

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

FRIDAY, 20 MAY 2022 AT 13:00 HOURS
IN COMMITTEE ROOM C, COUNCIL HOUSE EXTENSION, 6
MARGARET ST, BIRMINGHAM, B3 3BG

A G E N D A

1 NOTICE OF RECORDING/WEBCAST

The Chair to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's meeting You Tube site (www.youtube.com/channel/UCT2kT7ZRPFCXq6_5dnVnYlw) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

2 APOLOGIES

To receive any apologies.

3 DECLARATIONS OF INTERESTS

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

4 MINUTES - TO CONFIRM AND SIGN THE MINUTES OF THE LAST MEETING.

Minutes of the meeting held on 26 April 2022 - to follow

5 2020/21 AUDITOR'S ANNUAL REPORT

Report of the Director of Council Management

6 **SCHEDULE OF OUTSTANDING MINUTES**

To consider the schedule of outstanding minutes.

7 **DATE AND TIME OF NEXT MEETING**

The next meeting is scheduled to take place on Tuesday 28 June 2022.

8 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chair are matters of urgency.

9 **AUTHORITY TO CHAIR AND OFFICERS**

Chair to move:-

'In an urgent situation between meetings, the Chair jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	Audit Committee
Report of:	Rebecca Hellard - Director of Council Management
Date of Meeting:	20th May 2022
Subject:	2020/21 Auditor's Annual Report
Wards Affected:	All
<p>1. Purpose of Report</p> <p>1.1 To update members of the Audit Committee on the findings from the External Auditors (Grant Thornton) 2020/21 Auditors Annual Report and the Value for Money Audit.</p> <p>2. Recommendation</p> <p>2.1 That the Audit Committee:</p> <ul style="list-style-type: none"> i) Note the Value for Money findings in the attached Draft Auditors Annual Report at appendix 1 to this report. ii) Note the Council's action plan, at appendix 2 to this report. iii) Agree that the action plan and progress on implementing the recommendations made by the Auditor is presented back to Audit Committee on a quarterly basis. <p>3. Background</p> <p>3.1 On the 1st April 2020 the National Audit Office (NAO) introduced a new Code of Audit Practice for the audit year 2020/21.</p> <p>3.2 This contained a new set of reporting criteria to assess how Local Authorities were delivering Value for Money (VFM). The new criteria covered Financial Sustainability, Governance and Economy, Efficiency and Effectiveness, known as the 3E's.</p> <p>3.3 The code also allowed auditors to undertake specific reviews of areas the auditor considered to be of potential VFM weakness.</p> <p>3.4 The Code required more extensive reporting in the form of the Auditors Annual Report (AAR) – this is contained at Appendix 1 to this report.</p> <p>3.5 The previous VFM judgements of qualified and unqualified conclusions has been replaced with more sophisticated judgements on</p>	

performance, as well as three possible Audit Recommendations as follows :-

- **Statutory Recommendation** – this is a written recommendation under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. This recommendation requires the Council to discuss and respond publicly.
- **Key Recommendation** – where Auditors identify significant weaknesses in arrangements to secure VFM they should make recommendations, setting out the action to be taken by the Council.
- **Improvement Recommendation** – these recommendations should improve the arrangements in place at the Council but are not made as a result of identifying significant weaknesses.

4. Birmingham City Council 2020/21 VFM audit report

4.1 The 2020/21 findings for Birmingham City Council are listed below and full details along with the Council's management response can be found in the AAR attached at Appendix 1 to this report.

4.2 The Auditors have not made any Statutory Recommendations.

4.3 Four Key Recommendations / Significant Weaknesses were identified in the Council's arrangements to secure VFM. These relate to :-

- Home To Schools Transport – Improving Economy, Efficiency and Effectiveness – The Council needs to continue to prioritise the recommendations made in the Independent inquiry the Council commissioned.
- Home To School Transport – Governance – The Council needs to continue to prioritise the implementation of the recommendations to address the underlying issues identified in the independent report commissioned in early 2020.
- SEND services – Governance and Improving Economy, Efficiency and Effectiveness – The Council needs to work with the Commissioner to deliver the recommendations in the Commissioners report, to ensure an adequate SEND service is provided.
- IT – Governance – The Council needs to ensure it has capability to manage user roles and segregation of duty requirements.

4.4 The Auditors also identified 21 Improvement recommendations, 3 of which were completed in August 2021. These relate to :-

- Financial Sustainability x 1
- Governance x 4
- Improving Economy Efficiency and effectiveness x 4, and
- A further 12 relating to specific key risk areas as listed in paragraph 4.3 of this report.

- 4.5 The specific risks reviews are as follows, again with full details in the AAR at Appendix 1 of this report: -
- IT and planned changes to the Council's general ledger x1. With a further 3 recommendations having already been actioned in August 2021.
 - Highways PFI arrangements x5
 - Potential impact of lack of stable leadership due to significant level of key staff turnover x 2
 - Waste service continuity and industrial relations x1

5. Action Plan

- 5.1 An action plan has been created to manage and the track progress of all the recommendations arising from the AAR. With named responsible officers and oversight from relevant Directors.
- 5.2 CLT and EMT have been briefed on the findings of the report and the action plan.
- 5.3 Progress on the implementation of the actions will be reported to Assurance CLT and this committee on a quarterly basis. And progress will be reviewed by the Auditors when they undertake the 2021/22 Audit.

Appendix 1 – Draft 2020/21 Auditors Annual Report

Appendix 2 – Action Plan

Name of report Author: Lisa C Taylor

Title: Interim Head of Financial Planning

e-mail address: lisa.c.taylor@birmingham.gov.uk

DRAFT

Auditor's Annual Report on Birmingham City Council

2020-21

March 2022

Contents



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

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

Section	Page	Appendix	Page
Executive Summary	03	A – The responsibilities of the Council	68
Summary of risks of significant weaknesses identified and our findings	04	B – Use of formal auditor's powers	69
Opinion on the financial statements	05	C – An explanatory note on recommendations	70
Key recommendations	06		
Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources	10		
Financial sustainability	11		
Governance	14		
Improving economy, efficiency and effectiveness	17		
COVID-19 arrangements	20		
Work performed to address identified risks of significant weaknesses	22		
Improvement recommendations	46		
Improvement recommendations actioned prior to issue of AAR	64		

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Executive summary



Value for money arrangements

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.

The auditor is no longer required to give a binary qualified/unqualified VFM conclusion. Instead, auditors report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 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. We identified eight such risks and completed additional work in relation to each of these. Our findings are summarised on the next page.

In addition, we have raised nine improvement recommendations relating to the Council's general arrangements in relation to financial sustainability, governance and improving economy, efficiency and effectiveness.



Financial sustainability

We assessed the Council's arrangements relating to Financial Sustainability and identified risks of significant weakness in the Council's arrangements. We performed additional work in these areas and the results of our risk-based work are set out on the following page.

Outside of these risk areas, we did not identify any other areas of concern, but we have also raised one improvement recommendation as a result of our work.

Further details can be seen on pages 11-13 of this report.



Governance

We assessed the Council's arrangements relating to Governance and identified risks of significant weakness in the Council's arrangements. We performed additional work in these areas and the results of our risk-based work are set out on the following page.

Outside of these risk areas, we did not identify any other areas of concern, but we have also raised four improvement recommendations as a result of our work.

Further details can be seen on pages 14-16 of this report.



Improving economy, efficiency and effectiveness

We assessed the Council's arrangements relating to Improving Economy, Efficiency and Effectiveness and identified risks of significant weakness in the Council's arrangements. We performed additional work in these areas and the results of our risk-based work are set out on the following page.

Outside of these risk areas, we did not identify any other areas of concern, but we have also raised four improvement recommendations as a result of our work.

Further details can be seen on pages 17-19 of this report.



Summary of findings

The table below sets out the risks of significant weakness that we identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Additional work was completed in relation to each of these risks, and our findings are summarised here.

Risk identified	Reported on	Linked to reporting criteria	Findings & recommendations
Independent reports into issues related to the Home to School Transport Service	Pages 22-23	Financial sustainability Governance Improving economy, efficiency & effectiveness	Two significant weaknesses have been identified in relation to service delivery and assurance mechanisms. We have made two key recommendations and no improvement recommendations.
Arrangements in relation to required improvements in SEND services	pages 24-26	Financial sustainability Governance Improving economy, efficiency & effectiveness	A significant weakness has been identified in relation to the delivery and governance of SEND services. We have made one key recommendation and no improvement recommendations.
IT Audit findings and planned changes to the Council's general ledger	pages 27-30	Financial sustainability Governance Improving economy, efficiency & effectiveness	A significant weakness has been identified in relation to system access. We have made one key recommendation, and a further four improvement recommendations, of which three have already been actioned.
Contractual arrangements relating to the highways PFI scheme	pages 31-35	Financial sustainability Governance Improving economy, efficiency & effectiveness	No significant weaknesses in arrangements identified. Five improvement recommendations made.
Potential impact of a lack of stable leadership due to significant level of turnover of key staff and officers	pages 36-38	Financial sustainability Governance Improving economy, efficiency & effectiveness	No significant weaknesses in arrangements identified. Two improvement recommendations made.
Waste service continuity and industrial relations	pages 39-41	Financial sustainability Governance Improving economy, efficiency & effectiveness	No significant weaknesses in arrangements identified. One improvement recommendation made.
Financial impact of the Commonwealth Games	pages 42-43	Financial sustainability Governance Improving economy, efficiency & effectiveness	No significant weaknesses in arrangements identified. No recommendations made.
Financial impact of equal pay claims	pages 44-45	Financial sustainability Governance Improving economy, efficiency & effectiveness	No significant weaknesses in arrangements identified. No recommendations made.

Opinion on the financial statements



Audit opinion on the financial statements

We have substantially completed our audit of the Council's financial statements and plan to issue our audit opinion following the meeting of the Council's Audit Committee on 26 April 2022.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

Preparation of the accounts

The Council provided draft accounts for audit in line with the national deadline and provided a good set of working papers to support them.

Issues arising from the accounts:

A number of issues arose during the audit of the financial statements, including:

- Significant deficiencies identified during our review of the Council's IT general control environment;
- A number of errors and issues identified in relation to the valuations of the Council's land and building assets;
- Delays in receiving supporting evidence for key inputs into the valuation of the Council's HRA dwellings;
- An adjustment for an error identified during the audit of the West Midlands Pension Fund; and
- A number of other issues and errors.

Audit Findings Report

More detailed findings can be found in our Audit Findings Reports, which were reported to the Council's Audit Committee in draft form in September 2021 and January 2022, and which we plan to finalise for presentation at the meeting on 26 April 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

At the time of writing this report, these group audit instructions have not yet been issued. We will complete this work once instructions are available.



Key recommendations

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



Key Recommendation #01

Independent reports into issues related to the Home to School Transport Service

(Improving economy, efficiency and effectiveness)

Recommendation	The independent inquiry that the Council commissioned into the Home to School Transport Service made a series of recommendations that amounted to a significant level of change within the Council's service provision. We recommend that the Council continues to prioritise implementation of the agreed recommendations to address the systemic issues identified.
Impact	The independent inquiry noted that, as the school term in September 2020 began, it became apparent that the basic service provision was inadequate and was not meeting the needs of children, parents or schools. In particular, concerns were noted in relation to safeguarding.
Auditor judgement	The recommendations made by the independent reviewer will result in a significant change to the operations of the service, and should be a priority to the Council.
Summary findings	<p>The Council commissioned the independent inquiry due to known issues in the operation of the service. The inquiry identified eight operational reasons for the service failings in September 2020, seven systemic issues, and some supporting causal factors.</p> <p>Further detail is included on page 23.</p>
Management Comments	The service recognises the requirement to implement the recommendations contained within the report, a number of these have been commenced and new senior interim management appointed to deliver the change and improvement.

Key recommendations

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



Key Recommendation #02

Independent reports into issues related to the Home to School Transport Service

(Governance)

Recommendation	The independent report that the Council commissioned into the assurances given to Council and its Committees in early 2020 in relation to the Home to School Transport Service identified significant issues within the service, and made a series of recommendations to address these. We recommend that the Council continues to prioritise implementation of the recommendations to address the underlying issues identified.
Impact	The independent review identified significant issues within the service. The full report is still legally privileged at the time of writing this Auditor's Annual Report.
Auditor judgement	The findings of the independent reviewer indicate a significant weakness in the assurance arrangements surrounding the service, and should be a priority to the Council.
Summary findings	<p>The Council commissioned an independent review which identified a number of significant issues for the Council to address, many of which were issues already known to the Council and not adequately addressed. The report was shared with all Councillors by the Director of Children's Services in September 2021, but due to sensitive information contained within the report the circulated document was redacted.</p> <p>Further detail is included on page 23.</p>
Management Comments	Agreed, the service will continue to prioritise implementation of the recommendations to address the underlying issues identified as those affecting the service. They are being incorporated into a service improvement plan which will be signed off and monitored by the DCS and her leadership team and reported to members as part of the usual reporting processes - Cabinet, Overview and Scrutiny Committee and Audit Committee.

Key recommendations

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



Key Recommendation #03

Arrangements in relation to required improvements in SEND services

(Governance & Improving economy, efficiency and effectiveness)

Recommendation	As a result of the failure of the Council to address the significant weaknesses identified in the SEND service by Ofsted and the CQC in June 2018 a Commissioner was appointed by the Secretary of State in October 2021. We recommend that the Council works with the Commissioner to deliver the recommendations in the Commissioner's report, to be published in Spring 2022, in addition to delivering the actions in the SEND Improvement Accelerated Progress Plan which are the responsibility of the Council to address these significant weaknesses to ensure that an adequate SEND service is provided to Birmingham's children, young people and their families/carers.
Impact	The Council's SEND service is considered by its regulator to be inadequate and failing Birmingham's children, young people and their families/carers.
Auditor judgement	Based on our review of the Council's governance arrangements, to ensure that the necessary improvements set out in the WSOA were made and the findings of the revisit undertaken by Ofsted and the CQC in May 2021, we are not satisfied that these arrangements were adequate.
Summary findings	We believe that monitoring of the completion of actions in the WSOA and the monitoring visits by the DfE and NHSE lacked sufficient focus on benefits realisation, impact and outcomes which would have underpinned the required improvements in the service. Further detail is included on page 26.
Management Comments	Recommendation agreed and we will be working with the appointed commissioner to deliver the recommendations.

Key recommendations

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



Key Recommendation #04

IT Audit findings and planned changes to the Council's general ledger

(Governance)

Recommendation	<p>In August 2021, following our IT Audit team's review of the Council's IT general control environment, we recommended that the Council should undertake an immediate review of roles and users within SAP and that it should take action as appropriate in line with the detailed recommendations of our IT Audit report.</p> <p>The Council should ensure that it has the capability to manage user roles and identify segregation of duty breaches and should utilise the lessons learned from the findings relating to the current SAP environment in defining roles for the new general ledger system. These roles should be appropriately defined with sufficient time before "Go Live" for these to be appropriately reviewed.</p>
Impact	IT general controls are fundamental to the Council's control environment. There is a risk that deficiencies in the Council's user access permissions may result in erroneous transactions or activity not being identified by the processes and controls that are in place.
Auditor judgement	Work to support the audit of the Council's financial statements has identified significant deficiencies in the Council's IT general control environment.
Summary findings	<p>Each year since 2017/18 we have reported deficiencies in relation to user access permissions in SAP following work on the Council's IT general controls supporting our financial statements audit. Each year these deficiencies have been accepted by the Council as necessary to the functionality of SAP.</p> <p>Further detail is included on page 27.</p>
Management Comments	The Council acknowledges the key recommendation made in this report and has taken it on board for inclusion in the new Oracle system which is being implemented now and due to go live in April 2022. A review of roles and responsibilities has been commissioned.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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

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

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

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



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 11 to 21.



Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2020/21 and ongoing financial pressures

The Council has improved its arrangements for strong financial and budgetary management in recent years. This resulted in the Council being reassessed as a THREE STAR rated organisation against CIPFA's FIVE STAR Financial Management Model of global best practice in May 2021. CIPFA's review of the Council's financial resilience as part of the reassessment encompassed three key areas:

- adequacy of reserves
- robustness of the Medium Term Financial Plan (MTFP)
- planned efficiency savings and transformational change.

The Council's General Fund net controllable budget for 2020/21 was £852.9m (excluding benefits payments, Housing Revenue Account and delegated schools budgets). Despite the challenging environment in which it is operating, the 2020/21 outturn position for 2020/21 shows a balanced position after transferring £17.5m of COVID-19 Grant to an earmarked COVID-19 Reserve to meet forecast COVID-19 pressures in 2021/22 and transferring an underspend of £78.7m to a Budget Smoothing Reserve (£36.4m), the delivery plan reserve (£8.2m), a Community Recovery Plan Reserve (£10.0m), General Policy Contingency Reserve (£5.5m), the Council House Refurbishment Reserve (£2.5m), a City Clean Up Reserve (£12.1m), the Major Events Reserve (£2.0m), and SEND Reserve (£2.0m).

The Council has a strong reserves position, with £197.7m in unearmarked reserves (£141.7m 2019/20). These are reserves that the Council can use for any purpose within the General Fund and include General Fund Balances (£38.4m), Organisation Transition Reserve (£70.1m) and Financial Resilience Reserve (£89.2m). The Financial Resilience Reserve was created in 2017/18 to provide contingency funding in case the Council faces financial difficulties in the future.

