

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

MONDAY, 29 NOVEMBER 2021 AT 14:00 HOURS
IN BMI MAIN HALL, 9 MARGARET STREET, BIRMINGHAM, B3 3BS

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 EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

a) To consider whether any matter on the agenda contains exempt information within the meaning of Section 100I of the Local Government Act 1972, and where it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.

b) If so, to formally pass the following resolution:-

- **Item 11 - External Auditors IT Audit Report (Private)** - Schedule 12, Part 1, section 7 –“Information relating to any action taken or to be

taken in connection with the prevention, investigation or prosecution of crime”.

RESOLVED – That, in accordance with Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to information) (Variation order) 2006, the public be excluded from the meeting during consideration of those parts of the agenda designated as exempt on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information.

5 - 20

5 **MINUTES - AUDIT COMMITTEE 19 OCTOBER 2021**

To confirm and sign the minutes of the last meeting of the Committee held 19 October 2021.

6 **ASSURANCE SESSION - CABINET MEMBER FINANCE & RESOURCES PORTFOLIO**

45 minutes allocated) (1405 – 1450)

Verbal discussion

Cabinet Member Finance & Resources, Director for Council Management, Interim Director of Human Resources and the Assistant Director Human Resources

21 - 68

7 **TREASURY RISK MANAGEMENT ARRANGEMENTS & DRAFT TREASURY MANAGEMENT STRATEGY 2022/23**

(10 minutes allocated) (1450 - 1500)

Report of the Director of Council Management

69 - 86

8 **BIRMINGHAM AUDIT - HALF YEAR UPDATE REPORT 2021/22**

(10 minutes allocated) (1500 - 1510)

Report of the Assistant Director Audit and Risk Management

87 - 106

9 **CORPORATE ASSURANCE FRAMEWORK**

(10 minutes allocated) (1510 - 1520)

Report of the Assistant Director - Audit & Risk Management

10 **EQUAL PAY UPDATE**

(10 minutes allocated) (1520 - 1530)

Verbal update from the Assistant City Solicitor & Deputy Monitoring Officer

11 **EXTERNAL AUDITORS IT AUDIT REPORT**

Item Description

12 **EXTERNAL AUDITORS PROGRESS REPORT**

(5 minutes allocated) (1540 – 1545)

Report of the External Auditors

107 - 120

13 **OMBUDSMAN REPORT CONCERNING A COMPLAINT ABOUT HOUSING SOLUTIONS AND SUPPORT SERVICE**

(10 minutes allocated) (1545 - 1555)

Report of the Managing Director of the City Housing Directorate

121 - 126

14 **SCHEDULE OF OUTSTANDING MINUTES**

Information for noting.

15 **DATE OF THE NEXT MEETING**

The next meeting is scheduled to take place on Tuesday, 25 January 2022 at 1400 hours in the Birmingham & Midlands Institute, Main Hall.

16 **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.

17 **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

AUDIT COMMITTEE 19 OCTOBER 2021
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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 19 OCTOBER 2021 AT 1400 HOURS IN THE MAIN HALL,
BIRMINGHAM & MIDLANDS INSTITUTE, 9 MARGARET STREET,
BIRMINGHAM, B3 3BS**

PRESENT:-

Councillor Grindrod in the Chair;

Councillors Akhtar, Bore, Bridle, Jenkins, Morrall, Quinnen and Tilsley

NOTICE OF RECORDING/WEBCAST

- 372 The Chair advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's 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.

The business of the meeting and all discussions in relation to individual reports was available for public inspection via the web-stream.

APOLOGIES

- 373 There were no apologies submitted.
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DECLARATIONS OF INTEREST

- 374 Members were reminded that they must declare all relevant pecuniary and non-pecuniary interests relating to any items of business to be discussed at this meeting. If a pecuniary interest was declared a Member must not speak or take part in that agenda item. Any declarations would be recorded in the minutes of the meeting.

The Chair notified the Committee he had attended a session delivered by the Council around declarations of interests. He found this very useful and recommended Members to consider attending a future session.

EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

Members agreed there were no items on the agenda that contained exempt information.

Upon consideration, it was:

375 **RESOLVED:-**

That, in accordance with Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to information) (Variation order) 2006, the public be excluded from the meeting during consideration of those parts of the agenda designated as exempt on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the press and public were present there would be disclosure to them of exempt information.

MINUTES – AUDIT COMMITTEE – 30 SEPTEMBER 2021

The Committee were reminded Councillor Jenkins challenged the wording in the 26 July meeting minutes - (Minute 350 - under the contractual details for the Interim Director for Education and Skills, as part of the Assurance Session Cabinet Member Education & Skills). Subsequently, the amended wording had been noted in the 30 September meeting minutes.

376 **RESOLVED:-**

That the public minutes of the last meeting having been circulated, were agreed by the Committee.

ASSURANCE SESSION – THE DEPUTY LEADER'S PORTFOLIO

The Chair welcomed the Deputy Leader to the Assurance Session. The Deputy Leader introduced Peter Bishop, Director of Digital and Customer Services, Suzanne Dodd, Acting City Solicitor and Monitoring Officer and Rebecca Hellard, Director of Council Management.

The Deputy Leader gave an update on the following areas of her portfolio;

Part 1: Portfolio Overview

Efficiency and improvement for the Council – including governance and performance of third parties - There were two large programmes being co-ordinated within this area. These were noted as;

- i) Modernisation Programme – This was a large programme for change in many departments of the Council which was linked to the budgetary aspirations i.e. early intervention and saving money etc. The objectives were to save money and transform the services to make them more fit for

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purpose by having more joined up working. Business cases around each programme would be shared with Cabinet in the coming months. In relation to the Deputy Leader's Portfolio, the Customer Services Business case would be shared including a new Customer Services Strategy to ensure the 12,000 services provided by the Council were accessible to the public online, in person etc. In addition, to receive feedback to see how well Customer Service was performing and to make further improvements.

- ii) **Performance** – From November 2021, Performance Star Chambers would be reintroduced across the Directorates of the Council. These would look at the Performance indicators to Cabinet as well as external judgments against different services. It would consider external scrutiny, Local Government Ombudsman, risks in different areas. There would be a holistic view of performance in various areas and reviews would take place to see what could be done to intervene in areas which were underperforming.

Whistleblowing and Corporate Complaints Procedure and Legal – On a regular basis, the Deputy Leader was appraised on the key legal cases coming through the Council by the Acting City Solicitor and Monitoring Officer and her team. In additions, she was briefed on what the risks were associated with the cases.

The Corporate Complaints procedure was a key indicator to identify where things were going wrong within the organisation. Previously, there was no clear visibility of where the Council were underperforming however, this was now being addressed and interventions were being placed.

Emergency Planning – Due to Covid-19, this area had been very busy. Other areas of emergencies were also being responded to e.g. power outages etc. In conjunction with the Leader, the Deputy Leader Chaired the Contest Board which overlooks the Council's response to emergencies. There was full sight of emergence planning.

Brexit – Planning also came under the Deputy Leader's portfolio and work was taking place to see how Planning would be affected as a result of Brexit i.e. increase demand as a result of Brexit and Covid-19. Issues were being assessed and priorities established on a risk profile basis.

Focus was being made on the European Union Settlement Scheme (EUSS) where EU Nationals were registering for their right to remain in the Country. The Deputy Leader was currently looking at the recovery from Brexit coupled with economic recovery from Covid-19.

Part 2: Digital and Customer Services

The following presentation from the Director, Digital and Customer Services was shared with the Committee: -

(See document No.1)

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The Director, Digital and Customer Services gave a comprehensive overview on the following areas; Assurance Model for Digital and Customer Services (3 line of defence model); Information Assurance Framework; Information Security; Complaints Management; Internal Audit; Revenues, Benefits and Rents; COVID Business Grants and External Audit.

Members were informed, the Director, Digital and Customer Services was the Senior Information Risk Owner (SIRO) for Birmingham City Council (BCC). The SIRO focused on managing information risk for the entire organisation.

Internal Audit had moved the internal rating of the Directorate from 0.5 out of 5 (approximately 2-3 years ago) to 2/3 out of 5 more recently which was positive progress.

Cyber security – There were risks associated with the Commonwealth Games and this was a key priority and focus for the Directorate. Previously, there were attempts of cyber-attacks however, BCC was able to protect the website and put in place all the primarily scanning required.

Cabinet had approved a Cyber Strategy earlier in the year. This was now in process of implementation to further improve the Council's risk within this area.

Complaints – Members across the Council had been involved via various routes to ensure BCC were on top of the learning required to improve the quality of the services, staff, processes. This work was undertaken to ensure the cycle of continuous failures was broken. There was a significant increase in the volumes of complaints compared to 2020 and throughout Covid-19 which was being worked through.

City Operations complaints – Significant volume of 2834 complaints.

In addition, work was taking place to catch up on the backlogs from various service areas. The main areas of complaints were around housing repairs, refuse collections and council tax. Improvements were being made in the turnaround times and dealing with these complaints however, there was more work to take place.

The Deputy Leader highlighted the backlog had been inherited from the previous complaints system. There was now visibility of these complaints as previously they were going to Directors, Officers inboxes which were not officially counted as complaints or enquiries. These were now being actioned and extensive Audit arrangements were in place.

Over the last 18 months, many business grants had been processed - £379 million had been distributed through various small business grants, retail, hospitality, leisure etc. It was highlighted there was some element of fraud and error which was being addressed. The data collection to process the grants was a huge challenge as Birmingham was a large area to cover.

Members response

The Committee then asked questions to the Deputy Leader and the Director, Digital and Customer Services. These were around; what was a Caldicott Guardian; how to achieve consistency of customer services across the council – how engagement was taking place with officers working in the teams;

Members to be assured response times to complaints dealt with in a timely manner and logged; risk around priorities associated with the transformation and moderation programme – BCC to be a less risk averse Council and to achieve their agenda (e.g. Fly tipping issue – new CCTV to be installed and wall of shame) – the approach was taking a long time to implement – look at the risk issue and develop a less risk averse approach; Customer services – protocols within the system – e.g. the service area were responding faster to complaints than the complaints process itself - many residents were going directly to the services area than the complaints system itself. This approach was taken as residents did not have confidence in the system which could have an impact to the standing of local councillors - how does the complaints system deal with repeated issues or problems relate to the same areas?

Further comments and questions were made by the Members around; Continuous improvement - ensuring the areas were delivered right the first time as this would eliminate the bureaucracy; Emergency Planning, resilience – Interim Chief Executive was the Gold Commander for the Council however, there should be an elected member role involved given the size of Birmingham. There were queries around Cyber Security and a whistle-blower email – Members to be assured BCC were not one click away from a cyber-attack.

Caldicott– This was a named individual at a Director level who had responsibility to act in a certain way for the care of the most vulnerable - (Children's Social CARE/ Social Care).

Customer satisfaction - Engagement with officers and achieving consistency, response times to complaints – Complaints was an area which demonstrated driving improvement through performance. Teams were embedded within the service areas where training, processes, tools were now in place. In order to ensure there was transparency, reporting was in place and each Directorate would feed to the Performance Star Chamber. The Director, Digital and Customer Services recognised there was still a wider need to place customers central at every level across the Council. Depots was another example where improvement in engagement visible. Basic awareness and training would be undertaken by all employees of the Council to ensure the Customer experience improves.

