pool.

Governance

Pension funds are regulated by The Pensions Regulator, The Local Government Pension Scheme Advisory Board (LGPS SAB) and the Department of Levelling Up, Housing and Communities (DLUHC).

The Fund has a risk management framework in place that supports the ongoing review and challenge of services through an effective assurance programme. This was reviewed over 2022 and will continue to be developed during 2023. The Fund aims to ensure that the implications for risk are highlighted at the right levels within the fund, that best practice is shared to establish common understanding of risks and actions and controls are closely monitored to ensure mitigation of risks.

The Pension Fund is supported by the Local Pensions Board and the Pensions Committee who are responsible for assisting in the good governance of the scheme. It consists of 6 member and 6 employer representatives from across the West Midlands region. The risk register is presented to this Board to provide an update on the work to deliver a well governed scheme.

Improving economy, efficiency & effectiveness

To support cost management, the Fund is part of the CEM benchmarking framework which allows them to compare themselves against a full range of relevant peer pension funds to monitor and challenge spend and value added on an ongoing basis.

The Fund works with partners, customers, peers and stakeholders to design, enhance and deliver services that met their needs and support the wider pensions industry.

The Fund adopted its Corporate Plan in March 2023 on reflection of the current issues and drivers for change across the Local Government Pension Scheme (LGPS) and wider investment industry taking on board learnings over the year about their customer needs, and evolving operating environment, together with a review of their service offering. Regular updates on the work of the Fund in achieving its deliverables and targets set out in the Corporate Plan are presented to the Local Pensions Board and the Pensions Committee.

Conclusion

There are appropriate arrangements in place with regard to the Pension Fund.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date (information produced by client)	Addressed?	Further action?
1 The Council should prioritise developing a recurrent efficiency plan to cover the forecasted gap to 2025/26, making sure plans are fully developed and supported by robust quality impact assessments and that there is sufficient headroom in the plan to manage potential slippage.	Improvement	January 2023	The Council continues to prioritise the development of a medium term financial strategy. The Strategic Executive Board (SEB), Executive Board and Leadership Teams are fully engaged with the budget setting and MTFS - in identifying efficiency opportunities, along with areas of growth and ensuring we continue to deliver on council priorities.	Partially	We have re-raised a recommendation to ensure that the Council is focused on delivering improvements. See improvement recommendation 1.
2 This recommendation has been carried forward from 2020/21: Consideration should be given to more formal, explicit monitoring, at a Member level, of the extent to which proposed savings are realised.	Improvement	January 2023	The quarterly performance and budget monitoring reports to Cabinet now also include a brief narrative and table on progress on progress against savings proposals. This was introduced from the quarter 3 2022-2023 report to Cabinet in March 2023.	Partially	We have updated and re-raised a recommendation on this matter. See improvement recommendation 2.
3 As part of the draft budget setting process, finance should consider adding a narrative section that sets out the best, worst and most likely case of the overall budget gap by the end of the MTFS. These cases should be supported with a brief narrative explaining the factors that would lead to each scenario.	Improvement	January 2023	The Budget report includes scenarios on inflation, levels of grant and impact of this on the budget position. It was reported to Cabinet in July 2022 and October 2022 that a number of scenarios had been modelled to reflecting different assumptions around inflationary uplifts to our top up grants, and the continuation of other one-off grants such as new homes bonus, lower tier fund and services grant, with the working assumption being the mid case. In addition, the February 23 report reported on the projected impact if inflation was higher than assumed in the budget, in particular around the impact any changes to pay award.	Partially	As discussed with officers, effort is continuing in this area. We will follow up at our next reporting period.
4 The Council needs to continue to monitor the progress of the Written Statement of Action that is in place due to the significant concerns raised by CQC and Ofsted in their September 2021 report. The Council should ensure that progress continues to be made and that any improvements are realising the expected benefits.	Improvement	January 2023	The Department of Education and NHS England continue to monitor the progress of the Council and Integrated Care Board against the Written Statement of Action. In the November monitoring visit evidence showed that the LA continues to make significant process against all actions. Monitoring will continue on a 4 month basis until the Council receive its next Local Area SEND Inspection.	Continuing to be monitored until next Local Area SEND Inspection	Continuing to be monitored