The Council has set a balanced budget for the next two years which includes a net contribution to reserves of £26.8m in 2021/22 and a net use of reserves of £44.1m in 2022/23.

Many councils have faced a significant Dedicated Schools Grant (DSG) deficit challenge because of the pressures in the High Needs Block (HND). However, the Council had a surplus of £3.5m in 2020/21 and is planning to repay its outstanding £5m HND deficit in 2022/23.

Based on our audit work on the Council's minimum revenue provision (MRP) charge for 2020/21, we are satisfied that the overall MRP charge in-year was prudent, and we have not identified any issues or concerns for future years based on the Council's historic policy decisions.

In 2019/20 we raised the following recommendation:

“ The Council needs to continue to plan for future years and proactively identify and mitigate cost pressures and financial risks as they arise. ”

Significant work has been undertaken by the Council to identify savings opportunities to balance the books, and the medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain.

As at 31 December 2021 the Council is forecasting a net revenue overspend of £4.2m which represents 0.5% of its 2021/22 £828.7m budget.

Savings plans

The Council monitors the delivery of planned savings, and mitigating actions where required, on a monthly basis. Updates on progress are

reported to monthly meetings co-chaired by the Cabinet Member for Finance and Resources and the Chief Finance Officer. In addition, formal revenue budget monitoring reports including progress on savings plans are considered by Cabinet on a quarterly basis. The Council has developed its approach to tracking and monitoring delivery of the savings programme through the Corporate Project Management Office (CPMO). Over the last five years, the Council has successfully delivered total savings of £178.2m. The Council achieved recurrent savings of £16.0m against planned savings of £22.1m in 2020/21, delivering 72% of its target despite the pressures caused by COVID-19. The 2020/21 savings gap was managed by a combination of underspends and one-off mitigations.

	Planned savings (£m)	Actual savings (£m)	Achieved
2016/17	88.2	32.4	37%
2017/18	70.9	48.3	68%
2018/19	52.9	42.8	81%
2019/20	46.2	38.7	84%
2020/21	22.1	16.0	72%

In addition, since 31 March 2021 the Council's Corporate Leadership Team (CLT) has undertaken detailed work on identifying savings plans to bridge the future gaps in the MTFP. The Council's Financial Plan 2022-26 approved by Full Council on 22 February 2022 stated that it was on track to deliver over 90% of its planned savings in 2021/22 as at 31 December 2021.

Financial planning

The 2019 update of the Birmingham City Council Plan 2018-22 (Council's Plan) clearly sets out corporate strategic priorities, which are referenced within the Council's financial planning. This planning aims to provide a framework to invest in the Council's Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19.

The capital programme also supports the Council's corporate priorities. Its budget is mainly

focused on the key aim of building new homes including the Perry Barr Regeneration Scheme. The Council's actual capital spend was £501.3m in 2020/21, an outturn of 57% against budget. There was slippage in capital spending due to COVID-19, but the spending achieved does reflect the Council's priorities as set out in the Council's Plan. We are satisfied there is a clear linkage between the MTFP and the priorities set out in the Council's Plan.

Discretionary spending is subject to close scrutiny when spending and savings plans are being considered. However, statutory spending (mandated areas of core services that the Council has to deliver) and discretionary spending (optional areas of services that the Council may choose to deliver) are not clearly differentiated in the financial planning reports which underlie the budget and the MTFP. We have identified this as an improvement recommendation.

Improvement Recommendation #01 (p46)

Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.

Managing risks to financial resilience

The Council has incorporated uncertainty into its planning and incorporated budget risks and financial pressures into the MTFP. A balanced budget for 2021/22 has been achieved by utilising the carry forward of COVID-19 funding from 2020/21. At the 31 March 2021 the Council had an earmarked COVID-19 reserve of £17.5m.

Overall, we are satisfied that the Council is well managed and there is a high level of understanding of its budgetary position, budgetary pressures and any savings required. There is an established process by which the budget is reviewed regularly, and issues are reported on a timely basis to those charged with governance (TCWG).

Medium term financial planning

The MTFP is updated annually as part of financial planning for the draft budget. However, during 2020/21 an additional review of the MTFP was undertaken in November 2020 to address the impact of COVID-19 and implement financial measures to enable the Council to reset a balanced budget for 2020/21 despite the financial pressures caused by COVID-19.

A further review of the MTFP and the assumptions that underpin it was undertaken in early 2021 as part of the annual financial planning process which resulted in the approval of the Council's 2021-2025 MTFP in February 2021. The Council put in place a series of proposals which forecast a balanced budget for 2021/22 and 2022/23.

We are satisfied that the Council identifies and manages risks to financial resilience and challenges the assumptions underlying its plans.

Summary of findings for financial sustainability

During the course of our work, we identified risks of significant weakness in respect of the Council's arrangements and, as a result, completed further work in the following areas:

- potential impact of a lack of stable leadership due to significant level of turnover of key staff and officers (see pages 36 to 38)
- financial impact of the Commonwealth Games (see pages 42 to 43)
- financial impact of Equal Pay claims (see pages 44 to 45).

Otherwise, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability.

We have raised one improvement recommendations as set out above.

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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Monitoring and assessing risk

The Council's Strategic Risk Register (SRR) is supported by its comprehensive Risk Management Framework (RMF). The RMF outlines the Council's five step risk management processes as follows:

1. Identify risks and opportunities
2. Risk analysis
3. Risk prioritisation
4. Management of risks
5. Monitor / review.

Strategic risks are reviewed and updated on a monthly basis by Directorate Risk Representatives and the SRR is reported to the Council's Corporate Leadership Team (CLT) on a monthly basis and to the Audit Committee quarterly.

The Audit Committee reviews the SRR to ensure that a robust process is being followed and seeks assurance against individual risks from relevant Cabinet Members who attend Audit Committee on a rotational basis, including specific updates from risk owners. We consider that the engagement of Cabinet Members and Chief Officers at Audit Committee to be good practice that demonstrates the Council's commitment to good governance.

The Council's June 2021 SRR included 32 risks across seven categories: political (two); economical (six); social (eight); technological (three); legal (six); environmental (two); and cross cutting (five). Each risk is assessed for its impact and likelihood (low, medium or high) to the Council which is then combined to provide an overall prioritisation RAG-rating of either tolerable, material or severe.

The Cabinet considers risks as part of its decision making role on

corporate policies, including the annual budget setting processes, major policy decisions and major projects.

The internal audit function at the Council is provided by Birmingham Audit, who are an inhouse team. Birmingham Audit's Annual Report was presented to the Council's Audit Committee on 29 June 2021. It summarises the challenges experienced in delivering the 2020/21 internal audit plan as a result of COVID-19 but provides a reasonable level of assurance on the core systems of internal controls. On a monthly basis a list of all final Internal Audit reports issued, together with their risk rating, is sent to Members of the Audit Committee, Cabinet and the CLT. Under the agreed protocol, Members can request to see a copy of any report.

The payment of COVID-19 grants to businesses, together with the urgency with which these grants were required to be paid, presented a new risk during the year. Payments were approved under emergency powers to ensure businesses in need were given immediate assistance. We consider that there was an appreciation of the risk posed by this situation, with Birmingham Audit involved from the start and all payments made using emergency powers subsequently reported to the Audit Committee. We are satisfied the Council put in place procedures to review these payments. Subsequent Birmingham Audit reviews have also investigated these payments and further work is currently being undertaken to review any payments deemed inappropriate.

Improvement Recommendation #02 (p47)

All COVID-19 grant payments to business should be reviewed, and Members should check and confirm whether payments were made to any personally related parties and if so, whether any additional declarations of interest are required to be made by them.

Budget Setting Process

The budget setting process is multi-layered and extremely thorough in our opinion, with several stages. The draft budget was presented to informal Cabinet for review in December 2019, with additional papers presented to Cabinet and Full Council to approve the budget in February 2020. There is also a quarterly review of budget to outturn position undertaken by Cabinet.

The budget and the MTFP are considered concurrently and incorporated into the Council's Financial Plan. The longer-term projections and any risks to the medium term are also incorporated into the Financial Plan and financial monitoring reports are considered by Cabinet quarterly.

This high level of scrutiny together with the Council's track record of achieving the majority of its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.

Budgetary control

There are good systems in place for oversight of the budget. Finance Business Partners engage at least monthly with budget holders. Quarterly financial monitoring reports are presented to Cabinet. There is stringent in year oversight of the budget at a high level, which includes Cabinet, Scrutiny Committees and CLT reviewing and assessing the actual outturn and future risks to the budget. The quarterly budget monitoring reports detail variances by directorate (and service lines within directorates) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by directorates in response to such variances are set out.

A good example of this was the additional MTFP review undertaken in November 2020 to address the impact of COVID-19 and implement financial measures to enable the Council to reset a balanced budget for 2020/21.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates a Full Council and Cabinet form of executive arrangements, supported by the Executive Management Team (EMT) and CLT. In addition, there are eight Overview and Scrutiny committees which hold Cabinet to account.

The work of the Council's committees is governed by its constitution. The constitution is regularly reviewed and updated. The constitution is shared with all staff members on joining and is openly available on the Council's website. The Annual Governance Statement (AGS) needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, declarations of interests and gifts and hospitality.

Monitoring and ensuring appropriate standards

The Council has in place a defined constitution that sets out the rules for how it works, how it makes decisions and what processes it follows which, in turn, drives employee behaviour. The Council's Legal Services Department ensures that the constitution remains relevant and up to date with the support of relevant Chief Officers. The Council's Annual Governance Statement (AGS) is compliant with the CIPFA code. An appropriate level of care is taken to ensure that the Council's policies and procedures comply with all relevant codes and legislative frameworks.

However, the Council does not have a framework in place to capture any instances of significant non-compliance with its constitution.

Improvement Recommendation #03 (p48)

The Legal Services Department should develop and implement a framework to ensure that the Council captures any significant non-compliance with its constitution.

Conflicts of interests declared by Members can be found in their individual biographies on the Council's website but the Council does not currently hold all of this information in one easily accessible place. We have identified an opportunity to strengthen the Council's arrangements by introducing a central register of Members' conflicts of interests.

Improvement Recommendation #04 (p49)

The Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.

In addition, one significant data breach notification was made to the Information Commissioner's Office (ICO) for the year 2020/21. The data breach, which related to Home to School Transport, occurred on 16 February 2021 and was reported to the ICO on 19 February 2021. It resulted in a member of the public gaining access to confidential information. We consider that the Council needs to take action to reduce the risk of further significant data breaches to minimise potential financial or reputational damage.

Improvement Recommendation #05 (p50)

The Council should consider providing training to its employees to reduce the risk of significant data breaches occurring.

Summary of findings for governance

We identified risks of significant weakness in respect of the Council's arrangements and, as a result, completed further work in the following areas:

- independent reports into issues related to the Home to School Transport Service (see pages 22 to 23)
- arrangements in relation to required improvements in SEND services (see pages 24 to 26)
- IT Audit findings and planned changes to the Council's general ledger (see pages 27 to 30)
- contractual arrangements relating to the highways PFI scheme (see pages 31 to 35)
- potential impact of a lack of stable leadership due to significant level of turnover of key staff and officers (see pages 36 to 38)
- waste service continuity and industrial relations (see pages 39 to 41)
- financial impact of the Commonwealth Games (see pages 42 to 43)

Otherwise, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its governance.

We have raised four improvement recommendations as set out above.

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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance review, monitoring and assessment

The Council has improved its Performance Management Framework during 2020/21. In November 2020, an updated Delivery Plan, setting out what activities the Council would undertake to deliver against its commitments and what work the Council would undertake alongside this, to inform its approach beyond 2022, was approved by Cabinet. The Delivery Plan is underpinned by actions and deliverables, which the Council is committed to over the period to May 2022 in pursuit of its goals, as well as milestones, timelines and accountable officers for each action. The refreshed Performance Management Framework is structured by Council outcome and contains named Cabinet Member accountabilities. It includes three areas of key performance indicators (KPIs): Vital Signs (a range of effectiveness and efficiency KPIs that are reported to Cabinet on a quarterly basis), Commonwealth Games (a range of KPIs specific to the Commonwealth Games that are reported to Cabinet quarterly) and State of the City (a range of longer term KPIs linked to its strategic objectives that are reported to Cabinet annually). This aims not only to monitor those areas of significant importance but to identify areas of improvement and inform Cabinet and the public on how particular improvement actions are progressing.

The performance information produced for scrutiny is very good in our opinion. A highly detailed and explanatory performance scorecard is included within these reports, which sets out RAG ratings for over 130 Vital Signs KPIs, 14 Commonwealth Games KPIs and over 50 State of the City KPIs. The KPIs are set out by strategic priority, so Members are able to focus on those which are relevant to their individual portfolios.

This scorecard clearly sets out areas for improvement, with a helpful commentary against each KPI, explaining issues which have arisen and actions taken, and we are satisfied that the monitoring of performance against these is good.

Birmingham Audit has not undertaken an internal audit review of key performance indicators (KPIs) in either 2020/21 or 2021/22.

Improvement Recommendation #06 (p51)

We recommend that Birmingham Audit should undertake a review of the data quality of KPIs as part of its 2022/23 Internal Audit plan. This would provide the Council with assurance over the accuracy of the performance data that underpins its improved Performance Management Framework.

Whilst the Council's current benchmarking provides good information to management and to Members, it is only against the Council's own internally derived targets. There is not a clear or consistent use of benchmarking against other councils to assess the Council's performance or to identify areas for improvement. The Council is developing plans for future budget processes to utilise the LGA Plus benchmarking tool. The tool provides subscribers with a suite of diverse online services to help understand customers, improve service provision and reduce costs, all in one accessible place. This represents an opportunity for the Council to improve its arrangements to benchmark costs and performance.

Improvement Recommendation #07 (p52)

We recommend that the Council should implement its plans to utilise the LGA Plus benchmarking tool to inform its budget processes. This would provide the Council and the public with a greater understanding of how its financial and performance KPIs compare to other councils.

Partnership working

The Council's Delivery Plan sets out the objectives of partnerships, expected outcomes and deliverables. There is a formalised and rigorous oversight of the work undertaken by the Council in partnership with other bodies.

All the plans which make up the Delivery Plan to May 2022 (eg Leader's Portfolio, Deputy Leader's Portfolio, Finance and Resources, Children's Wellbeing, Education, Skills and Culture, Health and Social Care, etc) include clear delivery targets for both the Council and its partners. These plans are reviewed quarterly by the Corporate Leadership Team (CLT) and Cabinet.

The Council works closely with West Midlands Combined Authority (WMCA) and Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) which are two of its most significant partners. An example of partnership working with WMCA is the Net Zero Plan across the West Midlands region for all stakeholders including councils, which in turn is reflected in the Council's Carbon target for 2027. An example of partnership working with GBSLEP was the development of the Council's Enterprise Zone Investment Plan.

The number of partners with whom the Council works has increased as a result of the pandemic, with more third sector and voluntary organisations working in partnership with the Council. The Council's updated 2018-22 Plan includes partnership working in a number of its priorities. However, how the Council works with its partners is not explicitly set out in this document. We have identified this as an improvement recommendation.

Improvement Recommendation #08 [p53]

Working with partners is a key theme in a number of priorities throughout the Council's updated 2018-22 Plan. However, the plan is not explicit in setting out how it works with partners. We recommend that the Council amends its Plan to provide greater clarity with regards to partnership working.

Procurement

The Council is currently amending its procurement strategy to ensure that it covers all the requirements of the NAO's new Value for Money Code of Audit Practice. The Council's vision for its revised procurement strategy is: "Delivering the best social, economic and environmental outcomes together with the citizens, businesses and partners of Birmingham" and it has identified the following three themes to deliver this:

- Delivering outcomes and value for money
- Increasing Social Value
- Modernising Procurement.

The draft strategy includes a range of KPIs covering the three strategic themes which will be built into business plans and individuals targets and performance will be reported quarterly to the Council's Procurement Board.

We support the Council's assessment that its current arrangements for procurement require improvements. The finalisation and implementation of the Council's draft procurement strategy is pivotal to supporting its vision and values whilst enhancing its ability to secure improvements in economy, efficiency and effectiveness. It will enable the Council to demonstrate to the citizens of Birmingham how it considers outcomes versus outputs and delivers increased social value.

Improvement Recommendation #09 [p54]

We recommend that the Council should prioritise the implementation of its procurement strategy.

The Council has a Capital Board which meets monthly to review schemes already included within the capital programme and new schemes prior to submission for approval by Cabinet. The Capital Board receives performance reports and position statements including spend to date and risk ratings allowing it to understand how capital projects are progressing and to

make them aware of any risks or delays to delivery. The Capital Board is chaired by the Leader of the Council. The financial performance of the capital programme is reported to Cabinet on a quarterly basis as part of the Council's financial monitoring report, with monthly reports submitted to the s151 officer.

Summary of findings for improving economy, efficiency and effectiveness

We identified risks of significant weakness in respect of the Council's arrangements and, as a result, completed further work in the following areas:

- independent reports into issues related to the Home to School Transport Service (see pages 22 to 23)
- arrangements in relation to required improvements in SEND services (see pages 24 to 26)
- IT Audit findings and planned changes to the Council's general ledger (see pages 27 to 30)
- contractual arrangements relating to the highways PFI scheme (see pages 31 to 35)
- waste service continuity and industrial relations (see pages 39 to 41)
- financial impact of the Commonwealth Games (see pages 42 to 43)

Otherwise, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources.