The Director, Digital and Customer Services assured Members complaints enquiries were being measured and these were currently operating on a 53/54% turnaround time. He recognised this was not good enough however, this was actively being managed. Volumes of complaints had increased as some of the enquiries received from Councillors had to be dealt with manually by officers having to input the information on their behalf.

Risk, priorities associated with the transformation and moderation Programme – The Deputy Leader recognised the Modernisation Programme had been very challenging however, she assured Members she had been exploring different ways of working. It was noted as a Council there was a limit to what could be done under this area however, the political will was there, and various routes were being explored.

The Acting City Solicitor and Monitoring Officer added legal services assist the Council in finding solutions for the citizens of Birmingham as well as protect the

Council from challenges. In relation to concerns raised by Councillor Bridle around Fly tipping, there was a change in legislation in 2018 with GDPR Data Protection Act. Those who were implementing the 'Wall of Shame' had to review their policies and procedures. Advice was being sought to ensure BCC were delivering this correctly to ensure a robust defence was in place should there be a challenge.

Customer Services – Protocols - The complaints system was developed as result from a request made by Overview and Scrutiny - previously there were three different complaints systems.

Repeated incidences were being worked though as there was the ability to take actions now and to identify the root cause of the repeated issues. Examples around housing applications was shared. Residents were encouraged to self-serve, highlight issues through the website. It was difficult when residents go directly to the service areas for response to be made and it was important to have clear visibility of performance in order to drive improvements.

Cyber Security – Whistle-blower email - The Director, Digital and Customer Services was aware of the email referred to by Councillor Morrall and Councillor Jenkins. However, this was being dealt via the Whistleblowing procedures. He emphasised there was a need to make some key remedial actions to protect the Council especially with the Commonwealth Games as Birmingham would be in the spotlight of Global attention. Cabinet made the decision to make the appropriate investment in cyber security to ensure BCC were protected.

Emergency Planning, resilience – The Leader, Deputy Leader were briefed by the Gold Commander when any major incidents occurred. In addition, the relevant Ward Councillors affected by the major incident would be contacted e.g. floods, black out etc.

At this juncture, the Chair requested for a briefing to be offered to all Members of the Council on Cyber Security, GDPR and roles related to data processing. In addition, a briefing note to be provided to the Audit Committee around the learnings from Coordinating O&S Committee and Audit Committee. This would include assurances around Customer Services Management i.e. meeting the 10-day response turnaround; Members enquiries – what would be a responsible timescale for members to be confidently assured.

The Chair thanked the Deputy Leader and the Director, Digital and Customer Services for their attendance.

Upon consideration, it was:

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RESOLVED:-

That the Audit Committee;

- (i) Noted the updates received on the Deputy Leader's portfolio.
- (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.
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EXTERNAL AUDITORS AUDIT FINDINGS REPORT 2020/21

The following report of the External Auditors was submitted: -

(See document No.1)

The Key Audit Partner, Grant Thornton made introductory comments. Key points made;

- BCC accounts were one of the largest and most complex.
- The External Auditors recognised BCC officers had a serious approach to their reporting responsibilities as not all Councils had this approach.
- Across the Country, by 30 September 2021, only 9% of Local Authorities had completed their accounts. The statement of completion for Birmingham was well advanced than other Local Authorities.
- The External Auditors were at this stage proposing an ‘unqualified’ opinion which was a sign of a successful audit. The Value for Money work was progressing well and audit findings would be shared in the Annual Auditors Report at a future meeting.
- BCC accounts had undergone an independent and thorough technical skilled audit.
- It was noted there had been some findings during the audit around IT. This would be shared at the next Audit meeting however, there was no need for the IT report to be shared in order to complete the opinion on the accounts. Members were made aware of these findings. The Audit Committee had been appraised on the audit routinely at its meetings.

The Senior Manager, Grant Thornton added there was only additional change in the accounts (since last Committee) around the pension fund. The Council had to share the £90 million-pound valuation adjustment in the pension fund as this was above the performance materiality threshold. Following discussion with the Pension Fund Audit Team, the External Auditors proposed BCC to amend the accounts and reflect this error. As a result, £20.9 million-pound adjustment was made which increased the Councils share of pension assets. The External Auditors highlighted this error was common across all West Midland Pension Fund Local Authorities.

Outstanding items were highlighted on page 6 of the report to which Officers were providing information on.

The Senior Manager, Grant Thornton mentioned at present, the final confirmed reporting from the Birmingham Children’s Trust had not been received however, regular meetings with the Audit Team were taking place.

The External Auditors concluded, subject to discussions at this meeting, the Committee could consider delegating the finalisation of the Audit process to the Chair of the Audit Committee and the S151 Officer.

In response to Members questions, the following points were made by the External Auditors;

- IT issues (page 22 & 27) – no. of deficiencies – There were some value for money findings around the transition to the new ledger (VFM risks) and security user access.
- Pension Fund (page 24) – shortfall of £20.9 million – long term effect – This made the deficit less in the accounts therefore, the position for BCC would be better.
- Partner contributions to CWG – shortfall £25 million – This would be dealt with in the Annual Audit Report from the External Auditors on value for money.
- Birmingham's accounts had been audited in an independent manner and commended officers for their efforts.

At 1513 hours, Councillor Akhtar left the meeting.

At this juncture, Councillor Jenkins opposed to any delegations to Officers.

The External Auditors noted the comments made around assurances on the procurement service – VFM. This had not been noted in the current risk assessment however, if there were any triggers or weakness, then these concerns would be factored into the planning of the next audit.

At this juncture, the Director of Council Management referred to the issue around procurement. Resources Overview & Scrutiny had set up a Task & Finish Group dedicated to procurement throughout the organisation. This covered areas such as Commissioning; Procurement and Contract Management. All three areas had to work in conjunction with each other.

Furthermore, she clarified Officer delegations within BCC.

At 1518 hours, Councillor Akhtar returned to the meeting.

Upon consideration, it was:

378

RESOLVED:-

The Audit Committee noted the report from the External Auditors and accepted the recommendations within the report.

STATEMENT OF ACCOUNTS 2020/21 & AUDIT FINDINGS REPORT

The following report of the Director of Council Management was submitted: -

(See document No.2)

The Director of Council Management reminded the Committee the background to the Statement of Accounts. Members had been briefed regular at the Audit

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Committee meetings. The Director thanked the External Auditors for their responses to the Finance Team as these were taken seriously.

The Interim Head of Financial Strategy gave a summary of the technical findings of the Audit Findings Report. He highlighted the following;

Four changes to the draft accounts since the Audit Committee meeting in June. These were noted as;

- accounting treatment for the business support COVID grant
- presentation of the financial instrument's disclosures
- Streamlining of the IFRS15 (Revenue from contracts with customers) disclosures
- West Midlands Pension Fund – All Local Authorities were subject to the same adjustment (to a varying degree).

Further details were provided around how assets were valued. He highlighted there were two potential unadjusted matters around the provision for pension guarantees – this was being discussed with the External Auditors.

Councillor Tilsley referred to Lender Option Borrower Option (LOBO) within the accounts. He questioned over what length of time would the loans would stand as they could cover a long period. The Interim Head of Financial Strategy agreed to provide this information on LOBO's to Members.

At this juncture, the Chair suggested a virtual briefing to be offered to Members of the Committee, should there be any changes to the audit. He highlighted the delegation would start from this meeting on the proviso that the briefing was given. If there were any issues arising from the briefing, this would be ratified at the next meeting in November. Alternatively, he suggested if Councillor Jenkins would like an additional meeting to discuss the final accounts (only if there was a material adjustment - £34 million pound was the current material threshold).

Following discussions, the Chair sought unanimous agreement from the Committee to the delegate the sign off of the accounts to the Chair of the Audit Committee and the S151 Officer. He offered the briefing on the accounts or a list of the changes on the accounts to be provided – following this, Members could decide for a briefing or additional meeting. In addition, the External Auditors indicated the sign off the accounts could be delayed to the November meeting.

Upon consideration, it was:

379

RESOLVED:-

That the Audit Committee;

- (i) Noted the Draft Audit Findings Report from Grant Thornton and accepted the recommendations of that report.
- (ii) Approved the Letter of Representation.
- (iii) Subject to any amendments or qualifications submitted from the external auditors, the Committee agree to delegate approval of the Statement of Accounts to the Chair of Audit Committee. In the event of amendments or

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qualifications to the Statement of Accounts, Members of the Audit Committee will determine whether a further and additional Audit Committee meeting in person is required to approve the Statement of Accounts.

- (iv) Noted further information on Lender Option Borrower Option's to be provided to Members.

ANNUAL GOVERNANCE STATEMENT

The following report of the Director of Council Management was submitted: -

(See document No.3)

The Director of Council Management informed Members the Annual Governance Statement (AGS) was an assessment of the position on the Corporate Governance Framework. This looked at the compliance and highlighted any key issues. The AGS was originally shared with Members at the June meeting. This report provided an update to the June 2021 report.

No comments were made by Members of the Committee.

Upon consideration, it was:

380

RESOLVED:-

That the Audit Committee;

- (i) Approved the updated Annual Governance Statement that will be included in the 2020/21 Statement of Accounts.
- (ii) Agreed that the arrangements for the management of the items included in Section 6 will be reported to the Audit Committee during the year.

REPORT INTO ISSUES RELATED TO THE TRAVEL ASSIST SERVICE

The following report of the Interim Director of Education & Skills was submitted:-

(See document No.4)

The Chair had been notified the Assistant City Solicitor, Deputy Monitoring Officer wanted to make an opening statement at the start of this item.

The Assistant City Solicitor, Deputy Monitoring Officer gave an outline to the purpose of the item for discussion and read out his statement.

At this juncture, Councillor Jenkins questioned if this statement implied the Audit Committee could not see the unredacted copy of the Weightman's report. This was confirmed by the Assistant City Solicitor, Deputy Monitoring Officer.

Councillor Jenkins raised concerns that Councillors as well as Members of the Audit Committee did not have sight of the unredacted version of the Weightman's report. Councillor Jenkins was reminded, at present, the

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unredacted Weightman's Report could not be shared. At the last Audit meeting, the Acting City Solicitor and Monitoring Officer informed the Committee there would be a point in time when the Audit Committee could have access to an unredacted copy of the report but unfortunately, this was not yet.

The Chair invited the Interim Chief Executive to introduce this item.

The Interim Chief Executive informed Members, the report was based on the issues related to Travel Assist Service, which was commissioned by the previous Interim Chief Executive, Chris Naylor following a motion passed at full Council in September 2020. The report was produced in response to series of incidents that had occurred which led to questions around safeguarding within the service. Details to the background to the report were provided to the Committee.

The Interim Chief Executive emphasised safeguarding was a priority and to ensure all children in the city were kept safe. The Council must ensure rigorous standards were always in place. It was crucial to continually review services to ensure they were fit for purpose and learn from national best practice. Where providers had not met the high standard, swift action had been taken. Officers were always expected to provide accurate briefings and responses to questions to make sure rigorous standards were always upheld.