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date (information produced by client)	Addressed?	Further action?
5 The Council should ensure that the lessons learnt from the Civic Halls refurbishment are applied and embedded into future capital programmes delivered by the Council.	Improvement	January 2023	<p>1. CLQ – The Council has already had an internal audit review which provided satisfactory assurance, a copy of which has been provided to External Auditors and the matter has also covered been covered in the Mid Year Annual Governance Statement which went to Audit and Risk Committee on Monday 27.11.23</p> <p>The Mid year Statement made the following points on CLQ: Civic Halls/other capital programmes – The Council has implemented a self[1]assessment tool for all major capital projects or programmes which addresses the key areas arising from the Civic Halls lesson learnt review. The tool poses a number of questions which are intended to expose arrangements for such matters as contingency plans, cost options appraisals, change management processes, project plans, arrangements for site surveys, and repairs and maintenance programmes. Other questions are designed to ensure there is input by key personnel such as procurement and project management, Senior Responsible Officers and Programme Directors, and to ensure there is a method for centralising documents, reporting and updating at key points.</p> <p>The self-assessment questions have recently been utilised successfully in relation to City Learning Quarter (CLQ) and are detailed in the project’s Internal Audit Report 2023-2024. The self-assessment in that case was completed by the Programme Director and independently reviewed by Audit Services. It is important to note that this report provided satisfactory assurance in relation to that project.</p> <p>Further, Council agreed on 8 November 2023 to amend the remit of Scrutiny Board within the Constitution to require that they now “Co-ordinate the Scrutiny Work Programme Major infrastructure projects that crosscut Scrutiny Panels”. This is intended to ensure that detailed updates are brought to Scrutiny to provide more regular oversight and transparency on key capital projects.</p> <p>A report on the CLQ project will be coming forwards to Scrutiny Board shortly and will be regularly reported to Scrutiny Board in line with the above change to the scope of Scrutiny Board.</p>	Yes	No further action required beyond ongoing monitoring of capital programmes.

Follow-up of previous recommendations

Recommendation	Type of recommendation	Date raised	Progress to date (information produced by client)	Addressed?	Further action?
<p>5 The Council should continue to closely monitor the position with Willmott Dixon on the outcome of the pain/gain mechanism between the two parties. The Council should also ensure that it reports on the expected outcome of this reconciliation and the recovery of pain/gain payments to Willmott Dixon at the earliest possible moment.</p>	Improvement	January 2023	<p>The Council continues to work diligently on concluding all outstanding matters relating to the Civic Halls. A detailed update was included in the Council's Annual Governance Statement taken to the Audit and Risk Committee on 24 July 2023. The position remains that the Council had a favourable finding in the latest adjudication, the result of which was received in February 2023, a detailed update on the implementation of the Audit recommendations (including the result on the adjudication) was reported to the Audit and Risk Committee on 6 March 2023. The Council continues to ensure that the contract is complied with, with appropriate support from legal and other professional advisors. The Project Manager is due to issue the final account to the Council in early January 2024, in line with the contract, namely after the end of a period of 1 year after the hand over of the Halls in December 2022. After receipt of the final account the Council will continue to seek appropriate advice in terms of ensuring that its position under the contract is appropriately protected.</p>	Ongoing	<p>This is an ongoing issue but we are assured that the Council is taking appropriate steps to protect its best interests.</p>

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, and
- 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, and
- applicable law

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

Audit opinion on the financial statements

The 2022/23 financial statements is still in progress.