We have raised four improvement recommendations as set out above.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks it is facing.

Summary

Since March 2020 COVID-19 has had a significant impact on the population as a whole and how local government services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks it is facing.

The Council set out its response to COVID-19 in a report from Cabinet presented to Full Council on 9 June 2020. The report provided information relating to impacts on the city as a whole and also highlighted potential areas of work as the focus moved away from the 'emergency' response towards shaping the city's recovery and renewal. The Council continued to implement measures during 2020/21 to respond to the new risks it faced in respect of COVID-19, including the formation of a local COVID-19 outbreak engagement board and an initial analysis of the impact of COVID-19 on Birmingham's communities. On 16 March 2021 Cabinet adopted the Council's COVID-19 Economic Recovery Strategy.

The Council's overall priorities for recovery from COVID-19 are:

- Creating a more inclusive economy and tackling the inequalities and injustices highlighted by the crisis.
- Taking more radical action to achieve zero carbon emissions and a green and sustainable city.
- Strengthening our public services and creating new services to address needs.
- Building the strength and resilience of our communities, based on the positive response to cities.

Financial sustainability

The impact of COVID-19 has cut across the Council, impacting both its income in the collection rates of housing rents, Council Tax and Business Rates, and expenditure which has seen additional pressures, most notably in neighbourhoods and inclusive growth.

The Council has maintained a good oversight of its COVID-19 related costs and income losses. These were identified early on and subject to detailed monitoring and scrutiny. The medium term financial plan (MTFP) was reviewed and updated during the year, and detailed quarterly reporting against the budget to cabinet was maintained throughout the year.

The COVID-19 related overspend by the Council was £131.8m, comprising of £78.8m of directorate COVID-19 overspend, £4.1m of corporate budgets overspend and £48.9m of indirect COVID-19 costs, such as the proportions of staff time that was diverted to managing pandemic issues. This overspend has been offset by emergency funding from the Ministry of Housing, Communities and Local Government (MHCLG) which totalled £128.5m in COVID-19 grants and income compensation of £20.7m.

The remaining £17.5m of COVID-19 funding (combination of ring-fenced and non-ringfenced) received was transferred to an earmarked COVID-19 Reserve to meet forecast COVID-19 pressures in 2021/22.

Despite this 'cushion', the Council acknowledges that these financial pressures will be ongoing. Whilst it set a balanced budget for 2021/22, with savings and efficiencies built in, the Council has needed to maintain its high level of monitoring and scrutiny over its finances in order to manage its spending within this budget.

As at 31 December 2021 the Council was forecasting a net revenue overspend of £4.2m, which represents 0.5% of its 2021/22 £828.7m budget. However, Cabinet were informed that corrective action would be taken to ensure that the budget was balanced by 31 March 2022.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on 16 March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online.

All committees, but especially Cabinet, the Resources Overview and Scrutiny Committee and the Health and Social Care Overview and Scrutiny Committee have maintained a keen interest in the Council's response to the pandemic.

Birmingham Audit, the Council's in house internal audit function, has acted in an advisory capacity throughout, where processes and systems have had to adapt to changed circumstances. Birmingham Audit also demonstrated it can offer a responsive service, adapting its annual plan to accommodate new reviews required as a result of the change in circumstances caused by COVID-19. This included supporting the Council's response to COVID-19 through the secondment of staff to support the Track and Trace service.

Despite this, Birmingham Audit still completed 80 audits in the year and a further 41 follow up audits. Additional, unplanned audits were carried out and support was also provided for awarding COVID-19 support grants to individuals and businesses, pre-payment assurance checks and responding to fraud allegations. This approach sought to minimise the Council's exposure to the types of COVID-19 support grants fraud that was experienced by other councils.

All office-based staff were provided with the necessary equipment to work from home, enabling a smooth transition to remote working where this was possible. Home-based working has continued throughout the pandemic and there has been a good level of continuity of service. Enabling staff to work from home also supported the Council in protecting its frontline staff and residents by reducing the risk of virus transmission. Personal protective equipment (PPE) was also sourced and provided to all Council staff where this was deemed necessary.

Improving economy, efficiency and effectiveness

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council. In aiming to maintain staff wellbeing, the Council has been able to maintain an efficient and effective delivery of its statutory services.

The 2019 update of the Birmingham City Council Plan 2018-22 (Council's Plan) aims to provide a framework to invest in the Council's Plan's broader ambitions and long term priorities, as well as the recovery from COVID-19.

During COVID-19 the Council has led on consolidating and reporting on the value and nature of England's Core Cities' COVID-19 expenditure, as set out in regular Ministry of Housing, Communities and Local Government (MHCLG) returns. This was reviewed internally and reported back as a single report with narrative to all Core Cities. It included a comparison of the latest forecast position on the impact of COVID for the eight Core Cities which showed a cumulative shortfall of £347m after taking account of emergency funding, ringfenced grants and potential claims under the income compensation scheme.

The report compared the proportion of COVID-19 grant funding allocated by service area, which showed that the Council had allocated 26% to Adult Social Care (Core Cities average = 31%), 9% to Children's Social Care (average = 9%) and 12% to cultural and related services, mainly sport and recreation (Core Cities average = 8%). The report also identified an average increase of 9.4% in the working age Local Council Tax Support above that budgeted, which will mean reduced income for Council Tax receipts beyond 2020/21.

Summary of findings for COVID-19

Our review has not identified any significant weaknesses in the Council's VFM arrangements for responding to the COVID-19 pandemic. The Council and its Members and officers have demonstrated their commitment to protecting the services provided to the citizens of Birmingham through working hard and effectively during the unparalleled times during the COVID-19 pandemic.

Independent reports into issues related to the Home to School Transport service



We considered the Council's:

- Approach to managing and monitoring this risk during the year, and how this has been formally reported within the Council's governance structure
- Response to the findings of the independent external review of the Home to School Transport service
- Response to the findings of the independent external review of the assurances given to Council and its Committees

Background

An internal inquiry into the Home to School Transport service was undertaken by the Education and Children's Social Care Overview & Scrutiny (O&S) Committee in early 2020, the findings of which were presented to Council in September 2020. At the Council meeting it was agreed that the Chief Executive would commission two independent reviews relating to the service. The resulting independent reports were issued in the latter part of the 2020/21 financial year.

We considered that there was a risk of significant weakness relating to both the governance and the effectiveness of the Home to School Transport service.

The Council's view is that many of the operational issues raised had been previously identified and actions to address these were already in progress as part of the SEND improvement and transformation journey. We have considered the Council's actions to address SEND issues as a separate risk area in this report.

Summary of the Council's approach to managing and monitoring this risk during the year, and how this has been formally reported within the Council's governance structure

In July 2019, Birmingham Audit issued (in draft) a 'red rated' report on the Home to School Transport (also known as 'Travel Assist') service. This report was finalised in October 2019, and presented to Audit Committee on 28 January 2020. The report identified "some very significant cross-council concerns in a range of areas." Key recommendations from this report were given short implementation dates, with many being prior to the finalisation of the report due to their significance – indeed the finalised report recognised that a number of these actions were already complete.

The O&S Committee completed an internal inquiry in the early part of 2020. This was "an extensive piece of work ... that put the parents, carers and users of the Travel Assist services at the forefront of its Inquiry."

The inquiry identified a number of issues, and the work being done to address these, but also noted that Members "expressed frustration that the Council seems to be in the same position as it was in 2015" and "there was concern that the Council will still be in this position in two years' time."

The report resulting from the O&S Committee's internal inquiry was due to be presented to Full Council in April 2020 but was deferred to the September meeting to allow prioritisation of work relating to the COVID-19 pandemic. At the Council meeting on 15 September 2020 it was agreed that the Chief Executive would:

- "Commission an external and independent inquiry into the Full Travel Assist Service that fully addresses the concerns laid out by Parents, Carers, Schools and other users of the service ... by providing clear recommendations, lines of accountability together with an open and transparent timetable for sustainable improvement" and
- "Commission an external and independent investigation into the assurances that have been given to Members about the safety of the service and the status of improvements at meetings of Overview and Scrutiny, City Council and Audit Committee since January 2020."

The O&S Committee received further updates on home to school transport at its meetings in July 2020, January 2021 and May 2021, setting out the progress made in the service against the findings raised by the Birmingham Audit review, the O&S Inquiry, and also the independent, external review of the service that was commissioned by the Chief Executive.

Summary of the Council's response to the findings of the independent external review of the Home to School Transport service

As a result of the consistent issues with the Home to School travel service, an independent inquiry was launched in September 2020 to determine why the service failed children and their parents and carers, and to provide detailed recommendations to improve the service in the medium and long term.

The resulting report was issued to the Council in November 2020, and the Council held a public meeting on 24 November 2020 to allow parents and carers to hear the independent inquiry's findings. Following this meeting, the report was made publicly available as part of the Council's commitment to "being open, transparent, and collaborative in moving forward on this service improvement journey."

The independent inquiry identified eight operational reasons for the service failings in September 2020, seven systemic issues, and some supporting causal factors. The report stated that it was critical that the systemic issues identified were addressed going forward and that to do that would require more transformational changes to the ways of working. The independent reviewer recommended that the Council consider the recommendations made in the context of developing a new operating model for the service.

Following this meeting, a report was taken to Cabinet on 15 December 2020 setting out the actions that the Council planned to take during 2021/22 to address the independent findings, including developing a new organisational structure for Home to School Transport as part of a wider programme of activity incorporating SEND and associated commissioning activity.

Key Recommendation #01 (p06)

The independent inquiry noted that as the school term in September 2020 began, it became apparent that the basic service provision was inadequate, and was not meeting the needs of children, parents or schools. The report goes on to make a series of recommendations that amount to a significant level of change within the Council's service provision. We recommend that the Council continues to prioritise implementation of the agreed recommendations to address the systemic issues identified.

Summary of the Council's response to the findings of the independent external review of the assurances given to Council and its Committees

The independent review of the assurances given to Council and its Committees was commissioned in September 2020, and the resulting report was issued on 21 January 2021.

The report was shared with all Councillors by the Director of Children's Services in September 2021, but due to sensitive information contained within the report the circulated document was redacted. At the meeting of the Audit Committee on 30 September 2021, the then City Solicitor & Monitoring Officer confirmed that the full report would be shared with the Audit Committee when appropriate, but she could not confirm when this would be. The full report is still legally privileged at the time of writing this Auditor's Annual Report.

We have, however, reviewed the content of the report and note that, again, it identified a number of significant issues for the Council to address, many of which were issues already known to the Council and not adequately addressed.

Key Recommendation #02 (p07)

The independent inquiry noted significant issues within the Home to School Transport service, and made a series of recommendations to address these. We recommend that the Council continues to prioritise implementation of the recommendations to address the underlying issues identified.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we have found evidence of significant weaknesses in the Council's arrangements for delivery of its Home to School Transport service and the assurance mechanisms in place around the service. We have made a key recommendation in each of these two areas, as set out above.

We will continue to review the arrangements in this area as part of our 2021/22 review.

Arrangements in relation to required improvements in SEND services



We considered the Council's:

- Governance arrangements to ensure that the required improvements were being made, and how progress against the WSOA was measured and monitored
- Approach to managing and monitoring this risk during the year, and how this has been formally reported within the Council's governance structure.

Background

In May 2021, the Office for Standards in Education (Ofsted) and the Care Quality Commission (CQC) revisited Birmingham to decide whether sufficient progress has been made in addressing the areas of significant weakness detailed in the Written Statement of Actions (WSOA) issued in September 2018 in relation to Special Educational Needs and Disability (SEND).

The formal findings from this revisit identified that the Council and its local NHS Clinical Commissioning Group had not made sufficient progress in addressing 12 of the 13 significant weaknesses identified at the initial inspection.

Summary of the governance arrangements put in place by the Council in response to the inspection by Ofsted and the CQC in June 2018

Birmingham was inspected by Ofsted and the CQC in June 2018 to judge the effectiveness of the area in implementing the SEND reforms as set out in the Children and Families Act 2014. The Chief Inspector determined that the Council and Birmingham & Solihull Clinical Commissioning Group (BSol) were required to jointly submit a WSOA because of significant areas of weakness in the local area's practice. Whilst there were some examples of good practice, overall services and the SEND system across the city was failing children and families and not delivering good outcomes for individuals with SEND.

As a result of the inspection in June 2018, a WSOA was written and approved by the Council in response to the issues identified, which was in turn approved by the Department for Education (DfE) and NHS England (NHSE). The purpose of this was to set out the response of all partners in Birmingham to the inspection. The WSOA focused on the

need to bring about the necessary improvements for children and young people in Birmingham and was underpinned by a detailed action plan.

The governance arrangements put in place to support the required improvements included the following:

- the SEND Improvement Board (SIB) was responsible for monitoring the implementation of the actions in the WSOA
- presentations on progress to Overview and Scrutiny Committee
- regular briefings with the Cabinet Member
- monitoring visits with DfE and NHSE to discuss progress with the action plan.

The SIB met regularly between September 2018 and March 2020 to monitor the implementation of the WSOA action plan. The DfE and NHSE undertook regular monitoring visits throughout this period to discuss the progress with the implementation of the action plan and the Cabinet Member was provided with regular briefings. In addition, the Education and Children's Social Care Overview and Scrutiny Committee was provided with quarterly reports on the progress against the action plan. All of the reporting stated that good progress was being made with the implementation of the actions included in the WSOA.

Managing and monitoring the risk during 2020/21

The Council's existing governance arrangements for managing and monitoring the implementation of the action plan in the WSOA throughout 2020/21 including regular SIB meetings, Cabinet Member briefings, monitoring visits by the DfE and NHSE and update reports being presented to the Education and Children's Social Care Overview

and Scrutiny Committee. The update reports continued to state that good progress was being made in implementing the action plan in the WSOA. In March 2020 it was reported that 172 of 291 actions in the WSOA had been completed and in October 2020 it was reported that 78 of the remaining 117 actions in the WSOA had been completed with a further nine actions archived because of duplication across the action plan.

However, we understand that self-assessments produced by the Council prior to the comprehensive self-assessment produced in May 2021 for the revisit were considered to lack the appropriate levels of focus on benefits realisation, impact and outcomes and, as a result, were deemed not fit for purpose by the Council.

Ofsted and the CQC revisited the local area of Birmingham between 24 and 27 May 2021 to decide whether sufficient progress had been made in addressing each of the areas of significant weakness detailed in the WSOA issued on 3 September 2018. This had been declared fit for purpose on 4 January 2019. The outcome of the revisit was published on 7 July 2021 and found that, whilst sufficient progress in addressing one of the 13 significant weaknesses identified at the initial inspection had been made, insufficient progress had been made in addressing the remaining 12 significant weaknesses.

The 12 areas where significant weaknesses remained are as follows:

- a lack of an overarching approach or joined-up strategy for improving provision and outcomes for children and young people with SEND
- inter-agency working is ineffective
- the coordination of assessments of children and young people's needs between agencies is poor
- co-production (the inclusion of families/carers in agreeing the services provided to their children) is not embedded in the local area
- parental engagement is weak
- there is a great deal of parental dissatisfaction
- Birmingham has not ensured that the published local offer (help, advice and information

about the services available for your child or young person from birth to 25 years with SEND) is a useful means of communicating with parents and it is difficult to locate

- the quality of Education, Health and Care (EHC) plans is variable
- waiting times are too long and children and young people are not seen quickly enough by therapists or professionals in Child Development Centres (CDCs)
- pupils with SEND make weak academic progress when compared with all pupils nationally
- pupils with SEND attend school less often and are excluded more frequently than other pupils in Birmingham and all pupils nationally
- not enough young people with SEND are entering employment or supported employment and the proportion of adults with learning disabilities in paid employment is below the national average.

In response to these findings, the Leader of the Council wrote to the Minister for Children and Families on 9 July 2021 acknowledging the failings of the service and stating that " This is unacceptable and as a Local Authority we understand and appreciate how this service failure has negatively impacted upon our children, young people and their families/carers. We are determined to put this right."

A draft statutory direction was received by the Council on 23 July 2021 stating the Secretary of State's intentions to appoint a Commissioner for the Council's SEND services. Subsequently, the statutory direction was received by the Council on 15 October 2021 confirming the appointment of a Commissioner by the Secretary of State who is now chairing the SIB. The Local Area partnership drafted a new SEND Improvement Accelerated Progress Plan (APP) which was approved by the DfE and the Commissioner on 24 November 2021.

The Commissioner will complete a review of the service by Spring 2022, to ascertain whether the Council is able to deliver SEND services.

Based on our review of the Council's governance arrangements, to ensure that the necessary

improvements set out in the WSOA were made and the findings of the revisit undertaken by Ofsted and the CQC in May 2021, we are not satisfied that these arrangements were adequate. In particular, we believe that monitoring of the completion of actions in the WSOA and the monitoring visits by the DfE and NHSE lacked sufficient focus on benefits realisation, impact and outcomes which would have underpinned the required improvements in the service.