An overview of the four Findings and Recommendations were shared. One out the four recommendations had been completed and the other three were in progress.

A regular Safeguarding stocktake meeting brought together colleagues from the service, HR and Audit to regularly review the progress against these areas. In addition, an options appraisal was being placed together to examine the possibility of bringing together the entire DBS process in house. This would allow greater oversight of the process.

The Interim Chief Executive was aware the Home to School Service and the SEND service was a key priority for the Council and the most vulnerable children in the communities. It was recognised there was still work to be done on the recommendations. Work was taking place with Officers to ensure improvement was made. The new Director for Children Services was clear on the improvement plan and this would be her top priority.

Key points made by the Interim Director for Education & Skills around the progress made;

- The Contract & Compliance work was taking place - all providers were clear of standards expected.
- During the Audit of Provider that the Council had commissioned, the 365R would input all data onto BCC's 365 platform at the same time. This would be invaluable to support the implementation of 365 across the HTST service. Providing this was maintained, with starters and leavers, this would provide the Council constant real-time assurance that could be monitored using a performance dashboard. This work would be completed in due course. There had been delay as some providers were not contractually obliged – this had now been corrected.

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- Close work was taking place with the Interim Director of Transformation – She convenes a regular stocktake meeting that meets every 6 weeks.
- Commissioned external review of safeguarding practice with an appointment of a Safeguarding Lead to the service.

At 1547 hours, Councillor Tilsley left the meeting.

- Continue to operate Home to School Transport Improvement Programme to steer and oversee progress with regular reporting to the Chief Executive and Lead Member.
- Following the Leaders request for a desktop audit, the Interim Director had looked at LADO records associated with a previous audit (August 2020). He compared the drivers on both audits to see if there was a connection. It was identified the number of drivers was not the same i.e. there was 73 on one and 55 on the other. Of these, 10 drivers identified had positive DBS through a panel; 2 drivers were immediately stopped from driving and other 8 passed through the panel – this was not a satisfactory situation however, action was taken. Processes were now in place and this was now in a better place.
- Investigate the option of bringing the DBS process in-house.
- Continue to work towards scoping of an Integrated Transport Unit with a proposal for this being put to Cabinet in November.
- Final Internal Audit Report completed in November 2021.

The Interim Director for Education & Skills assured the Committee safeguarding was a priority for all. He assured Members DBS systems with Home to School Transport had improved and any positive DBS providers were cleared beforehand.

Members response

The Committee then asked questions to the Interim Chief Executive and the Director for Education & Skills. These were around; issues when the new school term starts e.g. three children transported to the wrong schools – questioned when would this issue be solved; holiday and afterschool organisations (voluntary organisations) - who was responsible to ensure safeguarding for children and who checks policies were in place?

Further comments were made by Members around the wording in paragraph 3.5 of the report. Members noted the service transformation would not happen immediately however, there was a need to get to a point where the Committee were assured as at present, the Service was travelling in the right direction. This was a failure of governance - Questions were raised as to which body, Committee of the Council would provide these assurances. An example was given on contracts extended on six occasions in June 2018. Questions were raised as to why there was no focus earlier in the process and assurances were required.

Members felt it was important to listen and co-produce services with the citizens as they were the recipients of the services. A query was raised to the national picture and to what other areas of the Council were looking to fail.

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The Chair highlighted due to the history of the service area, there could be a reputational risk. Parents would not be confident with the services provided. He questioned how parents could celebrate the good work BCC for SEND children. Gold standards must be achieved in order to compensate for the reputational damage over the years.

Issues when the new school term starts - the contract with the provider had been suspended close to the start of term. It was a challenge to commission a new provider and sort routes however, it was acknowledged this was not good enough for the first two weeks of term. Staff had worked tirelessly to get to 97% of delivery of children to the right school and the right time etc.

There was a national challenge around this service area however, improvements were being made within the service. The Interim Chief Executive was confident this would improve, and BCC would be in a better position in September 2022. This was an improved service to last year. The three children referred to by Councillor Morrall were transported to the correct school and support was provided. There was a national shortage of drivers. In order for this area to be successful, services have to work together – there was a sequence of events that have to take place before routes take place.

Safeguarding - Voluntary Organisations – The Voluntary organisations and Early Year providers were responsible to ensure safeguarding policies were in place. The Interim Director would provide a written response to Committee Members indicating the standards expected.

At 1602 hours, Councillors Jenkins left the meeting.

Accountability and assurances – i) Officer performance - Members need to be provided with the right information briefings. The Interim Chief Executive would tackle any issues related to Officers involved. ii) Governance – Assistant City Solicitor, Deputy Monitoring Officer informed Members assurances would be given to the Audit Committee however, on this occasion where matters cannot be brought to the attention of this Committee, then this would depart from the governance processes. Full disclosure would be given at the appropriate time.

There were several processes which were no longer fit for purpose for the Council. The Transformation programme was shared at the last Audit Committee where a root and branch review were taking place on Procurement, Commissioning, looking at assurances, systemic challenges throughout the organisation. Members suggested once the work around the root and branch review was complete, a report to be shared with the Audit Committee to look at the findings and assure itself the work had been completed. The Chair supported Councillor Bore's suggestion and how we learn from this and apply to other areas of the Council.

Improvement Plan – The Parents and Carers forum were engaged and co-produce the Improvement Plan.

At 1610 hours, Councillor Akhtar left the meeting.

Reputational Risk and celebrating good service – the services need to gain the confidence of the parents. The systems had to be better for when applications were made to the Home to School service. This was a whole system approach with a common endeavour (including schools, special schools, Officers, Councillors). There was an opportunity for BCC to liaise with the DfE to improve the system within Birmingham through the Improvement Plan.

Engagement with Parents – Parent Carers Forum were involved co-producing the Improvement Plan. Improvements were channelled by the Improvement Board which would be periodically shared. There was a focus to make sure children who were most disadvantaged, vulnerable benefitted from the improvements.

The Chair summarised the outcomes from the discussions.

Upon consideration, it was:

381

RESOLVED:-

That the Audit Committee;

- (i) Noted and accepted the update provided against each of the four recommendations identified for the Travel Assist Service.
- (ii) Noted a written response would be provided on safeguarding measures Voluntary organisations and Early Year providers were expected to have in place and the support provided by BCC.
- (iii) Noted a continual reflection and updates to be made on the actions to the responses of the recommendations in the Weightman's report.
- (iv) Agreed once the root and branch review on Procurement, Commissioning, assurances, systemic challenges were completed, a report to be provided to the Audit Committee on its findings.

BIRMINGHAM AUDIT ANNUAL FRAUD REPORT 2020/21

The following report of the Assistant Director Audit and Risk Management was submitted: -

(See document No.5)

The Principal Group Auditor introduced John Preston, who was newly appointed as the Group Auditor for Fraud for Internal Audit. He would be responsible for the work which was previously led by Neil Farquharson. In future, he would be reporting to the Audit Committee on Fraud.

An overview of the report was provided by the Principal Group Auditor.

Councillor Morrall referred to the highest number of fraud cases. Members were informed there was a lot of false applications on properties being made and this was highlighted as a national problem.

Audit Committee – 19 October 2021

Councillor Bridle referred to the Household Support Fund and engagement with the Benefits Team. The Principal Group Auditor mentioned Birmingham Audit worked closely with the Benefits Team. Support had been previously provided to ensure the systems were robust and proactive checks were made in advance of payment being made.

Upon consideration, it was:

382

RESOLVED:-

That the Audit Committee;

- (i) Noted the work undertaken during the year and draw assurance from the policies and procedures that are in place to prevent and detect fraud and error.
 - (ii) Approved and endorsed the Anti-Fraud and Corruption Policy.
-

RISK MANAGEMENT UPDATE

The following report of the Assistant Director Audit and Risk Management was submitted: -

(See document No.6)

The Assistant Director Audit and Risk Management made introductory comments. Previously, the Audit Committee challenged the positioning of the Commonwealth Games risk and this was the catalyst for the whole review. As a result, two workshops had taken place with CLT in which 11 risks were removed from the Strategic Risk Register. Any risks removed were managed by either the Directorate Risk Registers or framed differently or split between Directorates. CLT could now focus on the top 20 Strategic Risks and this allowed the opportunity for more meaningful descriptions on the heatmap.

The Chair referred earlier safeguarding discussions and queried the weighting to the SR5.6. The Assistant Director highlighted a lot safeguarding risk sat with the Birmingham Children's Trust.

Upon consideration, it was:

383

RESOLVED:-

Audit Committee Members:

- (i) Noted the progress in implementing the Risk Management Framework and the assurance and oversight provided by the Council Leadership Team (CLT).
- (ii) Reviewed the strategic risks and assess whether further explanation / information was required from risk owners in order to satisfy itself that the Risk Management Framework has been consistently applied.

SCHEDULE OF OUTSTANDING MINUTES

384 Members were notified, following the September Audit Committee, outstanding actions were now colour coded indicating the timeframe and urgency for responses to be made.

Members were provided with updates to the outstanding actions.

- **Minute 334 29/06/2021** – A response was emailed to Members on 15/10/2021. Councillor Bore and Councillor Morrall were not content with the response received. The Chair requested for an email to be sent to him indicating the detail and information Councillors would want to see. This would not be removed from the schedule.
- **Minute 350 26/07/2021** - A response was emailed to Members on 18/10/2021. However, there was outstanding action in respect of the request for up to date figures on elective home education, children missing education and children missing from home /care. This information should be provided by the end of Oct/ Nov.
- **Minute 351 26/07/2021** – A response was emailed to Members on 18/10/2021 – Completed & discharged.

385 **DATE OF THE NEXT MEETING**

The next meeting is scheduled to take place on Monday, 29 November 2021 at 1400 hours in the Birmingham & Midlands Institute, Main Hall.

OTHER URGENT BUSINESS

386 **RESOLVED: -**

On behalf of the Audit Committee, the Chair congratulated Rebecca Hellard for her permanent post as the Director of Council Management.

AUTHORITY TO CHAIRMAN AND OFFICERS

387 **RESOLVED:-**

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

The meeting ended at 1634 hours.

.....
CHAIR

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	Audit Committee
Report of:	Director of Council Management
Date of Meeting:	29th November 2021
Subject:	Treasury risk management arrangements
Wards Affected: All	
1. Purpose of Report	
1.1	To update members on the Council's treasury risk management arrangements as set out in the draft 2022/23 Treasury Management Policy, Strategy and Treasury Management Practices.
2. Recommendation	
2.1	That the Audit Committee notes and considers the Council's treasury risk management arrangements as set out in the attached draft 2022/23 Treasury Management Policy, Strategy and Treasury Management Practices.
3. Detail	
3.1	<p>The functions of Audit Committee include "(d) to review the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and treasury management practices".</p> <p>The Council's Treasury Management Policy and Strategy are approved in the annual Financial Plan by full Council, in accordance with CIPFA's Treasury Management Code for local authorities ("the CIPFA Code"). Quarterly monitoring of treasury management activity is included in the financial monitoring and annual outturn reports to Cabinet.</p>
3.2	Treasury Management is defined in the CIPFA Code as "the management of the organisation's borrowing, investments and cashflows; its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

3.3 **Appendix 1** is a presentation outlining the main risk management processes and controls for treasury management in the Council. These processes and controls are set out in further detail in a set of key governing documents, in accordance with the CIPFA Code, which are attached for reference as follows:

Appendix 2 The Council's Draft Treasury Management Strategy and Policy: these are the key documents that set out the main risk management processes and controls for Treasury Management in the Council. They will form appendices to the Financial Plan 2022-26 to be approved by City Council meeting on 22 February 2022, and for transparency, are in that format. The numbers are likely to change from this version, as the Financial Plan is finalised

Appendix 3 The Council's Draft Treasury Management Practices (TMPs): these are operational procedures regulating day to day treasury activities, including the management of risk. They are referenced in the TM Policy paragraph 10.4. These are reviewed annually and are due to be approved by the Director of Council Management (S151).