Opinion on the financial statements

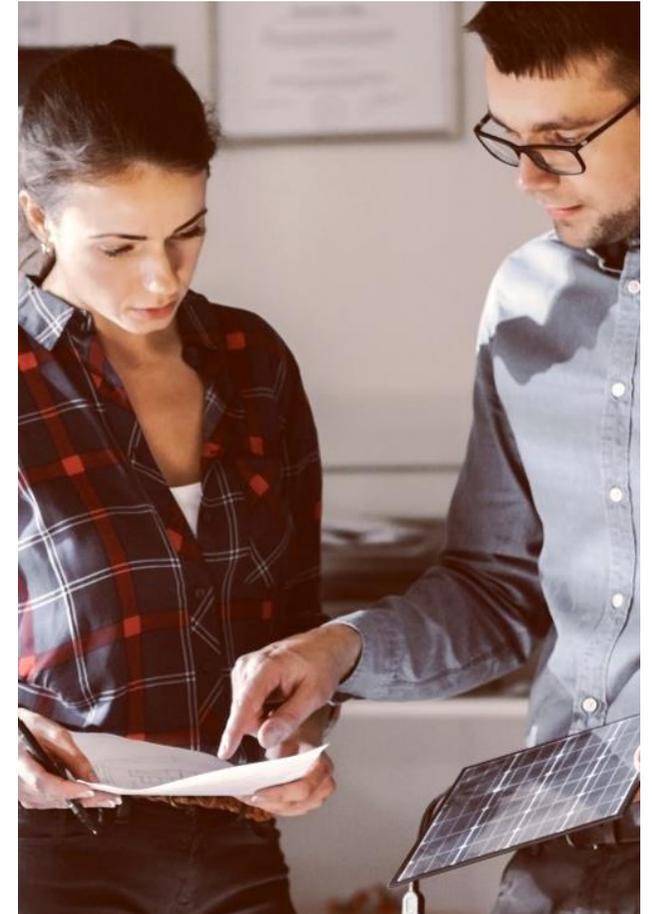


Timescale for the audit of the financial statements

The 2022/23 audit is still in progress. Timescales have been outlined in the Audit Plan.

Findings from the audit of the financial statements

The 2022/23 audit is still in progress.



Other reporting requirements



Other opinion/key findings

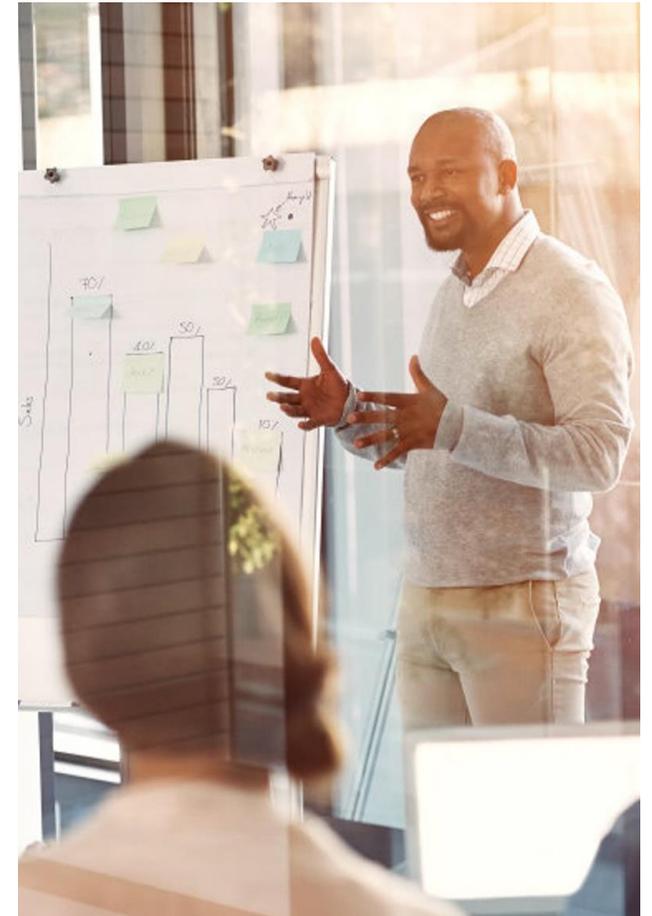
The 2022/23 audit is still in progress.

Audit Findings Report

The 2022/23 audit is still in progress.

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. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.



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.

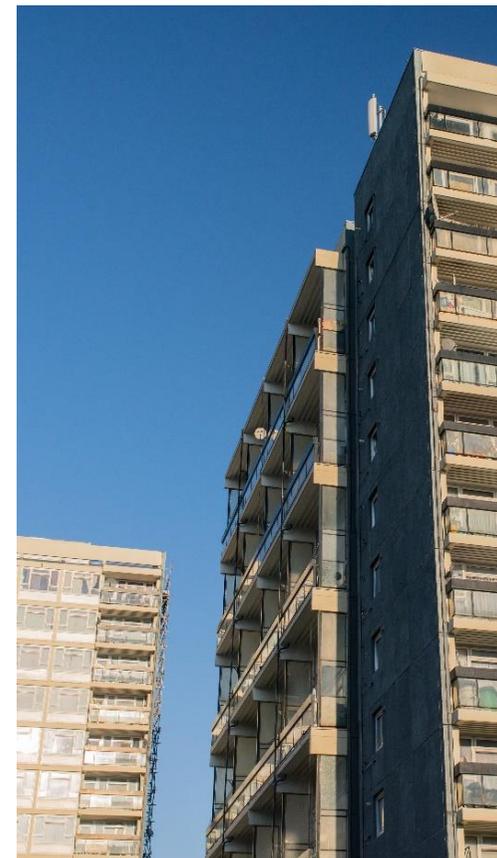
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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	16-17, 21, 25