Key Recommendation #03 (p08)

As a result of the failure of the Council to address the significant weaknesses identified in the SEND service by Ofsted and the CQC in June 2018 a Commissioner was appointed by the Secretary of State in October 2021. We recommend that the Council works with the Commissioner to deliver the recommendations in the Commissioner's report, to be published in Spring 2022, in addition to delivering the actions in the APP which are the responsibility of the Council to address these significant weaknesses to ensure that an adequate SEND service is provided to Birmingham's children, young people and their families/carers.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we found evidence of a significant weakness in the Council's governance arrangements for managing, monitoring and implementing the action plan in the WSOA for SEND.

We have made one key recommendation in this area, as set out above.

IT Audit findings and planned changes to the Council's general ledger



We considered the Council's:

- Actions in response to our IT Audit work in 2020/21 and previous years.
- Progress on the general ledger implementation programme during 2020/21.
- Readiness for the revised "Go Live" date of April 2022

Background

The Council has been in the process of implementing a new general ledger (Oracle Fusion) since October 2019. There have been significant delays to this implementation programme, and significant revisions to the planned delivery timelines and budgets were approved by Cabinet in March 2021.

In addition, our IT Audit team has identified significant deficiencies in relation to user access permissions in the existing general ledger system (SAP) for several years, which have not been fully addressed. These deficiencies have led to extended testing being undertaken as part of across the majority of our substantive work to support the audit of the Council's financial statements.

We performed our work in this area between June and August 2021, and identified several recommendations, including some for action in September 2021 to ensure that further risks to the delivery of the planned Oracle "Go Live" date of April 2022 were minimised.

Summary of the Council's actions in response to our IT Audit work in 2020/21 and previous years

Each year since 2017/18 we have reported deficiencies in relation to user access permissions in SAP following work on the Council's IT general controls supporting our financial statements audit. Each year these deficiencies have been accepted by the Council as necessary to the functionality of SAP, with the Council explaining that the process to grant these access rights had been agreed by Birmingham Audit (the Council's Internal Audit function), and that regular checks of access rights were being undertaken.

In 2021 Birmingham Audit undertook a review of SAP security, which found that these regular checks were not being completed regularly or

effectively:

- "There are controls and tools for managing Segregation of Duties, but they have not been reviewed in the past 12 months ... There is an increased risk of high-risk conflicting roles being active due to regular monitoring not being undertaken."
- "Active FF [fire fighter] IDs are monitored via a monthly report where the responsible manager is required to confirm continued access. A further report is provided detailing transactions performed by FF IDs, but these contain a high volume of transactions and cannot all be reviewed."

We also note that the Council's existing arrangements did not identify the most significant deficiency identified by our IT Audit team.

Key Recommendation #04 (p09)

We recommend that the Council undertakes an immediate review of roles and users within SAP, and takes action as appropriate in line with the detailed recommendations of our IT Audit report.

While system access requests are managed using a standardised request form, accessible only to line managers within People Solutions and nominated officers, the positions with access to submit this form have not been reviewed since they was established and per Birmingham Audit's report "there is a risk that the forms could be vulnerable to unauthorised submissions." Managers are required to confirm continued access on a monthly basis, however through our work we have identified instances of excessive use of accounts that have higher levels of access. We therefore consider it likely that the managers approving access do not fully understand what they are approving and what certain access rights within SAP can do.

Improvement Recommendation #10 (p55)

We recommend that the Council ensures that appropriate training is given so that managers understand the access rights that they are approving each month.

Summary of the Council's progress on the general ledger implementation programme during 2020/21

The Council's Oracle Fusion implementation programme commenced in October 2019 with an original budget of £19 million and planned "Go Live" dates of December 2020 for Finance & Procurement, and February 2021 for HR & Payroll. The programme involves migrating from 15 applications and solutions, including the current SAP general ledger, to a cloud-based Oracle Fusion solution.

At the beginning of the 2020/21 financial year, the Council commissioned an external review of the programme, receiving the resulting report in June 2020. This report identified "significant challenges against each of the key measures of Schedule, Quality and Cost which will result in a material shortfall against the original Full Business Case and challenge ongoing delivery" and noted that "the original business case is undermined by inadequate benefits analysis, increased costs due to delivery slippage and requirements that solutions are not yet identified", and that "governance forums were not working effectively". The report recommended a number of remediation actions to refocus the programme.

Following this external review, the project team took the opportunity to re-evaluate and redesign the governance structures in place at the Council, including replacing the Programme Director, which allowed an improved connection between the project sponsor, contractors, functional leads, functional groups, and wider business representatives.

Revisions to the planned delivery timelines and budget were made, and Cabinet approved a revised Full Business Case in March 2021. The revised Programme "Go Live" date is April 2022 for both Finance and Procurement and HR and Payroll. Ongoing programme costs are circa £1 million per month which, with the delays to overall timelines, has led to an increase in projected total budget to £38 million. Within this revised budget, there was a contingency of circa £1.5 million which could be used to support the delivery of the programme by the April

2022 timescale, however at the time of our review half of this contingency had been consumed due to delays. It is therefore critical that further delays across the programme are minimised, and that the management of change remains a high priority. Consequent to this, we have considered the Council's readiness for "Go Live" below, and have identified improvement recommendations where relevant. These were reported to management following our work in August 2021, and a number of these have already been actioned.

Summary of the Council's readiness for the revised go-live date

From the work that we have completed, we are aware that the Council has experienced difficulties with making procurement decisions at the appropriate time and with sufficient depth and expertise to support the decisions. We highlighted three key areas to management where additional focus was required, being: invoice scanning; schools' interfaces; and Oracle licenses.

Future users of Oracle Fusion have been classified as 'self-service' and 'professional' users. Self-service or occasional users will be provided with training through use of an online tool, while professional users have had a formal training plan designed for them. The plan was to deliver training for professional users between February and April 2022, however, at the time of our review no partner was contracted to deliver this training.

Improvement Recommendation #11 [Already actioned] (p64)

In August 2021 we recommended that the Council avoided any further delays to procurement decisions, while also ensuring that mitigation plans are in place should solutions not be operational at "Go Live". This recommendation has already been addressed at the time of writing this report.

At the time of our review the Council had compiled a catalogue of 350-400 reports that would be required from the new system. Not all of these reports could be delivered in time for "Go Live", and so the criticality of all HR, Finance and Procurement reports had been analysed to identify 125 reports that were considered 'core' and necessary to be in place for Day 1.

Rationale for report availability from Day 1:	HR	Procurement	Finance	Total
Business as usual	32	3	23	58
Statutory reporting	0	3	16	19
Customer Facing	0	1	7	8
Critical operations	5	8	27	40
Total	37	15	73	125

Improvement Recommendation #12 [Already actioned] (p65)

In August 2021 we recommended that the Council should continue to focus on designing and testing critical reports for each functional area and that these should be delivered by November 2021 in order to be assessed during user acceptance testing. We also recommended that the Council should plan how business as usual activities will be managed where reports will not be in place from 'Day 1'.

In terms of user access permissions in the new system, the Council had, at the time of our work, created 225 custom roles, using a combination of out-of-the-box 'seeded roles' (with modifications) and building from scratch where needed. These custom roles will be used during the user acceptance testing stage so that testers can closely represent the access rights that will be assigned to business users at "Go Live".

At the end of July 2021, privileged administrative roles had not yet been defined or created. To provide effective security management, the Council will need to ensure that it has the capability to manage user roles and identify segregation of duty breaches. Out-of-the-box 'seeded roles' inherently contain segregation of duties conflicts, and if custom roles have

been built based on these there is a risk that excessive access rights will be assigned to users. This could lead to system-enforced internal controls being bypassed or unauthorised changes to system configuration parameters.

While the design phase had been approved and closed out at the time of our review, there continued to be a steady flow of changes proposed from the Council. Such changes are considered by the Change Advisory Board and any rejected changes are included within the project roadmap for future consideration post-"Go Live".

At "Go Live", the Council is planning a direct cutover from the current SAP ledger system to the new Oracle Fusion ledger system, with no period of parallel running other than in the Council's payroll system. SAP will remain accessible until December 2022 in order for the finance team to perform their year-end reporting.

If the April 2022 deadline cannot be met, the next viable date of October 2022 will be targeted to coincide with the half year. This would incur significant cost from extending contractors, additional effort to migrate open transactions, reperformance of training sessions and additional test cycles.

Improvement Recommendation #13 [Already actioned] (p66)

In August 2021 we recommended that the Council limited further changes to only those that were considered essential.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we identified a significant weakness in the Council's arrangements relating to user access permissions, and have made a key recommendation in this area.

Although we have not identified a significant weakness in the Council's arrangements in relation to the implementation of the new ledger, we did identify several improvement recommendations at the time of completing our work in August 2021, including some for action in September 2021 to ensure that further risks to the delivery of the planned Oracle "Go Live" date of April 2022 were minimised. The Council reacted swiftly to these recommendations and has taken appropriate action to address them as set out above.

Contractual arrangements relating to the highways PFI scheme



We considered the Council's:

- Actions taken to address the recommendations raised as part of our previous year's Value for Money work
- Broader arrangements in place during 2020/21 for the Interim Service Contract (ISC) with BHL, Kier and Tarmac
- Reporting of arrangements to sub-committees during 2020/21
- Updated arrangements for managing the re-procurement of the Highways PFI contract, post 31 March 2021.

Background

The Council and its highways PFI provider, Birmingham Highways Ltd (BHL) are currently in the process of procuring a long-term subcontractor for the Council's highways PFI scheme. During this process there has been the potential for significant change to the agreement between the Council and BHL, and for the level of service delivered by the future contract to be reduced.

Our VFM conclusion was qualified in this regard in 2019/20, due to the fact that we considered that until the scale of the affordability gap was confirmed, the Council was making significant decisions regarding this issue knowing that the extent of the full financial challenge facing BHL was uncertain.

As part of planning this year's audit, we had identified a risk of significant weakness in this area for further investigation. Our team of PFI specialists consequently performed work in this area between July 2021 and October 2021, which identified a number of areas for improvement in the Council's arrangements.

Summary of the action taken by the Council to address the recommendations raised in our 2019/20 VFM review

“ We recommend that the Council ensure proactive monitoring and management of the ISC between BHL and Kier takes place, in order to mitigate the financial risk to the Council created by their agreement and to ensure that BHL remains solvent by paying its reasonable operational costs during the interim period. ”

The Council has put in place a monitoring and management approach to mitigate financial risks arising from its contractual arrangements with BHL during the ISC. The performance and financial monitoring approach, that has been in place throughout our year of audit, consists of a number of key business processes and meetings between the Council, BHL and Kier. The key stages of the monitoring and management approach are as follows:

- Performance Management Meeting (PMM)
A monthly PMM is held between the Council, BHL and Kier to review the service provider's performance against obligations within the ISC. Independent checking of the service provider's performance in month is undertaken by the Council's PFI Performance Management Team, as well as validating any performance data supplied by Keir's Performance Management team. The performance outputs from this meeting are used by Kier in its Monthly Service Report (MSR), which is a management summary detailing Kier's performance against its obligations under the ISC.
- Monthly Project Meeting (MPM)
The MPM is the management meeting held by senior officers from the Council, BHL and Kier to review the service providers MSR following the MPM and to discuss issues arising which may have an impact on operational delivery of services or performance. Holding a regular MPM is a contractual requirement of the original PFI Project Agreement (PA) that has been carried across into the ISC, as all parties feel it is a useful, good practice forum to debate matters arising relating to delivery of the ISC and provide the project with strategic direction on the operational delivery of services.
- Birmingham ISC Commercial and Finance Meeting
A monthly meeting is held between the commercial functions of BHL and Kier to assess Kier's operational and commercial performance against its obligations under the ISC. The Council attends these

meetings as an observer, to maintain oversight of BHL's management of the service provider, Kier. Whilst primarily a meeting between BHL and Kier, the Council is able to make comments and raise questions during these meetings and officers inform us that they regularly do when required. This meeting is attended by members of Highways PFI Commercial and Payments team and staff from the Council's Corporate Finance team to ensure that both the service specific and corporate requirements, issues and concerns of the Council are represented.

- Submission of the Short-Term Cash Flow Forecast (STCFF) and Draft Authority Funding Request (DAFR)

BHL is required to submit on a monthly basis a STCFF and DAFR for the upcoming period to the Council as part of its obligations under the Project Agreement Restructuring Agreement (PARSA). These documents are sent by BHL to members of the PFI Commercial and Payments team, Corporate Finance colleagues and the Council's advisors Duff and Phelps for analysis and comment. This arrangement has been revised in 2021/22 and Duff and Phelps no longer undertake this review. Commentary, questions and issues with BHL's submission are then raised by the Council's officers and advisors and fed back to BHL along with requests for clarification, further evidence etc. as appropriate.

- BCC/BHL STCFF/DAFR Review Meeting

Following the exchange of commentary between the Council, its advisors and BHL on the STCFF and DAFR, the issues arising and evidence provided by BHL to substantiate its payment position on the ISC and the Interim Works Programme (IWP) with Kier and Tarmac are reviewed by the PFI Commercial and Payments team and staff from the Council's Corporate Finance team.

- Council Payments Meeting

Following the round of performance and commercial management and monitoring meetings a Council view on the validity of BHL's payment and performance position is developed by the Council's officers supporting the process, using the outputs from the process and meetings held with BHL and Kier. This final payment position for BHL and, if necessary, to Tarmac for the IWP, is put to the PFI Contract Manager, or the Assistant Director for Highways and Infrastructure for further challenge. The Council's position on payment for that month is then agreed and payments released as appropriate. This

meeting is attended by members of Highways Contract Management Team, staff from the Council's Corporate Finance team, the Council's advisors and the Budget Holder to ensure that both the service specific and corporate requirements, issues and concerns of the Council are represented.

- IWP Governance Meetings

Monthly technical and commercial meetings are held between the Council, BHL and its representatives (Kier, Tarmac and Arcadis) to discuss progress on the IWP, resolve technical issues and discuss any commercial issues as appropriate.

The above arrangements are comprehensive and, in our opinion, commensurate with the importance of effective management of this issue. We are therefore satisfied that the Council has in place arrangements to monitor and manage the ISC between BHL and Kier.

“ We recommend that the Council should work towards completing negotiations with BHL as a matter of priority, in order to ensure that a new, permanent solution can be put in place as soon as reasonably possible to achieve best value for money. ”

The Council worked closely with BHL during 2020/21 in liaison with the Department for Transport (DfT) and lawyers to produce an updated business case (UBC) for a permanent solution. This culminated in the UBC being finalised in March 2021 and submitted to DfT for consideration.

The UBC outlined three potential scenarios:

- Scenario 1: the default scenario, in which no agreement is reached with Senior Creditors prior to the expiry of the Restructuring Period, such that the Project Agreement terminates
- Scenario 2: reduction in Project standards to a level allowing BHL to procure a long-term Replacement Subcontractor
- Scenario 3: the Council's alternative approach, which would see BHL acquired by the Council, implementation of active management by BHL and procurement of a suite of subcontracts intended to optimise project delivery

As at March 2021 scenario 3 was the Council's preferred option.

Summary of broader arrangements in place during 2020/21 for the ISC with BHL, Kier and Tarmac

The monitoring and management arrangements, as set out above were implemented by the Council to mitigate financial risk and have been in place during the year of audit, for the monitoring of the ISC with BHL, Kier, Tarmac and Arcadis.

In addition to these arrangements, the Council has also challenged BHL with regard to its approach and BHL's ability to demonstrate the effective management of costs and performance of its other sub-contractors and advisors, not just those relating to the services provided by Kier and Tarmac. At the Council's request, BHL undertook a 'Cost Control' exercise, to demonstrate that the costs being incurred by its sub-contractors and advisors, for example Arcadis and Dentons, were both reasonable and compliant with their obligations under the Project Agreement Re-structuring Agreement (PARSA). BHL was also requested to demonstrate the contracts and rates it had negotiated for provision of advisory and support services were also reasonable and represented value for money.

The Council's Cabinet approved that the ISC should be extended to August 2023 on 16 March 2021. At that stage, August 2023 was the anticipated date by which a long-term contract would be in place. The ISC is between BHL and Kier. The ISC was extended by BHL on 31 March 2021 to 31 December 2021 by BHL exercising the extension provisions in the contract. BHL was unable to extend this further (in accordance with the Council's preference) without obtaining consent from Kier and the lenders. The terms for this period remain unchanged. However, given the timescales required to secure a permanent solution we believe that the Council should have acted earlier to ensure the necessary extensions to the ISC were approved.

Improvement Recommendation #14 (p56)

The Council needs to ensure that any necessary extensions to the ISC are approved on a timely basis to avoid risks to service delivery.

Summary of the Council's reporting arrangements during 2020/21

Throughout 2020/21 there was extensive communication and reporting on the progress with the re-procurement of the Highways PFI contract with key stakeholders within the Council. This included the following:

- All Members briefings
- Informal Member Working Group meetings
- Individual Cabinet Member briefings
- Informal briefings for Cabinet
- Decision making for Cabinet.

In addition, the re-procurement of the PFI contract is also a standing agenda item at the weekly Cabinet Member briefing, presented by the Assistant Director of Highways and Infrastructure.

However, the UBC was submitted to DfT on 1 March 2021 following a meeting of the Informal Member Working Group before it was presented to Cabinet on 16 March 2021 for approval. In our opinion, this represents a weakness in the Council's governance arrangements for formal decision making.