Appendix 4 Treasury management reporting and monitoring (Quarter 2 monitoring example attached): this is provided quarterly to Cabinet as part of the financial monitoring report, as well as to Resources Overview and Scrutiny. This includes monitoring of the treasury management and other Prudential Indicators (which are required by the CIPFA Prudential and Treasury Codes).

3.4 Training on treasury management is provided periodically for City Councillors.

Name of report Author: Mohammed Sajid
Title: Interim Head of Capital and Treasury Management
Finance and Governance Directorate
e-mail address: mohammed.sajid@birmingham.gov.uk

Birmingham City Council Treasury risk management

29 November 2021

- Audit Committee's role
- Treasury and risk management
- The Council's TM Strategy for 2022-23
- Treasury Reporting and Monitoring

Audit Committee's role in relation to Treasury Management (TM)

Audit Committee's role: *(FP17 of BCC Financial Procedures)*

“(d) to review the adequacy of treasury risk management arrangements as set out in the Treasury Management Policy, Strategy and treasury management practices”.

The Policy and Strategy are approved by full Council in accordance with CIPFA's Treasury Management Code.

Cabinet monitors TM activity in quarterly financial monitoring.

Monthly TM Panel has supportive role for treasury decision making

What is treasury management?

Cost & risk effective way of having sufficient cash

CIPFA Code definition:

- Management of borrowing, investments, and cashflows
- Management of banking, money market and capital market transactions
- Control of risks associated with these activities
- Pursuit of optimum performance consistent with risk appetite

The annual financial planning process determines how much the Council plans to borrow affordably or invest prudently;

The role of treasury management is to arrange and manage these borrowing and investments.

Guidance for managing treasury activities :

Statutory requirement to have regard to:

- CIPFA's Code of Practice for Treasury Management in the Public Services (2017)*
- CIPFA's Prudential Code for Local Authority Capital Finance (2017)*
- The Government Guidance on Local Authority Investments (2018)

We comply with these

*Revised Codes are currently under consultation to be fully implemented for 2023/24 strategies.

External professional advisers appointed

Arlingclose Ltd provide us with regular treasury advice and support - but BCC always responsible for TM

Key risks and issues we manage:

- **Interest rate risk - the risk that future borrowing costs rise**
 - Key objective is for a stable charge to revenue, by having a limit of 30% on variable rate loan debt.
- **Credit risk - the risk of default in a Council investment**
 - Regular review of investment grade credit criteria and investment limits (who we lend to / invest with and how much)
- **Liquidity and refinancing risk - the risk that the Council cannot obtain funds when needed**
 - Target a deposit balance of £40m for liquidity
 - Have limits on the maturity profile for borrowing – ensure too many loans do not mature in one year creating a refinancing risk

Key risks and issues we manage:

- **Environmental, Social & Governance (ESG) risk** - the risk that the Council's treasury activities negatively impact sustainability and climate change.
 - Ensure investment counterparties such as money market funds are engaged with ESG as an issue for their investors.
 - Consider ESG bonds such as green bonds as part of the Council's long term borrowing strategy.
 - When making investment and borrowing decisions, the Council will seek positive ESG benefits alongside managing other treasury risks

Headline figures for Birmingham City Council

	£m value
Total loan debt outstanding As at 31 October 2021	£3.18bn
Total treasury investments outstanding As at 31 October 2021	£193m
Total value of treasury transactions to Q2 2021/22	£3.753bn
Total draft treasury revenue budget 2022/23	£233m

TM Strategy for 2022/23

- Continue to maintain a significant short term loans portfolio:
 - Target around £600m due to interest cost savings – this is about 18% of net loan debt.
- Longer term borrowing for capital programme
 - Around £140m required through lower rates from potential ESG bond issuance or from the PWLB (subject to meeting conditions of not borrowing to fund assets primarily for yield).
- Aim to maintain £40m target investments for liquidity
 - Liquid investments in high credit quality institutions such as Money Market Funds (MMFs).

Draft Prudential indicators

Key Prudential Indicators	2022/23 £m	2023/24 £m	2024/25 £m
Capital Financing Requirement (CFR) The Council's underlying need to borrow to finance capital expenditure, including from previous years – internal and external	4,723.4	4,686.5	4,670.3
Operational Boundary for external debt The Council's most likely estimate for external debt Actual external debt should not exceed CFR	4,035.9	3,958.3	3,871.0
Authorised Limit for external debt The Council's statutory external debt limit that should not be breached – includes headroom for uncertain cash movements	4,600.0	4,600.0	4,600.0
GF financing costs as % of net revenue Indicator of affordability	26.3%	28.2%	27.0%
GF impact of 1% rise in interest rates Indicator for interest rate exposure	3.6	2.9	3.4

BCC treasury reporting and monitoring

- Quarterly reporting to Cabinet (Appx C to monitoring report)
 - The full Q2 report is in Audit Committee papers
 - includes summary dashboard to Cabinet - see next slide
 - Summary dashboard also taken to Finance O&S Committee
- includes decisions made by officers under delegations
- Prudential indicators reported quarterly
 - Code requirement is only half yearly

Cabinet summary dashboard: Q2 2021/22

	value	comparator	difference
1 Gross loan debt	£m	£m	£m
at month end	3,190		
year end Forecast (vs Plan)	3,568	3,722	-154
year end Forecast (vs Pru Limit for loan debt)	3,568	4,103	-535

Forecast year end debt is below the year end plan and prudential limit due to the impact of Covid and reduced borrowing required for the capital programme. Some uncertainty remains about the continued impact of Covid on the Council's cashflow.

2 short term borrowing			
at month end (vs Guideline)	214	588	-374
interest rate year to date on outstanding deals (vs assumption)	0.25%	0.50%	-0.25%

Short term borrowing is currently lower than forecast. Covid grants received in advance has allowed the Council to temporarily use internal borrowing to meet its borrowing needs. As these grants are utilised, the Council expects to resume short term borrowing later in the year.

3 Treasury investments			
at month end (vs Guideline)	199	40	159
interest rate year to date on outstanding deals (vs assumption)	0.01%	0.20%	-0.19%

Treasury investments remain temporarily higher than the guideline, before commitments made to expenditure of Covid grants are actually spent.

4 Long term loans taken			
year to date (vs Plan)	-	130	-130
ave. interest rate obtained (vs assumption)	-	2.40%	-2.40%

No long term borrowing has been taken in the year to date, due to favourable cashflows deferring the need for long term borrowing.

5 Assurance	
were Credit criteria complied with?	yes
were investment defaults avoided?	yes
was the TM Code complied with?	yes
were prudential limits complied with?	yes

BCC's TM Policy (Appx to Financial Plan 2022)

- Sets TM objectives and risk appetite

“To assist the achievement of the City Council’s service objectives by obtaining funding and managing the City Council’s debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested.”

- Sets framework and controls for interest rate risk, credit risk, liquidity risk, ESG risk and other risks
- Describes Treasury delegations and reporting
- Outlines the Treasury Management Practices (TMPs)

BCC's TM Strategy (Appx to Financial Plan 2022)

Strategy for treasury management activity in the coming year:

- Identifies borrowing (and lending) needs
- Provides market outlook including interest rates and credit
- Proposes the types and sources of borrowing for the year
- Subject to change dependent on market conditions

TM Regulatory system in local government

- CIPFA Code for Treasury Management in local authorities (2017):
 - Full Council must approve a Treasury Strategy and a Policy annually, including prudential indicators for treasury
 - Treasury Management Practices must be maintained
 - Risk management is at the centre of the Code

- Government Guidance on local authority investments (2018)
 - Full Council must approve Investment Strategy (as part of Treasury Strategy)
 - Must set out arrangements for regulating use of investments of high credit quality and lower credit quality
 - Detailed requirements for managing and reporting non-treasury investments

APPENDIX 2 TREASURY MANAGEMENT STRATEGY

1. Summary

- 1.1. This appendix sets out the proposed Treasury Management Strategy for 2022/23 given the interest rate outlook and the Council's treasury needs for the year, and in accordance with the Treasury Management Policy.
- 1.2. A balanced strategy is proposed which continues to maintain a significant proportion of short term and variable rate loan debt in order to benefit from low short term interest rates, whilst taking some long term or fixed rate borrowing to maintain an appropriate balance between the risks of fixed rate and variable rate borrowing. The balance between short and long term funding will be kept under review by the Director of Council Management (Section 151 Officer) and will be maintained within the prudential limit for variable rate exposures.
- 1.3. Separate loan portfolios are maintained for the General Fund and the HRA; therefore, separate treasury strategies are set out below where relevant¹.
- 1.4. The ongoing impact on the UK from coronavirus, any post-Brexit trading arrangements and expectations for higher interest rates will have a major influence on the Council's treasury management strategy for 2022/23.

2. Treasury Management Policy and Objectives

- 2.1. The Treasury Management Policy sets the Council's objectives and provides a management and control framework for its Treasury Management activities, in accordance with CIPFA's Code of Practice for Treasury Management in the Public Services.
- 2.2. For the Council, the achievement of high returns from treasury activities is of secondary importance compared with the need to limit the exposure of public funds to the risk of loss.
- 2.3. In addition, and due to the growing importance of environmental, social and governance (ESG) issues including climate emergency agendas, the Council will consider ESG factors in the context of its treasury activities.
- 2.4. These objectives must be implemented flexibly in the light of changing market circumstances.

¹ This Strategy relates to loan debt only. Other debt liabilities relating to PFI and finance leases are not considered in this Strategy and are managed separately. Throughout this Financial Plan, debt and investments are expressed at nominal value, which may be different from the valuation basis used in the statutory accounts.

3. Council Borrowing Requirement

- 3.1. The Council's forecast of its required gross loan debt is set out in the Capital Strategy and is a combination of its new prudential borrowing for capital, reduced by the amounts set aside to repay debt, and short term cashflows. Most of the Council's loan debt is in existing long term loans which mature over periods of up to 40 years or more. The balance of new loans which the Council will need to obtain in each of the next four years is set out in Table M.1:

Table M.1 Forecast Borrowing Requirement

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Forecast gross loan debt	3,642.4	3,524.9	3,527.3	3,446.7
Forecast treasury investments	(40.0)	(40.0)	(40.0)	(40.0)
Forecast net loan debt	3,602.4	3,484.9	3,487.3	3,406.7
of which:				
forecast long term loans outstanding	2,903.7	2,883.7	2,808.7	2,749.8
Short term investments working balance	(40.0)	(40.0)	(40.0)	(40.0)
Required new/ replacement loan balance	738.7	641.3	718.6	696.8
	3,602.4	3,484.9	3,487.3	3,406.7

- 3.2. This strategy sets out how the Council plans to obtain the required new borrowing shown above, by a combination of short term and long term borrowing.
- 3.3. The Council's forecast gross loan debt is due to decrease in forthcoming years. The fall is partly attributable to scheduled debt repayments. If further capital expenditure funded from borrowing is decided on in the future, this will increase the debt levels.
- 3.4. The Council has £71.1m of Lender's Option Borrower's Option (LOBO) loans outstanding. In these loans, the lender has the right to increase the interest rate at certain dates during the loan term, and in this event the Council has the right to repay the loan immediately without penalty. £41.1m of the loans have the potential to be exercised during 2022/23. This would increase the Council's borrowing requirement, but it is considered unlikely that it would happen in the current market environment.
- 3.5. In previous years the Council has repaid some of its LOBO loans early; in May 2019, £30m of LOBO loans held with Commerzbank were repaid. This resulted in a significant saving for the Council and it removed a substantial amount of LOBO loans from its loan portfolio. The Council will consider further loan restructuring opportunities if they become available and where they provide a cost saving or a reduction in risk.

4. Interest Rate and Credit Outlook

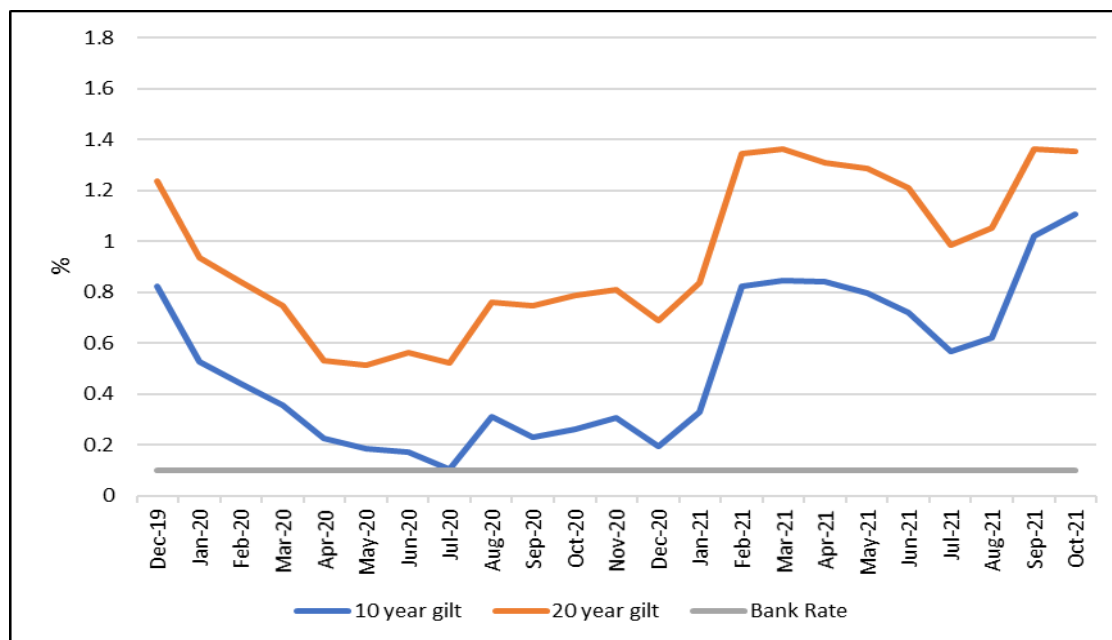
- 4.1. UK Bank Rate is fundamental for the Council's treasury management activity, in terms of expenditure on loan interest where new loans are taken out and on income received from investments. UK Bank Rate is set by the Bank of England's Monetary Policy Committee (MPC) and their interest rate outlook is influenced by domestic and international economic and political developments.
- 4.2. The UK economy continues to recover from the coronavirus pandemic; in November 2021, the MPC revised its growth forecasts and it now expects the UK to regain its pre-pandemic size in Q1 2022, earlier than the mid-2022 previously expected. However significant challenges lie ahead and a sustained recovery is not entirely secure. The MPC has revised down growth forecasts for the UK economy to 5% in 2022 from the previous 6%.
- 4.3. The resurgence in demand following the various lockdowns in the past year has led to an expected rise in inflation. However supply side factors resulting in shortages in the economy have amplified inflationary pressures, especially in the UK as a result of Brexit. Annual CPI inflation was 3.1% in September 2021 with the MPC expecting inflation to peak at around 5% in April 2022 before falling back. The MPC believe transitory factors will feed longer-term inflation expectations that will require interest rates to rise in the coming months.
- 4.4. The MPC has held Bank Rate at 0.1% since November 2020. Although rate rises are expected it does not envisage a rise to 1% as implied by financial markets. Arlingclose, the Council's treasury advisor, has forecast the Bank Rate to rise in Q2 2022 but also not to the levels expected by the market. Given the level of uncertainty over economic growth the Council has taken a prudent view and has assumed an increase in Bank Rate for the treasury budget by the end of 2022/23.
- 4.5. Upside risks to UK interest rates in 2022/23 include:
- Higher than expected economic growth as the impact of the pandemic eases
 - Higher than expected inflation rates due to the persistence of supply side factors
 - A positive impact from trade arrangements made post-Brexit

Downside risks to UK interest rates include:

- The effects of coronavirus on global and UK economic recovery remain significant
- UK economic growth falters as household spending comes under pressure from rises in prices and pressures on household income.
- Brexit risks to the UK economy

- 4.6. Longer term interest rates are typically represented by UK Government Gilt yields. The chart at Figure M.2 shows that Gilt yields fell to record low levels in 2020 with the onset of the global pandemic. Since then gilt yields have risen sharply due to expectations of interest rate rises on the back of longer term inflationary fears. Volatility arising from both economic and political events are likely to continue although yields do still remain at near historically low levels.

Figure M.2 Bank Rate and Gilt Yields



- 4.7. The credit outlook for banks relates to their risks for default and became more significant following the 2015 Bank Recovery and Resolution Directive (BRRD). Here a failing bank would need to be ‘bailed in’ by current investors instead of being ‘bailed out’ by the Government, thus increasing the risk of loss for local authorities holding unsecured bank deposits.
- 4.8. Due to better economic growth prospects for the UK, banks are perceived to be in a better position than earlier this year with some institutions able to reduce their provisions for bad loans. Credit ratings agencies have recognised their improved capital positions and upwardly revised the outlook on a number of UK banks. The Council will continue to monitor bank credit worthiness and seek the advice of its treasury advisor, Arlingclose.

5. Borrowing strategy

- 5.1. The Council’s capital investment programme allows it to deliver key priorities such as economic regeneration, transport, housing and school improvements, and to support service transformation. The capital investment programme can be funded from government grants, revenue resources, capital receipts from asset sales and prudential borrowing.

- 5.2. It is appropriate for the Council to borrow to fund its capital expenditure. The Council will receive long term service benefit over a number of years so it should be able to fund the capital expenditure over the years benefits are received.
- 5.3. As part of its borrowing strategy, the Council has targeted a short term or variable rate loans balance (less than 12 months) of around £600m, to take advantage of the prevailing low short term borrowing rates. Short term rates reduced significantly in 2021/22 and low rates are expected to continue into 2022/23. It is proposed to continue with a short term loans level of around £600m, with the balance of the Council's borrowing needs being met through long term borrowing (i.e. for periods of one year or more).
- 5.4. Based on this strategy, the following table summarises, for the Council as a whole, the new long term and short term borrowing proposed to fund the required new or replacement borrowing each year:

Table M.3 Proposed Borrowing Strategy

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
cumulative new borrowing:				
total long term loans	140.0	140.0	140.0	140.0
new short term loans	598.7	501.3	578.6	556.8
Required new/ replacement loan balance	738.7	641.3	718.6	696.8

- 5.5. The strategy results in a forecast for new long term borrowing of £140m in 2022/23. The balance of new long term borrowing does not increase in the following years as the requirement for new loans is generally lower from 2023/24.
- 5.6. In 2020/21, the Council paid a three year advance pensions payment for which it received a discount; this means there are reduced pensions cash outflows in 2021/22 and 2022/23. If the Council is offered a similar discount in 2023/24, it may choose to make an advanced payment which could be funded by further long term loans. The borrowing strategy to fund the advance pensions payment will be to take loans for one to three years. The forecast debt figures at Table M.1 do not include future pensions advanced payments as these are yet to be agreed.

Short term borrowing

- 5.7. The Council's short term borrowing needs are largely met through other local authorities who lend their surplus cash balances at comparatively low rates. Loans from local authorities are deemed to meet the Council's ESG considerations as surplus funds will have been obtained from sources with public service objectives.

- 5.8. The availability of loans from other local authorities can tighten especially at financial year end when authorities have used much of their cash balances. Given the size of its short-term debt portfolio, the Council has sought to diversify its sources of short term borrowing from reliance on the local authority lending market:
- The Council has a Working Capital Facility available with its current bankers should it require loans for a short period.
 - The Council is exploring the possibility of using a short term loan solution offered by the UK Municipal Bond Agency (MBA), in a partnership with the Council's treasury advisors Arlingclose, through the issuance of commercial paper. The MBA Commercial paper proposal is expected have rates comparable to the local authority lending market and without the risks and administration of issuing commercial paper individually.
- 5.9. Short term and variable rate exposures remain within the 30% prudential limit set out in Appendix T4 (of the Financial Plan).
- 5.10. It should be noted that a possible scenario is that short term and long term interest rates may rise (or are expected to rise) more sharply than currently forecast. A higher level of long term borrowing may be taken if appropriate to protect future years' borrowing costs.

Long Term Borrowing

- 5.11. The main source of long term borrowing for local authorities has been the Public Works Loans Board (PWLB), managed by HM Treasury. At the end of November 2020, the Treasury returned PWLB rates to 0.8% above gilts with the condition that local authorities would not be able to access PWLB loans if their 3 year capital programme included capital expenditure primarily for yield. The Council has not undertaken, nor has plans to undertake, any investments primarily for yield.

The consequence of the PWLB rate decrease is that it is likely to offer a cheaper and quicker route to borrowing than alternative sources of borrowing, by at least 0.5% based on latest market analysis. For value for money, it is important that the Council continues to meet the PWLB's lending criteria. It is also uncertain how private sector lenders would view the risk profile for councils that were no longer eligible for PWLB loans.