Improvement Recommendation #15 (p57)

The Council should strengthen its arrangements to ensure that appropriate formal approval is provided for key decisions before any necessary submission to significant third-parties, including Government.

Summary of updated arrangements post 31 March 2021

DfT responded to the Council's UBC on 14 June 2021. In summary, DfT confirmed that it could not support scenario 3 because it:

- did not demonstrate VFM
- included high level of overhead costs
- did not give detail/confidence on deliverability
- had a long timeline to implement
- led to concerns around removal of structures to de-risk
- had a need for more on balance sheet treatment
- was unprecedented.

Whilst there had been a great deal of informal communication between the Council and DfT, there had been limited formal correspondence between DfT's letter dated May 2019 setting out the requirement for the Council to develop an UBC and DfT's notification letter dated 14 June 2021. As a result of the lack of formal processes to ensure mutual expectations of the Council's preferred scenario, the Council and all project stakeholders were not expecting DfT to reject the March 2021 UBC.

Improvement Recommendation #16 (p58)

We recommend that the Council implements a more formal process to ensure that its understanding is consistent with Government Departments, when dealing with such matters in future, to reduce the risk of setbacks caused by a difference in expectations.

DfT requested that the Council needed to submit a revised proposal, supported by a Strategic Outline Business Case (SOBC) within eight weeks of the date of its letter. The SOBC was required to set out how the Council would meet DfT's requirements and contain a clear project plan with stretching but deliverable milestones for the Council to work with BHL to procure replacement subcontractors.

Following DfT approval of the SOBC, the Council must submit an Outline Business Case

(OBC) prior to starting the procurement followed by a Final Business Case (FBC) at the completion of the procurement but prior to signing contracts.

The Council submitted the SOBC to DfT on 9 August 2021 (accompanied with a letter of support from BHL) and a letter from the Council stating that it:

- focused on Scenario 2 (continuation of the existing PFI construct), with a view to meeting DfT's original project requirements, as far as possible
- demonstrated that the PFI continues to offer value for money
- included highway structures within the specification and funding envelope
- set out a clear project plan with stretching but deliverable milestones for BCC to work with BHL to procure a replacement subcontractor[s].

DfT responded to the Council on 27 September 2021 confirming that Ministers had accepted the DfT's Investment Portfolio Delivery Committee (IPDC) recommendation to approve the SOBC. DfT required the Council to submit an OBC and final procurement documents by 6 December 2021 demonstrating that it has developed a credible proposition that will be acceptable to the market and meets DfT requirements including VFM. The letter from DfT also set out the requirement to complete full re-procurement within a newly agreed timeframe with the formal contract to be awarded by 30 April 2023.

Best practice business case development includes a series of meetings and workshops, ensuring that decisions are reached following an evidence build and in consensus as far as possible. We provided the Council with details of HM Treasury's 'Better Business Case' approach, checklist and training. Given the complexity of the business case supporting the restructuring of the Highways PFI we believe that the Council should consider providing some of its team with formal better business case training.

Improvement Recommendation #17 (p59)

The Council should develop its business case training to key officers to enhance the Council's ability to strengthen its arrangements for preparing effective business cases.

We suggested to the Council in October 2021 that the OBC should include some forecasts to 2035 to reflect the potential for significant changes in road usage. The Council stated that it would consider this option.

Improvement Recommendation #18 (p60)

The Council should consider including some scenario planning on changes in road use when preparing the OBC to future proof the re-procurement process.

The Council submitted the OBC to DfT for its consideration on 6 December 2021 and has not yet received a formal response from DfT. A supplier day was held by the Council and BHL on 18 January 2022, which was attended virtually and in person by potential bidders. The procurement notice was issued by the Council on 14 February 2022. The OBC timetable includes a deadline of 28 April 2023 for the formal award of the contract, with services to commence from 1 September 2023.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we found no evidence of any significant weaknesses in the Council's arrangements for the re-procurement of its Highways PFI contract. We are satisfied that, on balance, the arrangements in place during the year were appropriate, given the nature of the issues it was seeking to address.

We have made five improvement recommendations in this area, as set above.

We will continue to review the arrangements in this area as part of our 2021/22 review.

Potential impact of a lack of stable leadership due to significant level of turnover of key staff and officers



We considered the Council's:

- governance arrangements for the management of turnover of key staff and officers
- specific arrangements for a number of key positions during 2020/21

Background

In recent years the Council has been subject to a significant level of change in senior individuals and officers. Since 1 April 2019, the Council has had four Chief Executives, two Chief Financial Officers, and four Monitoring Officers, and for the 2020/21 financial year, both the Chief Executive and the Chief Financial Officer have been interim posts.

There was a risk that this level of change could weaken the Council's governance arrangements, as a result of a lack of leadership stability.

Summary of the Council's governance arrangements for the management of turnover of key staff and officers

The Council's Workforce Strategy 2018-22 states that its workforce vision aims to have a workforce that reflects the lived experience of the people it serves. The Council wants to be an employer of choice for Birmingham citizens, with a high-performing, agile and diverse workforce, capable of delivering innovative services which enable the City to grow and ensure every child, citizen and place matters. The Council's plan sets out a clear vision for the outcomes it wants to deliver for the City of Birmingham. The Workforce Strategy describes the way it plans to develop its current and future workforce to ensure they have the right skills, environment and values to enable the Council to deliver its plan. The Workforce Strategy is underpinned by the Council's Workforce Planning Guide which provides senior budget holders, managers and HR with an eight step approach to support them through the workforce planning process including guidance on recruitment and retention and succession planning.

With regard to the management of turnover of key staff and officers, the Corporate Leadership team (CLT) officers are responsible for ensuring that the directorates have robust arrangements in place to

minimise the disruption resulting from any changes in leadership. The CLT job description includes the following: To provide strong professional and managerial leadership across the organisation, including setting clear objectives and measures, managing performance and resources; including effective management of people and financial resources, and assessing impact/risk. This provides accountability for ensuring continuity in service provision where officers are expected to deputise in the absence of senior staff.

Appointments to Chief Officer positions as defined within Section 43 of the Localism Act 2011 are made by the Council's Joint Negotiating Committee (JNC) Panel which include remuneration packages set out in the 2020/21 pay policy statement. The Council currently determines pay levels through a job evaluation process and grading structure that has been specifically designed for senior positions that determines the pay range for senior officers as defined by the Localism Act 2011.

In the event of a senior officer resigning then, wherever possible, staff continuity is provided through acting up arrangements or interim appointments whilst permanent replacements are sourced, these arrangements are approved by the JNC Panel. The Council's acting up policy covers arrangements for when an employee temporarily undertakes the full duties and responsibilities of a post graded higher than their substantive post. Employees receive remuneration for this through an acting up payment, provided they act up for a minimum of 4 weeks up to a maximum of 12 months, continuously. Employees who act up for shorter periods (4 weeks or less) are entitled to an allowance payment through the stand in allowance process.

We are satisfied that the Council has put in place adequate arrangements for the management of turnover of key staff and officers. Despite these arrangements, we still consider that the high turnover of senior officers could have resulted in significant challenges with building positive relationships with the political leadership.

Improvement Recommendation #19 (p61)

We recommend that the Council puts in place formal arrangements to ensure that the Chief Executive and other CLT officers have a clear framework to support the development of positive relationships with the political leadership.

Summary of the Council's specific arrangements for a number of key positions during 2020/21

We have considered what specific arrangements the Council put in place to ensure that there was not a loss of continuity, efficiency or effectiveness as a result of changes in a number of key positions within the Council during 2020/21. This included two changes of Chief Executive, acting up cover for the Director of Adult Social Care, a number of transitions in the post of Monitoring Officer, a change of Programme Director for the Commonwealth Games, acting up cover for the Director of Place. We have also considered the Council's arrangements for the appointment of a permanent Chief Financial Officer, the change of the Assistant Chief Executive and the retirement of the Head of City Finance.

The Chief Executive's departure in March 2020 was unforeseeable and, as a result, it was not possible for the Council to arrange a formal handover. However, the JNC Panel acted expediently to identify and recommend that the Director of Adult Social Care acted up whilst an Interim Chief Executive was recruited.

These arrangements were approved by Full Council on 28 April 2020. The Acting Chief Executive was in place until 17 May 2020 with the Interim Chief Executive taking up the position on 18 May 2020 on a 12 month contract. The Interim Chief Executive left the Council in March 2021 and the Director of Adult Social Care was reappointed as Acting Chief Executive with effect from 7 March 2021 until the appointment of a new Interim Chief Executive on an 18 month contract which commenced in May 2021, which provided the Council with some assurance of continuity.

Both of these appointments were recommended by the JNC Panel and approved by Full Council on 23 February 2021 and 13 April 2021 respectively. On both occasions the Acting

Chief Executive held a series of handover meetings with the incoming Interim Chief Executive and he also prepared a report for the Leader of the Council outlining his perceptions of where the Council was at, the areas of focus required whilst the recruitment of the latest Interim Chief Executive took place and a plan for what was achievable during the interim period.

The Council identified the Assistant Director Commissioning Adult Social Care as a highly experienced officer in Adult Social Care and as a key member of the management team who was capable of acting up as the Director of Adult Social Care. During both periods she reported to the Acting Chief Executive (who she would regularly deputise for in his substantive role) which minimised any disruption in the leadership arrangements for the Adult Social Care service.

The former Director of Finance and Governance, as the line manager, provided support to ensure that the transitions in the post of Monitoring Officer was effective. The acting up Monitoring Officer was also provided with support by other colleagues until the JNC Panel decided to extend the acting up arrangement and secure additional resource reporting to the acting up Monitoring Officer, as well as formal mentoring and development support.

The Chief Executive, as the line manager, ensured that the transition between Interim Programme Director for the Commonwealth Games and the appointment of a new Programme Director in April 2020 was effective and also consulted with the JNC Panel to ensure that an appropriate replacement was identified from the Place directorate to act up as Director, Place which provided continuity of leadership in the directorate.

The recruitment and selection process for the Director of Council Management (s151 officer) was completed in September 2021. There is no transition as the interim FD/Director of Council Management has been appointed on a permanent basis.

The post of Assistant Chief Executive was deleted as part of the Council's investing in its future programme which included a reorganisation of the leadership restructure. These changes were proposed by a report by the JNC Panel to Cabinet dated 19 January 2021 and approved on 28 January 2021. The report proposed a new operating model for the Council supported by the revised high level organisational level structure and top team that will be required to deliver the Council's ambitious agenda. In particular, it sets out the broad

direction of travel for how the Council will work in the future and the indicative future state structure and governance.

The Finance Target Operating Model (TOM) work has reviewed the staffing structure of the finance team and a proposed team structure is nearing completion. The role undertaken by the former Head of City Finance has not been filled with a permanent member of staff following his retirement, instead an Interim Head of Service was appointed along with a two year partnership contract with a specialist accounting organisation to support the closing of accounts. We are aware that the Interim Head of Service's involvement in the process of preparing and responding to the audit of the financial statements has been greater than originally planned. Early in 2021, the proposal was that he would oversee the external provider, as part of a wider, strategic role within treasury and capital. Rather than simply overseeing the process, he has had to be involved in a number of detailed audit queries.

The current interim post holder is a very experienced chief accountant and has developed the team and been involved in the design of the new Finance TOM. Once the team structure is approved the Council believes this will ensure value for money with robust capacity and capability underpinned by a talent pipeline within the service and permanent recruitment to the post will take place.

However, following the departure of the Head of City Finance, we consider that there was some loss of corporate memory within the finance team that resulted in a number of key issues with the preparation of the Council's 2020/21 financial statements. This is not the only example in finance and we have also identified that the revised Full Business Case for the implementation of the new general ledger acknowledged that "staff turnover within the programme and the organisation has impacted on the level of ... knowledge and progress made ... requiring time to enable staff to understand the design." As a result, we consider that this is unlikely to be isolated to one area of the Council.

Improvement Recommendation #20 (p62)

We recommend that the Council needs to identify key individuals, such as the former Head of City Finance, and ensure that appropriate succession planning is put in place to avoid future issues caused by the loss of corporate memory. Such arrangements should include the maintenance of a library of file notes, explaining the key technical areas where an individual's understanding would be lost to the organisation should they leave.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we found no evidence of any significant weaknesses in the Council's arrangements for the management of turnover of key staff and officers.

We have made two improvement recommendations in this area, as set out above.

Waste service continuity and industrial relations



We considered the Council's:

- Governance arrangements for the Waste Service
- Progress reviewing other options for the delivery of the refuse collection service

Background

In previous years we have identified a VFM risk regarding the governance arrangements in relation to the waste dispute. This has also been the subject of previous Statutory Recommendations issued by Grant Thornton in July 2018 and March 2019.

The Council commissioned an independent review of the Waste Service in 2019, but this has not yet concluded. As part of our VFM work in 2019/20, we raised the following recommendation:

“ We recommend that the Council continue to work closely with the independent reviewer, to ensure that phase 2 of the review was completed in a timely manner. ”

Summary of the Council's governance arrangements

The Council has enhanced the governance arrangements for the Waste Service during 2020/21 that were in place at the end of 2019/20. We have reviewed these arrangements and our findings are outlined in this section followed by our evaluation of the effectiveness of the Council's arrangements.

The arrangements included monthly meetings of the Joint Service Improvement Board (JSIB), chaired by the Cabinet Member for the Waste Service, which provided effective communication and liaison between all the key partners (Cabinet Members, Council officers, the Waste Service workforce and trade union partners) on Waste Service issues throughout the year.

As a result of these meetings, the trade union partners agreed a relaxation in the Memorandum of Understanding (MOU) to enable services to be delivered within COVID-19 restrictions on 11 March 2020

and confirmed in an email from the Assistant Director Street Scene to the trade union representatives on 17 March 2020. Previously the MOU stipulated that each vehicle was required to be staffed with a Grade 4, Grade 3 and Grade 2 member of staff. Grade 3 staff members were unable to be covered through an agency. Due to the impact of COVID-19 with potential staff absences through sickness and self-isolation, it was agreed with trade union partners that vehicles could be sent out if they had a driver and appropriately trained staff without the requirement for specific grade mixes. For example, services could continue to be delivered with two Grade 2s, or a Grade 3 and an agency worker.

The flexibility of all the key partners in agreeing to changes in working operations during 2020/21 has been vital to ensure that the delivery of the Waste Service has been maintained despite the range of COVID-19 restrictions. This has included mitigating against staffing issues arising from illness and related self-isolation and the impact of lockdown and Tier restrictions.

Cabinet members are provided with a weekly briefing on the performance of the Waste Service which includes missed collections, garden waste, contamination of recycling, fly tipping and environmental performance. In addition, a quarterly Waste Management performance monitoring report is presented to the Housing and Neighbourhoods Overview and Scrutiny Committee. This includes four Vital Signs and State of the City key performance indicators for the Waste Service including collection and recycling that were approved by Cabinet on 10 November 2020. This ensures that the Council has adequate arrangements in place to scrutinise the performance of the Waste Service.

The Waste Service has provided a quarterly update to the Audit Committee on progress with the implementation of the recommendation raised as part of last year's Value for Money review. The update to Audit

Committee in March 2021 highlighted that work was ongoing to continue to improve the performance of the Waste Service and that the Phase 2 modelling of future delivery arrangements would be delayed until the outcome of the Government's consultation process on plans to standardise items collected across England including food waste, which will have a critical impact on future collection models.

Inevitably COVID-19 has caused some delays to some of the planned service improvements. Within the context of this, including lockdown / Tier system / social distancing, any restructuring has been delayed due to limitations on the ability of the Council to undertake any large scale consultation. The Council also had to suspend some of the face to face community engagement because of COVID-19. In addition, whilst the Council's management was able to visit depots during 2020/21 enabling some informal interaction with members of the Waste Service workforce, it was not possible for the Council to hold any large meetings with staff. We are satisfied that these adjustments in the Council's arrangements were appropriate considering the circumstances created by COVID-19.

Overall, we consider that the Council has put in place an effective set of governance arrangements for the delivery of the Waste Service

Progress reviewing other options for the delivery of the refuse collection service

Wood Environment and Infrastructure Solutions UK Ltd (Wood) were appointed to undertake the review on 28 June 2019, with the work to be undertaken and reported in two distinct phases:

- Phase 1 covered the following aspects: Data discovery and current state assessment; Best practice review and benchmarking; Identification of immediate improvements and efficiencies; and Future Strategic Operating Model Options; and
- Phase 2 of the review is focused on modelling (appraising) some potential strategic level changes to overall service delivery in Birmingham.

The Council's own report to Cabinet on 11 February 2020 recommended that its Service Improvement Plan was updated to include the recommendations in Wood's Phase 1 report

and that Phase 2 of the review be undertaken by Wood to include the modelling of the following recommended options:

- model existing baseline services along with the introduction of a separate weekly food waste collection;
- weekly food waste collections along with fortnightly residual collections and fortnightly recycling collections; and
- weekly food waste collections along with three weekly residual collections and fortnightly recycling collections.

Phase 2 of the review was approved by Cabinet and commenced in March 2020.