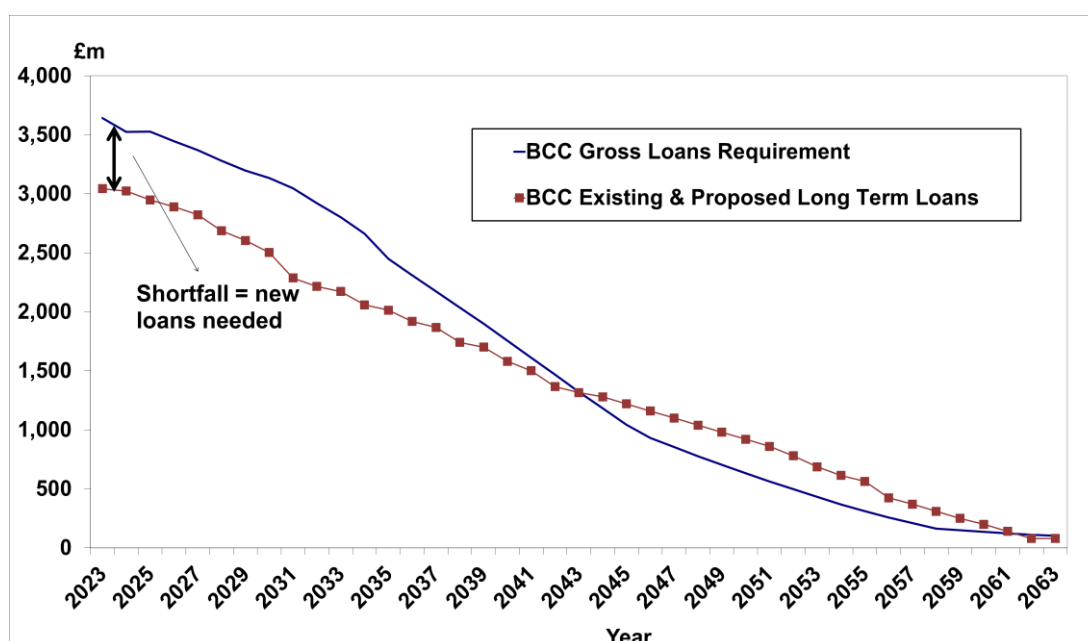
- 5.12. Nonetheless, the Council will continue to monitor market developments and will seek to use and develop other funding solutions if better value may be delivered. This may include other sources of long term borrowing if the terms are suitable, including listed and private placements, bilateral loans from banks, local authorities or others, Islamic forms of finance and sale and leaseback arrangements.

- 5.13. The Council will also consider forward starting loans from capital markets, where the interest rate is fixed in advance, but the cash is received in later years. The Council may also restructure existing loans and other long term liabilities e.g. by premature repayment and replacement with new loans.
- 5.14. After the PWLB amended its lending terms in November 2020, private debt capital markets were unable to match the PWLB's lower rates. However, more recently, the market has suggested ESG bonds could be competitive when compared to the PWLB, due to a lack of supply and increasing demand from institutional investors. ESG bonds are used to finance projects that support environmental and social goals; most local authority capital schemes, including significant aspects of Birmingham's capital programme, could be linked to ESG objectives and fit the criteria for an ESG bond.
- 5.15. The Council will consider the use of ESG bonds in sourcing long term borrowing, should they provide better value through lower costs and rates when compared to PWLB borrowing.

Liability benchmark

- 5.16. The Council's loan maturity profile can be compared with the level of loan debt outstanding required by this Financial Plan, as follows:

Figure M.4 BCC Loans Outstanding vs. Gross Loans Requirement



- 5.17. The Gross Loans Requirement in Figure M.4 represents the level of outstanding loan debt required by this Financial Plan. It takes account of existing loans outstanding plus planned prudential borrowing; this reduces over time as a result of the Minimum Repayment Provision (MRP) for debt. The difference between the Gross Loans Requirement and Existing & Proposed long term loans represents forecast short term borrowing or investments. The Gross Loans Requirement represents a liability benchmark

against which to measure the amount and maturity of required borrowing. In practice, future borrowings would never allow the outstanding loans to reach nil as matured debt is replaced by debt for new capital projects.

- 5.18. The shortfall shown in the chart is planned to be met by a short term loans portfolio of around £600m, in line with the current strategy (see paragraph 5.3).
- 5.19. The Treasury Management Prudential Limits and Indicators consistent with the above strategy are set out in Appendix T (of the Financial Plan), including a summary loan debt maturity profile.
- 5.20. The Treasury Management Strategy must be flexible to adapt to changing risks and circumstances. The strategy will be kept under review by the Director of Council Management (S151) in accordance with treasury management delegations.

6. HRA and General Fund Treasury Strategies

- 6.1. The Housing Revenue Account (HRA) inherited a largely long term fixed rate debt portfolio at the start of the current HRA finance system in 2012. As a result, the Council is looking to increase the HRA's exposure to short term loans whenever possible. The General Fund and HRA exposures to short term and variable interest rates in accordance with the strategy are as follows:

Table M.5 Forecast Variable Rate Exposure Based on the Proposed Borrowing Strategy

<i>(taking account of debt maturities and proposed long term borrowing)</i>	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Housing Revenue Account				
Year end net exposure to variable rates	219.0	249.3	257.6	262.4
Closing HRA net loan debt	1,112.0	1,124.4	1,129.7	1,119.7
Variable exposure % of debt	19.7%	22.2%	22.8%	23.4%
General Fund				
Year end net exposure to variable rates	359.8	287.0	339.9	321.4
Closing General Fund net loan debt	2,490.4	2,360.5	2,357.7	2,287.0
Variable exposure % of debt	14.4%	12.2%	14.4%	14.1%
Year end variable interest rate assumption provided for in the budget	0.75%	0.75%	1.00%	1.00%

Note: the variable rate figures above include long term loans with less than a year to maturity. Potential repayment option calls on LOBO loans are excluded as none are expected in this period.

- 6.2. The variable rate exposure means that a 1% rise in variable rates at the end of 2022/23 would cost an estimated £3.6m per annum for the General Fund and £2.2m per annum for the HRA. However, the budget provides for a potential increase in variable rates (as shown above), which is considered to be prudent in this context.
- 6.3. This strategy therefore acknowledges the risk that maintaining a significant variable rate loan debt may result in increased borrowing costs in the longer term, but balances this against the savings arising from cheaper variable interest rates. The Director of Council Management (Section 151 Officer) will keep the strategy under close review during the year, in the light of the Council's financial position and the outlook for interest rates.

7. Treasury Management Revenue Budget

- 7.1. Based on this strategy the proposed budget figures are as follows:

Table M.6 Treasury Management Revenue Budget

	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m
Net interest costs	127.706	127.064	123.921	122.995
Revenue charge for loan debt repayment	115.258	122.859	127.538	141.550
Other charges	(9.694)	4.182	2.102	1.998
Total	233.271	254.106	253.560	266.543
Met by the HRA	52.619	50.410	49.248	55.219
Met by the General Fund	180.652	203.696	204.312	211.324
Total	233.271	254.106	253.560	266.543

- 7.2. The budgeted interest cost in each year reflects a prudent view of borrowing costs and the cost of the additional borrowing in this Financial Plan. Actual interest costs will be affected not only by future interest rates, but also by the Council's cash flows, the level of its revenue reserves and provisions, and any debt restructuring.

8. Investment Strategy

- 8.1. The Council has surplus cash to lend only for short periods, as part of day-to-day cashflow management and to maintain appropriate cash liquidity. A month end investment balance of £40m in deposits is used as guidance in order to maintain adequate liquidity to meet uncertain cashflows. Any such surplus cash is invested in high credit quality institutions and pooled investment funds such as Money Market Funds (MMFs). MMFs are expected to continue to form a major part of the cash investment portfolio, as they are

able to reduce credit risks in a way the Council cannot do independently, by accessing high quality institutions and spreading the risk more widely.

- 8.2. In terms of the Council's ESG considerations for its investment strategy, MMFs are not typically managed with the explicit or implicit aim of being an ESG or 'ethical' product. MMF managers have varying approaches to ESG incorporation with many preferring active engagement, using their shareholding and voting rights to influence and improve corporate behaviour and responsibility.
- 8.3. The ESG credentials of the MMFs that the Council invests in have been reviewed, based on information provided by individual MMFs. All MMF managers have engaged with ESG as an issue for their investors and the Council will consider those MMFs that show a genuine commitment to incorporate ESG as a source of enhanced financial risk management.
- 8.4. Due to the coronavirus pandemic, councils experienced increased uncertainty over their cashflows during 2021/22. Central Government had provided significant grants to the Council as it looked to use local authorities to coordinate the support required by the local population in dealing with the financial impact of the pandemic. As a result, the Council held liquid cash balances that far exceeded the guidance of £40m throughout the year. This is unlikely to continue into 2022/23 unless the financial impact of the pandemic coronavirus resumes.
- 8.5. Although the outlook for the UK economy has improved, a degree of uncertainty from the coronavirus pandemic remains; a further economic downturn could force the Bank of England to set Bank Rate at or below zero. This could feed through to negative interest rates on low risk, short term investment options. Since investments cannot pay negative income, negative rates would be applied by reducing the value of investments. In this event, the Council would measure security as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 8.6. Long term investments of one year or more are not currently expected to be appropriate for treasury management purposes, as the Council does not expect to have temporary surplus cash to invest for that length of time.

9. Other Treasury Management Exposures and Activities

- 9.1. During 2021/22, the Council established a Treasury Management Panel consisting of senior Finance Officers and treasury officers at the Council. The Council's Treasury Management Panel meets regularly, usually monthly, and act as an advisory body, providing guidance, support and scrutiny to decisions made by treasury officers.
- 9.2. The Council has guaranteed the £73m loan debt issued by NEC (Developments) Plc, which since the sale of the NEC Group has been a wholly owned subsidiary of the Council. The value of this liability, due to

mature in 2027, is reflected in the Council's own debt and is managed as part of treasury activity.

- 9.3. The Council is a constituent member of the West Midlands Combined Authority (WMCA). Participating authorities share an exposure to any unfinanced revenue losses of WMCA, including debt finance costs. The Council and other member authorities support WMCA's capital investment plans, which include substantial prudential borrowing (subject to revenue funding support). This exposure is managed through the authorities' voting rights in WMCA including approval to its annual revenue and capital budget.

10. Advisers

- 10.1. Arlingclose Limited are appointed to provide treasury management advice to the Council, including the provision of credit rating and other investment information. Advisers are a useful support in view of the size of the Council's transactions and the pressures on staff time. The Council's contract with Arlingclose is due to expire during 2022/23 so a tender exercise will be undertaken to appoint a treasury management advisor.

11. Prudential Indicators for Treasury Management

- 11.1. The Council is required under the Local Government Act 2003 and the CIPFA Treasury Management Code to set Prudential Indicators for treasury management. These are presented in Appendix T4 (of the Financial Plan).

APPENDIX 2.1 TREASURY MANAGEMENT POLICY

1. Overview

- 1.1. This appendix sets out the Council's proposed Treasury Management Policy. The policy sets the overall framework and risk management controls which are used in carrying out the Council's borrowing, lending and other treasury activities.

2. Statutory Guidance

- 2.1. This Treasury Management Policy, the Treasury Strategy, and the Service and Commercial Investment Strategy, comply with the statutory requirement to have regard to the following Codes and Guidance:

- CIPFA's Code of Practice for Treasury Management in the Public Services (2017)
- CIPFA's Prudential Code for Local Authority Capital Finance (2017)
- The Government Guidance on Local Authority Investments (2018)

The Council has adopted the above Codes.

- 2.2 In September 2021, CIPFA issued revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The final revised Codes are not expected to be published until December 2021; the Council will adopt changes which it considers to be good practice in advance of the final revised Codes becoming available.

3. The Council's Treasury Management Objectives

- 3.1. The Council's treasury management objectives and activities are defined as:

"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

- 3.2. Effective treasury management will provide support towards the achievement of the Council's business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management¹.

Treasury Management Risks

¹ Paragraphs 3.1, 3.2, 3.6 and the final sentence of 4.5 are required by the CIPFA Treasury Management Code

- 3.3. The Council attaches a high priority to a stable and predictable charge to revenue from treasury management activities, because borrowing costs form a significant part of the Council's revenue budget. The Council's objectives in relation to debt and investment can accordingly be stated more specifically as follows:

"To assist the achievement of the Council's service objectives by obtaining funding and managing the Council's debt and treasury investments at a net cost which is as low as possible, consistent with a high degree of interest cost stability and a very low risk to sums invested."

- 3.4. This does not mean that it is possible to avoid all treasury risks, and a balance has to be struck. The main treasury risks which the Council is exposed to include:

- Interest rate risk - the risk that future borrowing costs rise
- Credit risk - the risk of default in a Council investment
- Liquidity and refinancing risks - the risk that the Council cannot obtain funds when needed
- Environmental, Social and Governance (ESG) risks – the risk that the Council's treasury activities negatively impact sustainability and climate change.

- 3.5. The Treasury Management team has suitably qualified and trained staff to actively manage treasury risks within this Policy framework. However, staff resources are limited, and this may constrain the Council's ability to respond to market opportunities or take advantage of more highly structured financing arrangements. External advice and support may also be required. The following activities may for example be appropriate based on an assessment at the time, to the extent that skills and resources are available:

- the refinancing of existing debt
- borrowing in advance of need, and forward-starting loans
- leasing and hire purchase
- use of innovative or more complex sources of funding such as listed bond issues, private placements, ESG bond issues and private placements, commercial paper, Islamic finance, and sale and leaseback structures
- investing surplus cash in institutions or funds with a high level of creditworthiness, rather than placing all deposits with the Government

- 3.6. The successful identification, monitoring and control of risk are the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the

organisation, and any financial instruments entered into to manage these risks.

- 3.7. The Council's approach to the management of treasury risks is set out in the rest of this Treasury Management Policy.

4. Managing Treasury Risks²

Interest Rate Exposures

- 4.1. It is important for the Council to manage its interest rate exposure due to the risk that changes in the level of interest rates leads to an unexpected burden on the Council's finances. As the Council has and expects to have significant loan balances, rather than investment balances, a rise in interest rates poses greater risks for the Council. As a result, the Council will monitor the impact of a 1% interest rate rise on the General Fund, to ensure that it can adequately protect itself should this or a similar scenario occur.
- 4.2. The stability of the Council's interest costs is affected by the level of borrowing exposed to short term or variable interest rates. Short term interest rates are typically lower, so there can be a trade-off between achieving the lowest rates in the short term and in the long term, and between short term savings and long term budget stability. The Council will therefore limit the amount of the short term debt it holds in order to manage its variable interest rate exposure. The Council will monitor the following amounts for its Interest Rate exposure:

Table N.1 Prudential Limits - Interest Rate Exposure

	% of loan debt (net of investments)			
	2022/23	2023/24	2024/25	2025/26
General Fund impact of an unbudgeted 1% rise in interest rates	£3.6m	£2.9m	£3.4m	£3.2m
Upper limit on net variable rate exposures	30%	30%	30%	30%

- 4.3. The current planned variable rate exposure is set out in the Treasury Management Strategy.

Maturity Profile

- 4.4. The Council will have regard to forecast Gross Loan Debt in managing the maturity profile. This takes account of forecast cashflows and the effect of MRP (minimum revenue provision for debt repayment) to produce a liability

² Throughout this Financial Plan, debt and investments are expressed at nominal value, which may be different from the amortised cost value required in the statutory accounts.

benchmark against which the Council's actual debt maturity profile is managed. Taking this into account the proposed limits are as follows:

Table N.2 Prudential Limits - Maturity Structure of Fixed Rate Borrowing

	lower and upper limits:
under 12 months	0% to 30% of gross loan debt
12 to 24 months	0% to 30%
24 months to 5 years	0% to 30%
5 to 10 years	0% to 30%
10 to 20 years	5% to 40%
20 to 40 years	10% to 60%
40 years and above	0% to 40%

Policy for Borrowing in Advance of Need

- 4.5. Government investment guidance expects local authorities to have a policy for borrowing in advance of need, in part because of the credit risk of investing the surplus cash. The Council's policy is to borrow to meet its forecast Net Loan Debt, including an allowance (currently of £40m) for liquidity risks. The Council will only borrow in advance of need where there is a clear business case for doing so and will only do so for the forecast capital programme, to replace maturing loans, or to meet other expected cashflows.
- 4.6. The Council is a substantial net borrower and only has cash to invest for relatively short periods as a result of positive cashflow or borrowing in advance of expenditure. The Council considers all its treasury risks together, taking account of the investment risks which arise from decisions to borrow in advance. Such decisions need to weigh the financial implications and risks of deferring borrowing until it is needed (by which time fixed interest rates may have risen), against the cost of carry and financial implications of reinvesting the cash proceeds until required. This will be a matter of treasury judgement at the time, within the constraints of this policy, and treasury management delegations.

5. Investment Policy: All Investments

- 5.1. The CIPFA Prudential and Treasury Codes recommend that authorities' capital strategies should include a policy and risk management framework for all investments. The Codes identify three types of local authority investment:
 - Treasury management investments, which are taken to manage cashflows and as part of the Council's debt and financing activity

- Commercial investments (including investment properties), which are taken mainly to earn a positive net financial return
- Service investments, which are taken mainly to support service outcomes

The Government's investment guidance strengthens the management and reporting framework relating to commercial and service investments.

6. Investment Policy: Service and Commercial Investments

- 6.1. Service and commercial investments are taken out for different reasons from treasury management investments. The Council's strategy for such investments, including commercial property investments, is set out in Strategy.

7. Investment Policy: Treasury Management Investments

- 7.1. The Council's cashflows and treasury management activity will generally result in temporarily surplus cash to be invested. The following paragraphs set out the Council's policy for these 'treasury management' investments.
- 7.2. The investment of temporarily surplus cash results in credit risk, i.e. the risk of loss if an investment defaults. In accordance with Government investment guidance, the Council distinguishes between:
- 'Specified Investments' which mature within 12 months and have a 'high credit quality' in the opinion of the authority
 - 'Non-specified Investments' which are long term investments (i.e. maturing in 12 months or more), or which do not have such high credit quality. The Government views these as riskier. Such investments require more care, and are limited to the areas set out in the policy for Non-specified Investments below
- 7.3. Low investment risk is a key treasury objective, and in accordance with Government and CIPFA guidance the Council will seek a balance between investment risk and return that prioritises security and liquidity as more important than achieving a high return. The Council will consider secured forms of lending such as covered bonds, but these instruments are not generally available for short term and smaller size deposits.
- 7.4. The Council seeks to be a responsible investor and will consider ESG factors within the relatively narrow scope of its investments. The Council makes few if any investments in listed equities or bonds and will seek to avoid investment in companies whose business do not have regard to ESG objectives.
- 7.5. The Council will continue to make deposits only with institutions having high credit quality as set out in the Lending Criteria table below. The main criteria and processes which deliver this are set out in the following paragraphs.

Specified Investments

- 7.6. The Council will limit risks by applying lending limits and criteria for ‘high credit quality’ as shown in Table N.3; these limits have been set by the Council in consultation with Treasury advisors.

Table N.3 Lending Criteria

‘Specified’ short term loan investments (all in Sterling)	Minimum Short term rating*	Minimum Long term rating*	Maximum investment per counterparty
Banks (including overseas banks) and Building Societies	F1+ /A1+ /P1	AA- /AA- /Aa3	£25m
	F1+ /A1+ /P1	A- / A- /A3	£20m
	F1 /A1 /P1	A- / A- /A3	£15m
	F2 /A2 /P2	BBB+ /BBB+ /Baa1	£10m
Sterling commercial paper and corporate bonds	F1+ /A1+ /P1	A- / A- /A3	£15m
Sterling Money Market Funds (short term and Enhanced)	AAA (with rating indicating lowest level of volatility where applicable)		£40m
Local authorities	n/a	n/a	£25m
UK Government and supranational bonds	n/a	n/a	None
UK Nationalised Banks and Government controlled agencies	n/a	n/a	£25m
Secured investments including repo and covered bonds	Lending limits determined as for banks (above) using the rating of the collateral or individual investment		

* Fitch / S&P / and Moody's rating Agencies respectively. Institutions must be rated by at least two of the Agencies, and the lowest rating will be taken into account.

- 7.7. Money may be lent to the Council's own banker, in accordance with the above lending limits. However, if the Council's banker does not meet the above criteria, money may only be lent overnight (or over the weekend), and these balances will be minimised.
- 7.8. Credit ratings are monitored on a real-time basis as provided via the Council's Treasury Management advisers, Arlingclose, and the Council's

lending list is updated accordingly, when a rating changes. Other information is taken into account when deciding whether to lend. This may include the ratings of other rating agencies; commentary in the financial press; analysis of country, sector and group exposures; and the portfolio make up of Money Market Funds (MMFs). The use of particular permitted counterparties may be restricted if this is considered appropriate.

- 7.9. Credit rating methodologies and credit limit requirements may change as the circumstances demand: in this event the Director of Council Management (Section 151 Officer) may determine revised and practicable criteria seeking similarly high credit quality, pending the next annual review of this treasury management policy.

Non-specified Investments and Limit

- 7.10. For treasury management investment purposes, the Council will limit non-specified investments to £400m (there are presently none), and will use only the following categories of non-specified investments:
- Government stocks (or “Gilts”) and other supranational bonds, with a maturity of less than five years: up to 100% of non-specified investments
 - Covered bonds and repo where the security meets the Council’s credit criteria set out above: up to 50% of non-specified investments
 - Unsecured corporate bonds, Certificates of Deposit (CD) or Commercial Paper (CP) with a maturity of less than three years, subject to the Lending Criteria in the table above: up to 20% of non-specified investments
- 7.11. Other categories of non-specified investments will not be used for treasury management purposes.

Investments of Group companies

- 7.12. The Council participates in a range of joint ventures and companies. The Treasury Management team maintains a group Treasury Policy for group entities with significant investment balances, with the objective that the treasury investments of the companies are invested consistently with the Council’s own treasury investment criteria. This is generally achieved by the Council taking deposits at a commercial rate from the companies.