The Council met with Wood every fortnight during 2020/21 and has continued to do so throughout the rest of 2021 to keep in touch but further reporting from Wood in terms of future service delivery has been paused pending the outcome of the ongoing Government consultations. Since the year end further updates have been provided to the Audit Committee confirming this approach. The update in June 2021 reported that the Government's Waste to resources paper had restarted and was looking at consistency of collections and different recycling options including glass and food. We acknowledge that the outcome of this consultation and any subsequent legislation will inform the Council's approach to the determining the appropriate future collection models. The update in September 2021 reported that the Government's consultation process was still ongoing but that the Council was still in regular contact with Wood and that new collection models could be developed as soon as the Government's future collection programmes have been confirmed.

In May 2021, the Department for Environment, Food and Rural Affairs (DEFRA) released its latest consultation on "Consistency in Household and Business Recycling". The consultation includes proposals for free garden waste collections, the introduction of statutory guidance on new "minimum service standards for rubbish and recycling collections" with a preference for more frequent than fortnightly collections and the introduction weekly food waste collections. Food waste collections will be mandatory from 2023, with any wider proposals expected to be implemented from October 2023.

DEFRA also opened a consultation on Introducing a Deposit Return Scheme which ran from March 2021 to June 2021. Considering the significant impact these future developments will have on the Council's waste collection delivery models we believe that it is appropriate for the Council to consider this in relation to any future operating model options proposed in Phase 2 of the Wood review.

Despite the delays with the development and implementation of new Waste Service delivery models, the Council was able to maintain effective and consistent relations with its trade union partners in relation to the Waste Service during 2020/21.

However, In November 2021 GMB suggested that its 7,000 members employed by the Council should not sign any equal pay settlement offered to them, leading to the potential for heightened uncertainty in the value of the overall equal pay cost. This has been considered as an additional VfM risk on Equal Pay and is being reported on separately in our Auditor's Annual Report.

Improvement Recommendation #21 (p63)

We recommend that the Council works effectively with Wood to develop new Waste Service delivery models as soon as the Government's requirements for future collection programmes have been finalised and ensures that it can maintain effective and consistent relations with its trade union partners regardless of any future changes to the Waste Service delivery model.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we found no evidence of any significant weaknesses in the Council's governance arrangements for the delivery of the Waste Service.

We have made one improvement recommendation in this area.

The financial impact of the Commonwealth Games



We considered the Council's:

- Governance arrangements for the delivery of the Games
- Levels of planned spend for the Games
- Associated funding arrangements for the Games

Background

In previous years we have identified that the cost of hosting the Commonwealth Games (the Games) could impact on the Council's future financial sustainability.

Over the course of the 2019/20 financial year, substantial cost pressures arose that exceeded the level of contingency included within the Full Business Case for the Games, resulting in the requirement for a revised case to be reported to Cabinet only nine months later, in March 2020.

Our VFM conclusion was qualified in this regard in 2019/20. Since then, COVID-19 has had a significant impact on the planning and preparation for the Games.

Summary of the Council's governance arrangements

The financial impact of the Games is reported as a part of the Council's overall financial monitoring and reporting process. For example, in the Council's quarterly financial monitoring report to Cabinet.

In addition, the Council has put in place an officer-led Games Programme Governance Structure to oversee the enablement and the delivery of the Games. This sets out the reporting framework for the various enabling and delivery committees to the Corporate Leadership Team (CLT) and Cabinet. It includes an overall Programme Board (chaired by the Chief Executive) which met fortnightly during 2020/21 and a Finance, Risk & Legal Group reporting to that Board (chaired by the Assistant Director, Development & Commercial Finance), which met monthly during 2020/21. The role of these groups includes oversight of financial impacts and consideration of key risks as outlined in the respective Terms of Reference.

The Programme Board's standing agenda items include the Programme Director's summary report and forward look, monthly dashboards, finance progress reports and city readiness reviews plus other relevant issues including legacy and capital delivery matters. Any significant issues arising are in turn reported to CLT and Cabinet.

The Finance, Risk and Legal Group has monthly meetings and its standing agenda items include financial matters, procurement plans, programme risk, legal matters and escalation items for onward reporting to the Programme Board.

The Programme Governance Structure also includes three committees responsible for the delivery of the Games:

- the City Readiness Committee is accountable for overseeing, planning and driving the Council's city readiness preparations for hosting the Games, including specific commitments in the Host City Contract;
- the Venues and Infrastructure Integration Committee is accountable for driving and coordinating the many interfaces across the Programme for hosting the Games and ensuring that the legacy benefits for the city are fully realised; and
- the Programme Legacy Committee is accountable for overseeing, planning and driving the Council's Legacy Programme for the Games, including specific commitments made in the Host City Contract.

We therefore consider that the Council has put in place an effective set of governance arrangements for the delivery of the Games.

Levels of planned spend and associated funding arrangements

In 2019/20 we raised the following recommendation:

“ The Council should take further action to address the current shortfall of £25.0m in partner funding due to fund the capital expenditure budget in the second half of 2021/22 and 2022/23, if it is going to fully mitigate the financial impact of the Games. ”

The Council's overall contribution to the core cost of the Games is £184m, with the only change in funding of this relating to the use of capital contingency to meet the £25m shortfall in partner contributions. The £25m shortfall in partner funding contributions continued to be reported as a key risk by the Council during 2020/21. This was highlighted in the Council's Financial Plan for 2021 to 2025, which was approved in February 2021. The Council has been unable to identify additional partner funding contributions to close this gap but Cabinet approved the use of £25m of capital contingency funding to resolve this issue on 27 July 2021. Officers have informed us that they believe all possible action to secure funding has been taken and the Council will therefore not be pursuing any additional external funding from potential partners for the Games.

The Council's Financial Plan for 2021 to 2025 included a refresh of other anticipated Council costs (relating to City Readiness, the Council's CWG programme team and legacy programmes). An update on the legacy programmes was taken to Cabinet on 18 March 2021 for the approval of the latest legacy programme allocations. This included the following: £0.5m to support the Council led Stronger Communities programme; £1m to support the commissioning of physical activity and wellbeing initiatives across Birmingham; and £0.5m to further enhance the offer to Birmingham schools and young people as part of the Commonwealth Games Learning Programme.

In addition, the Games infrastructure projects remain on track for completion by the Games, which is supported by a detailed “delivery confidence” report produced by Turner & Townsend. This report highlights a net position of £1.298m against the total capital budget for the Games of £179.977m.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we found no evidence of any significant weaknesses in the Council's arrangements for planning and managing its resources to ensure it can continue to deliver its services in relation to the financial impact of the Games.

We have not made any recommendations in this area.

We will continue to review the arrangements in this area in our 2021/22 review of the Council's Value for Money to ensure that the ongoing revenue costs of the Games are fully funded.

The financial impact of Equal Pay claims



We considered the Council's:

- Governance arrangements relating to the resolution of the ongoing Equal Pay litigation, and the approval of the memorandum of understanding with trade unions.
- Actions since 31 March 2021 to assess whether there was indication of a weakness during the 2020/21 financial year.

Background

Since late 2006, the Council has been involved in Equal Pay litigation with group actions brought by employees and former employees alleging inequality in pay and employment terms.

In November 2021, Cabinet authorised agreement of a settlement with the one outstanding group action. Following this agreement, GMB suggested that its 7,000 members employed by the Council should not sign any equal pay settlement offered to them, leading to the potential for heightened uncertainty in the overall cost of Equal Pay to the Council.

Summary of the Council's Governance arrangements relating to the resolution of the ongoing Equal Pay litigation

The group actions brought by employees and former employees alleging inequality in pay and employment terms are categorised into three 'generations'. First and second generation claims are largely resolved historic claims.

For the third generation of claims the Council had, in previous financial years, agreed settlement schemes with all but one group actions. The remaining group action remained ongoing throughout 2020/21.

Our work has focused on arrangements in 2020/21, as the NAO's Code of Audit Practice and supporting Auditor Guidance requires the assessment of arrangements for supporting VFM to be linked to the year of audit.

During the financial year, significant progress was made in regular discussions with trade unions and in December 2020 Cabinet approved a memorandum of understanding (MOU) with the trade unions for the purpose of resolving the potential third generation claims that could be

brought by their members, and the subsequent issuance of settlement offers to all union members.

At the end of the year, the Council was able to calculate a provision for the cost of its equal pay claims based on the terms of the agreed historic settlements and the proposed MOU with the trade unions. We have considered this calculation as part of our audit of the financial statements, and we are satisfied that the estimate is fairly stated and based on the best information available to the Council.

Summary of the Council's actions since 31 March 2021

The MOU with the trade unions was signed by all parties on 14 May 2021, and the Council is currently undertaking the necessary processes to ensure that claimants understand the offers being made to them, including a virtual workshop with ACAS which a claimant must attend before they can receive a settlement offer. The first settlement offers were issued at the end of 2021.

In November 2021, Cabinet authorised agreement of a settlement with the one outstanding group action. Following this agreement, GMB suggested that its 7,000 members employed by the Council should not sign any equal pay settlement offered to them, leading to the potential for heightened uncertainty in the overall cost of Equal Pay to the Council.

We have challenged management on the potential financial impact of these events, and the Council has demonstrated that the provision included in the financial statements remains appropriate based on the information available.

Summary of findings in relation to the risk identified

Following the completion of our additional, risk-based procedures, we have not identified any weaknesses in the Council's arrangements during the 2020/21 financial year relating to Equal Pay claims.

We have not made any recommendations in this area.

We will continue to review the arrangements in this area in our 2021/22 review of the Council's Value for Money.

Improvement recommendations

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



Improvement Recommendation #01

Financial sustainability

Recommendation	Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.
Impact	This would help residents to understand the difference between these types of spending and would help inform them as to any spending which is made as a result of manifesto pledges or following a decision by the Council to undertake a specific project outside of or in addition to its statutory obligations.
Auditor judgement	The different categories of spending could be made clearer. Currently it is not apparent whether any of the Council's spending is discretionary.
Summary findings	No distinction is made in the financial information reported to those charged with governance (TCWG) between statutory and discretionary spending. Further detail is included on page 12.
Management Comments	It is not a simple process to split spending in this way as lots of services have interdependencies. As we now commence the work to set a balanced budget for 2023/24 we will consider how best we can make a clearer distinction between statutory and discretionary spend in information provided to members and citizens.

Improvement recommendations

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



Improvement Recommendation #02

Governance

Recommendation	All COVID grant payments to business should be reviewed, and Members should check and confirm whether payments were made to any personally related parties and if so, whether any additional declarations of interest are required to be made by them.
Impact	There is a risk that these payments were made without being subject to the Council's usual level and timeliness of scrutiny. If payments have been made to related parties, this could pose a reputational risk for members and for the Council.
Auditor judgement	The risk of related parties being in receipt of these grants should be included any retrospective checking of these payments.
Summary findings	<p>Whilst COVID grant payments were subject to later reviews to determine whether these were lawful and in accordance with grant conditions, it is not clear that these were checked against Members' declared interests.</p> <p>Further detail is included on page 14.</p>
Management Comments	In the first instance we will check COVID grant payments against any declared interests (excluding those which are Council appointments). At the start of the new Municipal year, as a one-off, we will advise Members alongside the annual Declaration of Interests process that COVID related payments from the Council to personally related parties should be declared.

Improvement recommendations

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



Improvement Recommendation #03

Governance

Recommendation	The Legal Services Department should develop and implement a framework to ensure that the Council captures any significant non-compliance with its constitution.
Impact	This would provide residents with assurance about the behaviour of Council employees.
Auditor judgement	There is currently a risk of significant non-compliance with the Council's constitution.
Summary findings	This could result in either financial or reputational damage to the Council. Further detail is included on page 15.
Management Comments	<p>Council Management has implemented steps in order to firstly avoid and secondly address identification of any significant non-compliance with the Council's Constitution in the form of the following:</p> <p>All Council Directors to receive sign posting containing their respective delegations and sub-delegations and also include the following from the Council's Constitution:</p> <ul style="list-style-type: none"> • Key accountability documents • An Accountability Framework for each Director • Financial Regulations • Financial Accountability Arrangements to deliver sound financial management • Procurement framework • HR Framework • Explanation of the role of Elected Members • Explanation of the role of the S.151 Finance Officer; and • Explanation of the role of Directors. <p>In addition:</p> <ul style="list-style-type: none"> • each Directorate will hold and complete on an ongoing basis, a delegated Officer decision log • each draft Cabinet report is subject to a separate Officer and Member 'Corporate Clearance' panel <p>Every Chief Executive Urgent Decision report, Cabinet Member decision report and Cabinet report is subject to an approvals process comprising Legal/Governance; HR (if applicable), Finance and Procurement technical clearance by Officers.</p> <p>In relation to capturing non-compliance (in addition to the above 'decision log') with the Constitution, Legal Services works closely with Finance and Internal Audit colleagues to investigate incidents of non-compliance, remedial action and lessons learned with assurance reporting through to the Corporate Leadership Team (CLT).</p>

Improvement recommendations

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



Improvement Recommendation #04

Governance

Recommendation	Whilst interests declared by Members are available on their individual biographies on the website, the Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.
Impact	Having to check each Member separately is piecemeal and makes it difficult to confirm the overall complexion of interests held.
Auditor judgement	It is not immediately apparent if there are a number of interests or similar interests held by any particular committee or political grouping.
Summary findings	<p>Whilst there is a full register of Members interests made available at the library, this is not available online as a single document. Transparency could be improved by making this information available in a single place online.</p> <p>Further detail is included on page 16.</p>
Management Comments	<p>A central register already exists but is not currently published online.</p> <p>From the start of the new municipal year (2022/23) this will also be published on the Council's website alongside the Members individual registers. It is also proposed that the central register will have links to each of the Members pages, so that it becomes a more useful reference tool.</p>

Improvement recommendations

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



Improvement Recommendation #05

Governance

Recommendation	The Council should consider providing training to its employees to reduce the risk of significant data breaches occurring.
Impact	Significant data breaches can result in members of the public gaining access to confidential information.
Auditor judgement	The Council should be proactively reducing the risk of any further significant data breaches.
Summary findings	This could result in either financial or reputational damage to the Council. Further detail is included on page 16.
Management Comments	<p>The Council requires staff to complete a number of mandatory training modules on an annual basis, currently including two that cover information governance obligations. Currently, these focus on 'Understanding GDPR' and 'Cyber Security'. The content of the modules is reviewed each year to ensure that material remains relevant to the risks and issues the Council faces. In addition, each Assistant Director is required to undertake mandatory training on their role as an Information Asset Owner, which includes dealing with data breaches within their services and their role in ensuring staff within the service are appropriately trained.</p> <p>Data breaches are reported to the Council's Data Protection Officer (DPO) and reviewed against data breach criteria to determine whether the Information Commissioner's Office (ICO) notification is required. Quarterly and annual reports are prepared and discussed at the Council's Information Assurance Board (IAB), chaired by the Senior Information Risk Owner (SIRO). The IAB includes senior representation from Legal Services, HR, IT, Corporate Procurement as well as the Caldicott Guardian and the DPO.</p> <p>Each data breach reported to the ICO and any subsequent response with ICO recommendations is reviewed at the IAB and any improvements to the data breach processes, training or changes are implemented.</p> <p>We encourage staff to be open about any data breaches to ensure we learn and improve as a Council.</p>

Improvement recommendations

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



Improvement Recommendation #06

Improving
economy,
efficiency and
effectiveness

Recommendation	We recommend that Birmingham Audit should undertake a review of the data quality of KPIs as part of its 2022/23 Internal Audit plan.
Impact	This would provide the Council with assurance over the accuracy of the performance data that underpins its improved Performance Management Framework.
Auditor judgement	There is a risk of inaccuracies in the data supporting the Council's KPIs.
Summary findings	We found that the Council did not have sufficient arrangements in place to provide adequate assurance for the data quality of the information that underpins its KPIs. Further detail is included on page 17.
Management Comments	The Council is continuing to improve its Performance Management Framework and is looking to put the new KPI's at the heart of its performance reporting. In doing this it is reviewing the existing KPIs and will ensure there is relevant assessment and assurance on new KPIs. A Data and Insights Programme is helping to determine how the Council transforms into a data-driven organisation and uses better quality data to derive insight, drive evidenced-based decisions and support its performance management. A review of the data quality of the new KPIs will be incorporated into the 2022/23 audit plan.

Improvement recommendations

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



Improvement Recommendation #07

Improving economy, efficiency and effectiveness

Recommendation	We recommend that the Council should implement its plans to utilise the LGA Plus benchmarking tool to inform its budget processes.
Impact	This would provide the Council and the public with a greater understanding of how its financial and performance KPIs compare to other councils.
Auditor judgement	The Council's current benchmarking provides good information to management and to Members, it is only against the Council's own internally derived targets.
Summary findings	<p>We found that there is not a clear or consistent use of benchmarking against other councils as a tool to assess the Council's performance or to identify areas for improvement.</p> <p>Further detail is included on page 17.</p>
Management Comments	The Council has started work on balancing the 2023/24 budget (the financial plan approved by Full Council on 22 February 2022 reported a budget gap of £33m). This work will include use of benchmarking to help inform future budget processes. In continuing to develop and improve its overall Performance Management Framework, the Council is drawing more heavily on the LGA's LG Inform platform to ensure KPIs across service and priority areas that are benchmarkable with other local authorities and national standards.

Improvement recommendations

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



Improvement Recommendation #08

Improving
economy,
efficiency and
effectiveness

Recommendation	Working with partners is a key theme in a number of priorities throughout the Council's updated 2018-22 Plan. However, the plan is not explicit in setting out how it works with partners. We recommend that the Council amends its Plan to provide greater clarity with regards to partnership working.
Impact	It might not be clear to residents on reading the Council's updated 2018-22 Plan what work the Council is doing with partners. Whilst there may be more detail in the delivery plans, more explicit references to the partners with whom the Council works might give the Council's updated 2018-22 Plan more of a context for residents.
Auditor judgement	Transparency could be improved if the work being undertaken by partners is set out explicitly in future revisions of the Council's Plan.
Summary findings	It is not immediately apparent what work is being done by partners (either alone or supported by the Council) and what work is being done by the Council in meeting the aims and objectives of the Council's updated 2018-22 Plan. Further detail is included on page 18.
Management Comments	A new Corporate Plan for 2022-2026 (which will be finalised and published in June 2022 after the local government elections in May) will set out more explicitly how the Council will work to deliver its priorities – including working with partners being reflected in a number of the priorities. The Plan will include 'working in partnership' as one of the organisational behaviours, and it will also list some of the key partners the Council works and collaborates with to deliver priorities.

Improvement recommendations

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



Improvement Recommendation #09

Improving
economy,
efficiency and
effectiveness

Recommendation	We recommend that the Council should prioritise the implementation of its procurement strategy.
Impact	This will enable the Council to demonstrate to the citizens of Birmingham how it considers outcomes versus outputs and delivers increased social value
Auditor judgement	We support the Council's assessment that its current arrangements for procurement require improvements.
Summary findings	<p>The finalisation and implementation of the Council's draft procurement strategy is pivotal to supporting its vision and values whilst enhancing its ability to secure improvements in economy, efficiency and effectiveness.</p> <p>Further detail is included on page 18.</p>
Management Comments	The Council is currently finalising its Procurement Strategy and it will be presented to Cabinet for approval post the pre-election period in May / June 2022.

Improvement recommendations

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



Improvement Recommendation #10

IT Audit findings (Governance)

Recommendation	We recommend that the Council ensures that appropriate training is given to managers so that they understand the access rights in the general ledger that they are approving each month.
Impact	Managers are required to confirm continued access permissions within the general ledger on a monthly basis.
Auditor judgement	We consider it likely that the managers approving access do not fully understand the user access rights that they are approving.
Summary findings	Through our work we identified instances of excessive use of accounts that have high levels of access. Further detail is included on page 28.
Management Comments	Access can only be requested by managers and there are checks and balances in place in line with the Council's Scheme of Delegation before approval is granted. There is also an automatic lock out of the system for users who haven't used the system for more than 100 days. Mangers are reminded on Yammer and via the Managers Bulletin of the importance of notifying the systems team of user changes in a timely manner. With only a few weeks before SAP is frozen for new transactions due to the implement of the new Oracle System, this is seen as a low risk.

Improvement recommendations

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



Improvement Recommendation #14

Contractual arrangements relating to PFI

(Governance & Improving economy, efficiency and effectiveness)

Recommendation	The Council needs to ensure that any necessary extensions to the ISC are approved on a timely basis to avoid risks to service delivery.
Impact	Failure to extend the ISC would represent a risk to service delivery and impact on the citizens of Birmingham.
Auditor judgement	The Council should have acted earlier to ensure the necessary extensions to the ISC were approved.
Summary findings	<p>The ISC was extended until 31 December 2021 on 31 March 2021 but the further extension until 31 August 2023 was not agreed until 9 December 2021.</p> <p>Further detail is included on page 33.</p>
Management Comments	While this recommendation is accepted, it should be noted that the Interim Service Contract (ISC) is BHL's contract, not the Council's. The Council approved an extension to the ISC by BHL to August 2023 on 16 March 2021. In line with this decision, the ISC was extended by BHL on 31 March 2021 and 9 December 2021, in line with Cabinet's decision.

Improvement recommendations

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



Improvement Recommendation #15

Contractual arrangements relating to PFI

[Governance & Improving economy, efficiency and effectiveness]

Recommendation	The Council should strengthen its arrangements to ensure that appropriate formal approval is provided for key decisions before any necessary submission to significant third-parties, including Government.
Impact	Failure to ensure that appropriate approval processes are in place for key decisions could result in poor Value for Money outcomes for the Council.
Auditor judgement	This represents a weakness in the Council's governance arrangements for formal decision making.
Summary findings	<p>The UBC was submitted to DfT on 1 March 2021 following a meeting of the Informal Member Working Group before it was presented to Cabinet on 16 March 2021 for approval.</p> <p>Further detail is included on page 33.</p>
Management Comments	<p>This recommendation is accepted and the Council has already resolved this. It put in place a revised project governance structure from August 2021, which introduced:</p> <ul style="list-style-type: none"> • A Programme Board, chaired by the Senior Responsible Officer (SRO – the Assistant Director, Highways and Infrastructure) and comprising senior officers from the Council leading the five thematic workstreams (contract management, procurement, asset management, legal and finance and commercial). • A Sponsoring Board, to whom the SRO reports, and comprising the Cabinet Members for Transport and Environment and Finance and Resources, together with the Managing Director, City Operations, Director of City Management and City Solicitor. <p>Project submissions are developed by the workstreams, agreed by the Programme Board and recommended to the Sponsoring Board for formal approval.</p>

Improvement recommendations

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



Improvement Recommendation #16

Contractual arrangements relating to PFI

[Governance & Improving economy, efficiency and effectiveness]

Recommendation	We recommend that the Council implements a more formal process to ensure that its understanding is consistent with Government Departments, when dealing with such matters in future, to reduce the risk of setbacks caused by a difference in expectations.
Impact	Failure to address this issue may result in unexpected outcomes which could result in delays to the procurement of significant projects.
Auditor judgement	The Council and all project stakeholders were not expecting DfT to reject the March 2021 UBC.
Summary findings	<p>Whilst there had been a great deal of informal communication between the Council and DfT, there had been limited formal correspondence between DfT's letter dated May 2019 setting out the requirement for the Council to develop an UBC and DfT's notification letter dated 14 June 2021. As a result of the lack of formal processes to ensure mutual expectations of the Council's preferred scenario DfT's decision to reject this scenario was unexpected.</p> <p>Further detail is included on page 34.</p>
Management Comments	We accept that the Council could have set out its understanding of expectations regarding the Updated Business Case (UBC) more formally to DfT and have subsequently sought to do so on all DfT's requirements. It is implicitly acknowledged within the recommendation that this in itself can only reduce the risk and does not ensure that expectations are clearly shared with the Council.

Improvement recommendations

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



Improvement Recommendation #17

Contractual arrangements relating to PFI

(Improving economy, efficiency and effectiveness)

Recommendation	The Council should develop its business case training to key officers to enhance the Council's ability to strengthen its arrangements for preparing effective business cases.
Impact	This will improve the Council's capability to prepare effective business cases.
Auditor judgement	Given the complexity of the business case supporting the restructuring of the Highways PFI we believe that the Council should consider providing some of its team with formal better business case training.
Summary findings	<p>Best practice business case development includes a series of meetings and workshops, ensuring that decisions are reached following an evidence build and in consensus as far as possible. We provided the Council with details of HM Treasury's 'Better Business Case' approach, checklist and training.</p> <p>Further detail is included on page 34.</p>
Management Comments	<p>The Council has significantly enhanced its approach to the development of business cases and the Corporate Programme Office (CPMO) has been working with the finance team and procurement colleagues to enhance business case templates and provides training for officers completing templates. To date the focus of training has been for those officers as they need to complete templates, we accept that there needs to be more training to strengthen and develop staff on the delivery of business cases and this training has continued to take place this year.</p> <p>As per government requirements, the Highway Maintenance and Management PFI project is supported with external advisors with extensive experience of developing business cases with government.</p> <p>While this recommendation is accepted, it should be noted that this action would not have changed the position regarding the Updated Business Case submission. The content of this submission was agreed with DfT as being outside the Better Business Case structure.</p>

Improvement recommendations

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



Improvement Recommendation #18

Contractual arrangements relating to PFI

(Improving economy, efficiency and effectiveness)

Recommendation	The Council should consider including some scenario planning on changes in road use when preparing the OBC to future proof the re-procurement process.
Impact	Scenario planning for potential changes in road use has the potential to impact on the costs of delivery of the service.
Auditor judgement	Our team of PFI specialists considered that it would be good practice to include such scenario planning in the OBC for the Highways PFI re-procurement.
Summary findings	<p>We suggested to the Council in October 2021 that the OBC should include some forecasts to 2035 to reflect the potential for significant changes in road usage.</p> <p>Further detail is included on page 35.</p>
Management Comments	<p>Changes in road use are part of the condition risks on roads that the council is seeking to transfer to its Highway Maintenance and Management PFI Service Provider. This means that the Service Provider is required to maintain the condition requirements of roads even if their use changes during the contract. As an example, where a significant development such as the HS2 terminal changes the road use, with a greater volume of heavier vehicles damaging the road, the Service Provider is still required to achieve the same condition requirements, despite the increased damage.</p> <p>We consider that this is an appropriate way to manage this risk. It is the Service Provider, not the Council, that then needs to take into account potential scenarios for road use change in planning and submitting its bid. The Council and BHL will review the robustness of this as part of the re-procurement process to validate that bidders can reasonably be expected to deliver their bid and have provided sufficient capacity to take into account changing circumstances.</p> <p>The condition requirements to which roads are maintained need to be set out within the contract and will not change during the contract. In that respect, the Council cannot “future-proof” re-procurement; such changes will need to be taken into account in the re-procurement of the succeeding contract(s).</p>

Improvement recommendations

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



Improvement Recommendation #19

Turnover of key staff and officers

[Governance]

Recommendation	We recommend that the Council puts in place formal arrangements to ensure that the Chief Executive and other CLT officers have a clear framework to support the development of positive relationships with the political leadership.
Impact	High staff turnover of key staff and officers can result in inadequate leadership arrangements within the Council.
Auditor judgement	We are satisfied that the Council has put in place adequate arrangements for the management of turnover of key staff and officers.
Summary findings	<p>Despite these arrangements, we still consider that the high turnover of senior officers could have resulted in significant challenges with building positive relationships with the political leadership.</p> <p>Further detail is included on page 36.</p>
Management Comments	<p>The Chief Executive is working with the Senior Leadership team – both Officers and Members to strengthen positive relationships with regular briefing meetings and a monthly ECLT meeting, attended by both Cabinet members and the Corporate Leadership team.</p> <p>The Chief Executive is in the process of developing a monthly exception based report based on 5 P's – People, Pounds (£), Performance, Programmes and Partnerships. This report will be used to aid conversations.</p>

Improvement recommendations

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



Improvement Recommendation #20

Turnover of key staff and officers

(Improving economy, efficiency and effectiveness)

Recommendation	We recommend that the Council needs to identify key individuals, such as the former Head of City Finance, and ensure that appropriate succession planning is put in place to avoid future issues caused by the loss of corporate memory. Such arrangements should include the maintenance of a library of file notes, explaining the key technical areas where an individual's understanding would be lost to the organisation should they leave.
Impact	A loss of corporate memory could result in the Council being exposed to potential service delivery issues.
Auditor judgement	Following the departure of the Head of City Finance, we consider that there was some loss of corporate memory within the finance team that resulted in a number of key issues with the preparation of the Council's 2020/21 financial statements.
Summary findings	<p>This was not the only example in finance and we have also identified that the revised Full Business Case for the implementation of the new general ledger acknowledged that "staff turnover within the programme and the organisation has impacted on the level of ... knowledge and progress made ... requiring time to enable staff to understand the design." As a result, we consider that this is unlikely to be isolated to one area of the Council.</p> <p>Further detail is included on page 37.</p>
Management Comments	<p>Each department and team is responsible for ensuring that they have appropriate succession planning in place and management teams will be making succession plans as part of their business continuity plans and workforce planning.</p> <p>As the Auditors have specifically mentioned a post – the Former Head of City Finance – we have detailed the work taking place in the finance team. The management team has been strengthened and a number of key posts have been recruited to on a permanent basis building security and continuity for the teams. Where interim workers continue to fill roles, they are required to develop their teams and put in place a lasting legacy.</p>

Improvement recommendations

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



Improvement Recommendation #21

Waste service continuity and industrial relations

(Governance & Improving economy, efficiency and effectiveness)

Recommendation	We recommend that the Council works effectively with Wood to develop new Waste Service delivery models as soon as the Government's requirements for future collection programmes have been finalised and ensures that it can maintain effective and consistent relations with its trade union partners regardless of any future changes to the Waste Service delivery model.
Impact	There is a risk that the Council's existing Waste Service delivery models do not provide the most appropriate solution for the public.
Auditor judgement	The Council needs to develop its new Waste Service delivery models as soon as the Government's requirements for future collection programmes have been finalised to ensure that it provides Value for Money.
Summary findings	Despite the delays with the development and implementation of new Waste Service delivery models, the Council was able to maintain effective and consistent relations with its trade union partners in relation to the Waste Service during 2020/21. Further detail is included on page 41.
Management Comments	The Council accepts this recommendation and will work to implement it when Government's requirements for future collection programmes have been finalised.

Improvement recommendations actioned prior to issue of the AAR

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



Improvement Recommendation #11

Planned changes to the Council's general ledger

(Improving economy, efficiency & effectiveness)

Recommendation	In August 2021 we recommended that the Council avoided any further delays to procurement decisions relating to the new general ledger, while also ensuring that mitigation plans are in place should solutions not be operational at the planned "Go Live" date.
Impact	Further delays to procurement decisions were likely to either impact on the programme timescales and costs or lead to a "Go Live" solution that could not deliver all business expectations on Day 1.
Auditor judgement	We highlighted three key areas to management where additional focus was required, being: invoice scanning; schools' interfaces; and Oracle licenses.
Summary findings	From the work that we completed, we are aware that the Council has experienced difficulties with making procurement decisions at the appropriate time and with sufficient depth and expertise to support the decisions. Further detail is included on page 28.
Management Comments	The Council confirmed on 11 October 2021 that these recommendations had been fully actioned and addressed.

Improvement recommendations actioned prior to issue of the AAR

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



Improvement Recommendation #12

Planned changes to the Council's general ledger

(Improving economy, efficiency & effectiveness)

Recommendation	<p>In August 2021 we recommended that the Council continued to focus on designing and testing critical reports for the new general ledger system. We recommended that these reports should be delivered by November 2021 in order to be assessed during user acceptance testing.</p> <p>We also recommended that the Council plan how its business-as-usual activities will be managed where reports will not be in place from day 1.</p>
Impact	<p>At the time of our work, there was considerable effort still required to develop these core reports in readiness for user acceptance testing and "Go Live".</p>
Auditor judgement	<p>There was also a risk that the Oracle solution would not provide the reporting capability required to satisfy business as usual activities.</p>
Summary findings	<p>At the time of our review the Council had compiled a catalogue of 350-400 reports that would be required from the new system. Not all of these reports could be delivered in time for "Go Live", and so the criticality of all HR, Finance and Procurement reports had been analysed to identify 125 reports that were considered 'core' and necessary to be in place for Day 1.</p> <p>Further detail is included on page 29.</p>
Management Comments	<p>As at 11 October 70% of reports were in place and plans for the remaining 30% were being developed by the Council.</p> <p>Update from BCC 22.3.22</p> <p>Following a further review of the reporting catalogue, a total of 44 reports have been identified as Day 1 critical. These reports will be available in the production system following development.</p> <p>The remaining identified reports in the catalogue are substantially complete and defect resolution following testing is in progress.</p>

Improvement recommendations actioned prior to issue of the AAR

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



Improvement Recommendation #13

Planned changes to the Council's general ledger

(Improving economy, efficiency & effectiveness)

Recommendation	In August 2021 we recommended that the Council limit further changes to the design of the new ledger to only those that are considered essential.
Impact	While individual proposed changes may seem minor in nature, the Council needs to understand the wider interdependencies that will impact on the delivery timeline, resources, and budgets.
Auditor judgement	Auditor judgement The Council needed to refrain from proposing design changes as well as internal reorganisation changes since these would have a fundamental impact on the Oracle build.
Summary findings	While the design phase had been approved and closed out at the time of our review, there continued to be a steady flow of changes proposed from the Council. Further detail is included on page 29.
Management Comments	The Council confirmed on 11 October 2021 that a formal Change Advisory Board was put in place that met fortnightly. The Council also confirmed that design changes were no longer being seen, and that changes arising were primarily as a result of the user acceptance testing process.

Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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 - Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations

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

We did not issue Statutory Recommendations

Public interest report

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

We did not issue a Public Interest Report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not make an application to the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an advisory notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for a judicial review.

Appendix C - An explanatory note on recommendations




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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	n/a
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	Yes	Pages 06-09
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Pages 46-66

AAR ACTION PLAN 2020/21 VFM AUDIT FINDINGS				RECOMMENDATION	MANAGEMENT RESPONSE TO AUDITOR FOR 2020/21 AUDIT	ACTION TAKEN	Last Updated - Date
Key rec / Significant weakness 1	HTST	SUE HARRISON		The independent inquiry that the Council commissioned into the Home to School Transport Service made a series of recommendations that amounted to a significant level of change within the Council's service provision. We recommend that the Council continues to prioritise implementation of the agreed recommendations to address the systemic issues identified.	The service will continue to prioritise implementation of the recommendations to address the underlying issues identified as those affecting the service. They are being incorporated into a service improvement plan which will be signed off and monitored by the DCS and her leadership team and reported to members as part of the usual reporting processes - Cabinet, Overview and Scrutiny Committee and Audit Committee.		
Key rec / Significant weakness 2	HTST	SUE HARRISON		The independent report that the Council commissioned into the assurances given to Council and its Committees in early 2020 in relation to the Home to School Transport Service identified significant issues within the service, and made a series of recommendations to address these. We recommend that the Council continues to prioritise implementation of the recommendations to address the underlying issues identified.	Agreed, the service will continue to prioritise implementation of the recommendations to address the underlying issues identified as those affecting the service. They are being incorporated into a service improvement plan which will be signed off and monitored by the DCS and her leadership team and reported to members as part of the usual reporting processes - Cabinet, Overview and Scrutiny Committee and Audit Committee.		
Key rec / Significant weakness 3	SEND	SUE HARRISON		As a result of the failure of the Council to address the significant weaknesses identified in the SEND service by Ofsted and the CQC in June 2018 a Commissioner was appointed by the Secretary of State in October 2021. We recommend that the Council works with the Commissioner to deliver the recommendations in the Commissioner's report, to be published in Spring 2022, in addition to delivering the actions in the SEND Improvement Accelerated Progress Plan which are the responsibility of the Council to address these significant weaknesses to ensure that an adequate SEND service is provided to Birmingham's children, young people and their families/careers.	Recommendation agreed and we will be working with the appointed commissioner to deliver the recommendations.		
Key rec / Significant weakness 4	IT	REBECCA HELLARD		In August 2021, following our IT Audit team's review of the Council's IT general control environment, we recommended that the Council should undertake an immediate review of roles and users within SAP and that it should take action as appropriate in line with the detailed recommendations of our IT Audit report. The Council should ensure that it has the capability to manage user roles and identify segregation of duty breaches and should utilise the lessons learned from the findings relating to the current SAP environment in defining roles for the new general ledger system. These roles should be appropriately defined with sufficient time before 'Go Live' for these to be appropriately reviewed.	The Council acknowledges the key recommendation made in this report and has taken it on board for inclusion into the new Oracle system, which is being implemented now and due to go live in April 2022. A review of roles and responsibilities has been commissioned.	Completed and being reviewed by the programme team.	
Improvement Rec Financial Sustainability		REBECCA HELLARD		Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.	As we now commence the work to set a balanced budget for 2023/24 we will consider how best we can make a clearer distinction between statutory and discretionary spend in information provided to members and citizens.		
Improvement Rec Governance 2		SATINDER SAHOTA		All COVID-19 grant payments to business should be reviewed, and Members should check and confirm whether payments were made to any personally related parties and if so, whether any additional declarations of interest are required to be made by them.	In the first instance we will check COVID grant payments against any declared interests (excluding those which are Council appointments). At the start of the new Municipal year, as a one-off, we will advise Members alongside the annual Declaration of Interest process that COVID related payments from the Council to personally related parties should be declared. Council Management has implemented steps in order to firstly avoid and secondly address identification of any significant non-compliance with the Council's Constitution in the form of the following: All Council Directors to receive sign posting containing their respective delegations and sub-delegations and also include the following from the Council's Constitution: *Key accountability documents *An Accountability Framework for each Director *Financial Regulations *Financial Accountability Arrangements to deliver sound financial management *Procurement framework *HR Framework *Explanation of the Role of Elected Members *Explanation of the role of the S.151 Finance Officer; and *Explanation of the role of Directors. In addition: *Each Directorate will hold and complete on an ongoing basis, a delegated Officer decision log Every Chief Executive Urgent Decision report, Cabinet Member decision report and Cabinet report is subject to an approvals process comprising Legal Governance, HR (if applicable), Finance and Procurement technical clearance by Officers.		
Improvement Rec Governance 3		SATINDER SAHOTA		The Legal Services Department should develop and implement a framework to ensure that the Council captures any significant non-compliance with its constitution.	In relation to capturing non-compliance (in addition to the above 'decision log') with the Constitution, Legal Services works closely with Finance and Internal Audit colleagues to investigate incidents of non-compliance, remedial action and lessons learned with assurance reporting through to the Corporate Leadership Team (CLT).		
Improvement Rec Governance 4		SATINDER SAHOTA		The Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.	A central register already exists but is not currently published online. From the start of the new municipal year (2022/23) this will also be published on the Council's website alongside the Members individual registers. It is also proposed that the central register will have links to each of the Members pages, so that it becomes a more useful reference tool.		
Improvement Rec Governance 5		PETER BISHOP		The Council should consider providing training to its employees to reduce the risk of significant data breaches occurring.	The Council requires staff to complete a number of mandatory training modules on an annual basis, currently including but not limited to cover information governance obligations. Currently, these focus on Understanding GDPR and Cyber Security. The content of the modules is reviewed each year to ensure that material remains relevant to the risks and issues the Council faces. In addition, each Assistant Director is required to undertake mandatory training on their role as an Information Asset Owner, which includes dealing with data breaches within their services and their role in ensuring staff within the service are appropriately trained. Data breaches are reported to the Council's Data Protection Officer (DPO) and reviewed against data breach criteria to determine whether the Information Commissioner's Office (ICO) notification is required. Quarterly and annual reports are prepared and discussed at the Council's Information Assurance Board (IAB), chaired by the Senior Information Risk Owner (SIRO). The IAB includes senior representation from Legal Services, HR, IT, Corporate Procurement as well as the Caldicott Guardian and the DPO. Each data breach reported to the ICO and any subsequent response with ICO recommendations is reviewed at the IAB and any improvements to the data breach processes, training or changes are implemented. We encourage staff to be open about any data breaches to ensure we learn and improve as a Council.		
Improvement Rec Improving 3E's 6		SARAH DUNLAVEY		We recommend that Birmingham Audit should undertake a review of the data quality of KPIs as part of its 2022/23 Internal Audit plan. This would provide the Council with assurance over the accuracy of the performance data that underpins its improved Performance Management Framework.	The Council is continuing to improve its Performance Management Framework and is looking to put the new KPIs at the heart of its performance reporting. In doing this it is reviewing its existing KPIs and will ensure there is relevant assessment and assurance on new KPIs. A Data and Insights Programme is helping to determine how the Council transforms into a data-driven organisation and uses better quality data to drive insight, drive evidence-based decisions and support its performance management. A review of the data quality of the new KPIs will be incorporated into the 2022/23 audit plan.		
Improvement Rec Improving 3E's 7		SARA FITT		We recommend that the Council should implement its plans to utilise the LGPA benchmarking tool to inform its budget processes. This would provide the Council and the public with a greater understanding of how its financial and performance KPIs compare to other councils.	The Council has started work on balancing the 2023/24 budget (the financial plan approved by Full Council on 22 February 2022 reported a budget gap of £33m). This work will include use of benchmarking to help inform future budget processes. In continuing to develop and improve its overall Performance Management Framework, the Council is drawing more heavily on the LGPA's LG form platform to ensure KPIs across service and priority areas that are benchmarkable with other local authorities and national standards.	This is underway and part of the 2023/24 budget strategy.	
Improvement Rec Improving 3E's 8		RICHARD BROOKES		Working with partners is a key theme in a number of priorities throughout the Council's updated 2018-22 Plan. However, the plan is not explicit in setting out how it works with partners. We recommend that the Council amends its Plan to provide greater clarity with regards to partnership working.	A new Corporate Plan for 2022-2028 (which will be finalised and published in June 2022 after the local government elections in May) will set out more explicitly how the Council will work to deliver its priorities – including working with partners being reflected in a number of the priorities. The Plan will include 'working in partnership' as one of the organisational behaviours, and it will also list some of the key partners the Council works and collaborates with to deliver its priorities.		
Improvement Rec Improving 3E's 9		STEVE SANDERCOCK		We recommend that the Council should prioritise the implementation of its procurement strategy.	The Council is currently finalising its Procurement Strategy and it will be presented to Cabinet for approval post the pre-election period in May / June 2022.		
Improvement Rec IT 10		PETER BISHOP		We recommend that the Council ensures that appropriate training is given so that managers understand the access rights that they are approving each month.	Access can only be requested by managers and there are checks and balances in place in line with the Council's Scheme of Delegation before approval is granted. There is also an automatic lock out of the system for users who haven't used the system for more than 100 days. Managers are reminded on 'Partner' and via the Managers Bulletin of the importance of notifying the systems team of user changes in a timely manner. With only a few weeks before SAP is to be implemented for new transactions due to the implementation of the new Oracle System, this is seen as a low risk.		
Improvement Rec IT 11	IT			In August 2021 we recommended that the Council avoided any further delays to procurement decisions, while also ensuring that mitigation plans are in place should solutions not be operational at 'Go Live'. The recommendation has already been addressed at the time of writing this report.	completed August 2021		
Improvement Rec IT 12	IT			In August 2021 we recommended that the Council should continue to focus on designing and testing critical reports for each functional area and that these should be delivered by November 2021 in order to be assisted during user acceptance testing. We also recommended that the Council should plan how business as usual activities will be maintained where reports will not be in place from Day 1.	completed August 2021		
Improvement Rec IT 13	IT			In August 2021 we recommended that the Council limited further changes to only those that were considered essential.	completed August 2021		
Improvement Rec Highways PFI 14		KEVIN HICKS		The Council needs to ensure that any necessary extensions to the ISC are approved on a timely basis to avoid risks to service delivery.	While this recommendation is accepted, it should be noted that the Interim Service Contract (ISC) is BHA's contract, not the Council's. The Council approved an extension to the ISC by BHL to August 2023 on 16 March 2021 in line with this decision, the ISC was extended by BHL on 31 March 2021 and 9 December 2021, in line with Cabinet's decision.		
Improvement Rec Highways PFI 15		KEVIN HICKS		The Council should strengthen its arrangements to ensure that appropriate formal approval is provided for key decisions before any necessary submission to significant third parties, including Government.	This recommendation is accepted and the Council has already resolved this. It put in place a revised project governance structure from August 2021, which introduced: *A Programme Board, chaired by the Senior Responsible Officer (SRO) - the Assistant Director - Highways and Infrastructure and comprising senior officers from the Council leading the five thematic workstreams (contract management, procurement, asset management, legal and finance and commercial). *A Sponsoring Board, to inform the SRO reports, and comprising the Cabinet Members for Transport and Environment and Finance and Resources, together with the Managing Director, City Operations, Director of City Management and City Solicitor. Project submissions are developed by the workstreams, agreed by the Programme Board and recommended to the Sponsoring Board for formal approval.		
Improvement Rec Highways PFI 16		KEVIN HICKS		We recommend that the Council implements a more formal process to ensure that its understanding is consistent with Government Departments, when dealing with such matters in future, to reduce the risk of setbacks caused by a difference in expectations.	We accept that the Council could have set out its understanding of expectations regarding the Updated Business Case (UBC) more formally to DfT and have subsequently sought to do so on all DfT's requirements. It is implicitly acknowledged within the recommendation that this in itself can only reduce the risk and does not ensure that expectations are clearly shared with the Council.		
Improvement Rec Highways PFI 17		KEVIN HICKS		The Council should develop its business case training to key officers to enhance the Council's ability to strengthen its arrangements for preparing effective business cases.	The Council has significantly enhanced its approach to the development of business cases and the Corporate Programme Office (CPO) has been working with the finance team and procurement colleagues to enhance business case templates, and provides training for officers completing templates. To date the focus of training has been for those officers as they need to complete templates, we accept that there needs to be more training to strengthen and develop staff on the delivery of business cases and this training has continued to take place this year. As per government requirements, the Highways Maintenance and Management PFI project is supported with external advisors with extensive experience of developing business cases with government. While the recommendation is accepted, it should be noted that this action would not have changed the position regarding the Updated Business Case submission. The content of this submission was agreed with DfT as being outside the Better Business Case structure.		
Improvement Rec Highways PFI 18		KEVIN HICKS		The Council should consider including some scenario planning on changes in road use when preparing the ORC to future proof the re-procurement process.	Changes in road use are part of the condition risks on roads that the council is seeking to transfer to its Highways Maintenance and Management PFI Service Provider. This means that the Service Provider is required to maintain the condition requirements of roads even if that use changes during the contract. As an example, where a significant development such as the HS2 terminal changes the road use, with a greater volume of heavier vehicles damaging the road, the Service Provider is still required to achieve the same condition requirements, despite the increased damage. We consider that this is an appropriate way to manage this risk. It is the Service Provider, not the Council, that then needs to take into account potential scenarios for road use change in planning and submitting its bid. The Council and BHA will review the robustness of this as part of the re-procurement process to validate that bidders can reasonably be expected to deliver their bid and have provided sufficient capacity to take into account changing circumstances. The condition requirements to which roads are maintained need to be set out within the contract and will not change during the contract. In that respect, the Council cannot 'future-proof' re-procurement, such changes will need to be taken into account in the re-procurement of the succeeding contracts).		
Improvement Rec Key Staff 19		DARREN HOCKADAY		We recommend that the Council puts in place formal arrangements to ensure that the Chief Executive and other CLT officers have a clear framework to support the development of positive relationships with the political leadership.	The Chief Executive is working with the Senior Leadership team – both Officers and Members to strengthen positive relationships with regular briefing meetings and a monthly ECLT meeting, attended by both Cabinet members and the Corporate Leadership team. The Chief Executive is in the process of developing a monthly executive based report based on 5 P's – People, Pounds (£), Performance, Programmes and Partnerships. This report will be used to aid conversations.		
Improvement Rec Key Staff 20		DARREN HOCKADAY		We recommend that the Council needs to identify key individuals, such as the former Head of City Finance, and ensure that appropriate succession planning is put in place to avoid future issues caused by the loss of corporate memory. Such arrangements should include the maintenance of a library of file notes, explaining the key technical areas where an individual's understanding would be lost to the organisation should they leave.	Each department and team is responsible for ensuring that they have appropriate succession planning in place and management teams will be making succession plans as part of their business continuity plans and workforce planning. As the Auditors have specifically mentioned a post – the former Head of City Finance – we have detailed the work taking place in the Finance team. The management team has been strengthened and a number of key posts have been recruited to on a permanent basis building security and continuity for the teams. Where interim workers continue to fill roles, they are required to develop their teams and put in place a lasting legacy. The Council accepts this recommendation and will work to implement it when Government's requirements for future collection programmes have been finalised.		
Improvement Rec Waste Services 21		ROB JAMES		We recommend that the Council works effectively with Wood to develop new Waste Service delivery models as soon as the Government's requirements for future collection programmes have been finalised and ensures that it can maintain effective and consistent relations with its trade union partners regardless of any future changes to the Waste Service delivery model.			
CWG EQUAL PAY COVID				NO RECOMMENDATIONS - WILL REVIEW IN 2021/22 AUDIT WORK NO RECOMMENDATIONS - WILL REVIEW IN 2021/22 AUDIT WORK NO RECOMMENDATIONS			

BIRMINGHAM CITY COUNCIL**AUDIT COMMITTEE****20 May 2022 correct following 26 April 2022 meeting****SCHEDULE OF OUTSTANDING MINUTES**

Note: As of 30 September 2021 – Responses to outstanding actions to be made within a 2 month period unless there is an exceptional reason.

-  Completed & discharged
 Approaching 2 months
 2 months +

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
377 19/10/2021	<u>ASSURANCE SESSION – THE DEPUTY LEADER’S PORTFOLIO</u> <u>Additional Recommendations:</u> That the Audit Committee; (ii) Agreed for a briefing to be offered to all Members of the Council on Cyber Security, GDPR and roles related to data processing. (iii) Agreed for a briefing note to be provided to Audit Committee on the shared learnings of the Complaints area from both from Audit Committee and Coordinating O&S Committee.	Peter Bishop – Director, Digital & Customer Services to lead on responses. (ii) Briefing will be arranged to be delivered to an early meeting of the 2022-23 Audit Committee. (iii) Briefing note will be provided to the Committee in the early stage of the 2022-23 municipal year.
412 25/01/2022	<u>EXTERNAL AUDITOR'S FINDINGS REPORT 2020/21</u> <u>Additional Recommendation</u> (ii) That the Managing Director Housing report on the valuation of Tower blocks in the City Housing stock.	Committee Services to ensure a response is provided to the Committee.
413 25/01/2022	<u>OMBUDSMAN REPORT CONCERNING A COMPLAINT ABOUT THE REFUSE AND RECYCLING SERVICE</u> <u>Additional Recommendation</u>	A letter from Councillor Grindrod inviting the Chief Executive to attend a future Audit Committee meeting was sent on 13 April 2022.

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
	(ii) That the Chief Executive review how departments work in a joined-up way and how complaints from residents and Councillors on poor service are dealt with.	Committee Services to ensure a date is agreed for the CEO to attend a meeting.
414 25/01/2022	<u>RISK MANAGEMENT UPDATE</u> (iii) That the SR5.6 Safeguarding Children risk position on the strategic risk map be raised with the Cabinet Member and officers at a future meeting.	This will be covered at the June 2022 Committee meeting.
442 29/03/2022	<u>ADOPTION OF ACCOUNTING POLICES FOR 2021/22</u> (i) Members requested that Officers facilitate a future training session in relation to the valuation process associated with the Council's plant and property.	This training session will be arranged during the early stages of the 2022-23 municipal year.
443		