Investment Maturity

- 7.13. Temporarily surplus cash will be invested having regard to the period of time for which the cash is expected to be surplus. The CIPFA Prudential Code envisages that authorities will not borrow more than three years in advance, so it is unlikely that the Council will plan to have surplus cash for longer than three years. However, where surplus cash for over 12 months is envisaged, it may be appropriate to include some longer term (non-specified)

investments within a balanced risk portfolio. The following limits will be applied:

Table N.4 Prudential Limits on Investing Principal Sums for Over 364 Days:

1-2 years	£400m
2-3 years	£100m
3-5 years	£100m

- 7.14. In making investments in accordance with the criteria set out in this section, the Director of Council Management (Section 151 Officer) will seek to spread risk (for example, across different types of investment and to avoid concentration on lower credit quality). This may result in lower interest earnings, as safer investments will usually earn less than riskier ones.
- 7.15. Where the Council deals with financial firms under the MiFID II regulations³, it has requested to be opted up to 'professional' status. This means that the Council does not receive the level of investment advice and information which firms are required to provide to retail investors. Professional status is essential to an organisation of the Council's size, to give it access to appropriate low-risk investments available only to investors classed as professional, and to ensure that it is able to act quickly to invest Council funds safely and to earn a good return.
- 7.16. The Council does not currently use investment managers (other than through the use of pooled investment vehicles such as Money Market Funds). However, if investment managers are appointed, their lending of Council funds would not be subject to the above restrictions, provided that their arrangements for assessing credit quality and exposure limits have been agreed by the Director of Council Management (Section 151 Officer).

8. Policy for HRA Loans Accounting

- 8.1. The Council attributes debt and debt revenue consequences to the HRA using the 'two pool' method set out in the CIPFA Treasury Management Code. This method attributes a share of all pre-April 2012 long term loans to the HRA. Any new long term loans for HRA purposes from April 2012 are separately identified. The detailed accounting policy arising from the 'two pool' method is maintained by the Director of Council Management (Section 151 Officer).

9. The Council Acting as Agent

- 9.1. The Council acts as intermediary in its role as agent for a number of external bodies. This includes roles as accountable body, trustee, and custodian, and

³ The Markets in Financial Instruments Directive 2 (MiFID II) regulates, amongst other things, the way that financial firms provide advice to various categories of client.

these may require the Council to carry out treasury management operations as agent. The Director of Council Management (Section 151 Officer) will exercise the Council's treasury responsibilities in accordance with the Council's treasury delegations and relevant legislation, and will apply any specific treasury policies and requirements of the external body. In relation to the short term cash funds invested as accountable body, the Council expects to apply the investment policy set out above.

10. Reporting and Delegation

- 10.1. A Treasury Management Strategy report is presented as part of the annual Financial Plan to the Council before the start of each financial year. Monitoring reports are prepared monthly, and presented quarterly to Cabinet, including an Annual Report after the year end.
- 10.2. The management of borrowings, loans, debts, investments and other assets has been delegated to the Director of Council Management (Section 151 Officer) acting in accordance with this Treasury Management Policy Statement. This encompasses the investment of trust funds where the Council is sole trustee, and other investments for which the Council is responsible such as accountable body funds. The Director of Council Management (Section 151 Officer) reports during the year to Cabinet on the decisions taken under delegated treasury management powers.
- 10.3. In exercising this delegation, the Director of Council Management (Section 151 Officer) may procure, appoint and dismiss brokers, arranging and dealer banks, investment managers, issuing and paying agents, treasury consultants and other providers in relation to the Council's borrowing, investments, and other treasury instruments and financing arrangements, and in relation to funds and instruments where the Council acts as agent.
- 10.4. The Director of Council Management (Section 151 Officer) maintains statements of Treasury Management Practices in accordance with the Code:

TMP1	Treasury risk management
TMP2	Performance measurement
TMP3	Decision-making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Treasury management organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering

TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

Similarly, Investment Management Practices for service and commercial investments are prepared in accordance with the Treasury Management Code.

11. Training

- 11.1. Planned and regular training for appropriate treasury management staff is essential to ensure that they have the skills and up to date knowledge to manage treasury activities and risks and achieve good value for the Council. Staff training will be planned primarily through the Council's performance and development review process, and in accordance with Treasury Management Practice 10. Training and briefings for Councillors are also held as appropriate.

APPENDIX 3

BIRMINGHAM CITY COUNCIL

DRAFT TREASURY MANAGEMENT PRACTICES **November 2021**

The Budget Report approved by the City Council every year confirms the Council's adoption of the CIPFA Code of Practice for Treasury Management in the Public Services ("the TM Code"). The TM Code requires Treasury Management Practices (TMPs) to be maintained. The following TMPs have been revised in accordance with the revised TM Code of 2017.

Organisations are permitted by the Code to amend CIPFA's standard text for TMPs "where necessary to reflect the particular circumstances of the organisation". Some amendments have been made to reflect the City Council's circumstances (for example, the TMPs cover a wide range of public bodies and some issues are not so significant for local authorities). For the sake of accountability all departures from the standard text are shown *in italics* or ~~struck through~~ as appropriate.

The TMPs require a number of detailed Schedules to be produced (whose content is not prescribed). They are working documents and are approved by the S151 Officer (they can also be updated for factual changes by TM staff).

The "responsible officer" referred to in the TMPs is the S151 Officer.

TMP 1 Risk Management

General statement

The City Council regards a key objective of its treasury management activities to be the security of the principal sums it invests. Accordingly, it will ensure that robust due diligence procedures cover all external investment. The responsible officer will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the City Council's objectives in this respect, all in accordance with the procedures set out in TMP6 Reporting requirements and management information arrangements. In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the schedules to this document.

TMP 1.1 Credit and counterparty risk management

The City Council will ensure that its counterparty lists and limits reflects a prudent attitude towards organisations with whom funds may be deposited or investments made, and will limit its investment activities to the instruments, methods and techniques referred to in TMP4 Approved instruments, methods and techniques and listed in the **Schedules to TMP 1.1**. It also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which it may borrow, or with whom it may enter into other financing or derivative

arrangements. This will set out the organisation's policy and practices relating to environmental, social and governance (ESG) investment considerations.

TMP 1.2 Liquidity risk management

The City Council will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

The City Council will not borrow earlier than required to meet cashflow needs unless there is a clear business case for doing so and will only do so for the current capital programme, to finance future debt maturities or to ensure an adequate level of short term investments to provide liquidity for the organisation..

TMP 1.3 Interest rate risk management

The City Council will manage its exposure to fluctuations in interest rates with a view to containing its net interest costs or revenues, in accordance with its treasury management policy and strategy and in accordance with TMP6 Reporting requirements and management information arrangements.

It will achieve this by the prudent use of its approved financing and investment instruments, methods and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates, exchange rates. This will be subject to the consideration and, if required, approval of any policy or budgetary implications.

TMP 1.4 Exchange rate risk management

The City Council will manage its exposure to fluctuations in exchange rates ~~so as to minimise~~ *taking account of* any detrimental impact on its budgeted income/ expenditure levels.

TMP 1.5 Refinancing risk management

The City Council will ensure that its borrowing and other long term liabilities are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the organisation as can reasonably be achieved in the light of market conditions prevailing at the time.

It will actively manage its relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.

TMP 1.6 Legal and regulatory risk management

The City Council will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements. It will demonstrate such compliance, if required to do so, to all parties with whom it deals in such activities. In

framing its credit and counterparty policy under TMP1.1 Credit and counterparty risk management, it will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the organisation, particularly with regard to duty of care and fees charged.

The City Council recognises that future legislative or regulatory changes may impact on its treasury management activities and, so far as it is reasonably able to do so, will seek to manage the risk of these impacting adversely on the organisation.

TMP 1.7 Operational risk, including fraud, error and corruption

The City Council will ensure that it has identified the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, it will employ suitable systems and procedures, and will maintain effective contingency management arrangements, to these ends.

TMP 1.8 Price risk management

The City Council will seek to ensure that its stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the sums it invests *or borrows*, and will accordingly seek to manage the effects of such fluctuations.

TMP 1.9 Inflation risk

The City Council will keep under review the sensitivity of its treasury assets and liabilities to inflation, and will seek to manage the risk accordingly in the context of the whole organisation's inflation exposures

TMP 2 Performance measurement

The City Council is committed to the pursuit of value for money in its treasury management activities, and to use of performance methodology in support of that aim, within the framework set out in its treasury management policy statement.

Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the City Council's stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in **Schedule to TMP 2**.

TMP 3 Decision-making and analysis

The City Council will maintain full records of its treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at

the time. The issues to be addressed and processes and practices to be pursued in reaching decisions are detailed in the **Schedule to TMP 3**.

TMP 4 Approved instruments, methods and techniques

The City Council will undertake its treasury management activities by employing only those instruments, methods and techniques detailed in **the Schedule to TMP 1.1**, and within the limits and parameters defined in TMP1 Risk management.

Where the City Council intends to use derivative instruments for the management of risks, these will be limited to those set out in its annual Treasury Strategy. The Council will seek proper advice and will consider that advice when entering into arrangements to use such products to ensure that it fully understands those products (*note: the City Council's current Treasury Strategy does not approve any use of derivatives*).

This organisation has reviewed its classification with financial institutions under MIFID II and has set out in the schedule to this document those organisations with which it is registered as a professional client and those with which it has an application outstanding to register as a professional client.

TMP 5 Organisation, clarity and segregation of responsibilities, and dealing arrangements

The City Council considers it essential, for the purposes of the effective control and monitoring of its treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

The principle on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

If and when the City Council intends, as a result of lack of resources or other circumstances, to depart from these principles, the responsible officer will ensure that the reasons are properly reported in accordance with TMP6 Reporting requirements and management information arrangements, and the implications properly considered and evaluated.

The responsible officer will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The responsible officer will also ensure that at all times those engaged in treasury management will follow the policies and procedures set out. The present arrangements are detailed in **Schedule to TMP 5.1 and the Delegations to Treasury Management staff Schedule to TMP 5.3**.

The responsible officer will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in **Schedule to TMP 5.1**.

The delegations to the responsible officer in respect of treasury management are set out in **Schedule to TMP 5.3**. The responsible officer will fulfil all such responsibilities in accordance with the City Council's policy statement and TMPs and, if a CIPFA member, the Standard of Professional Practice on Treasury Management.

TMP 6 Reporting requirements and management information arrangements

The City Council will ensure that regular reports are prepared and considered on the implementation of its treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market or other factors affecting its treasury management activities; and on the performance of the treasury management function.

As a minimum:

The City Council meeting will receive:

- an annual report on the Treasury Management Policy, Strategy and plan to be pursued in the coming year

The Cabinet will receive:

- Regular monitoring reports on treasury management activities and risks. *This encompasses the TM Code requirement for a mid year review;*
- an annual report on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the City Council's treasury management policy statement and TMPs.

The City Council's Cabinet is considered to be an appropriate equivalent to the "Full Board" in the Code for receiving these reports.

The appropriate City Council body responsible for scrutiny, such as an audit or scrutiny committee, will have responsibility for the scrutiny of Treasury Management policies and practices.

The Treasury Management *prudential* indicators will be reported as detailed in the Sector-specific Guidance Notes.

The present arrangements and the form of these reports are detailed in **Schedule to TMP 6**.

TMP 7 Budgeting, accounting and audit arrangements

The responsible officer will prepare, and this organisation will approve and, if necessary, from time to time will amend, an annual budget for treasury management, which will bring together all of the costs involved in running the treasury management function, together with associated income. The matters to be included in the budget *report* will at minimum be those required by statute or regulation, together with such information as will *assist in demonstrating compliance of the budget* with TMP1 Risk

management, TMP2 Best value and performance measurement, and TMP4 Approved instruments, methods and techniques. The responsible officer will exercise effective controls over this budget, and will report upon and recommend any changes required in accordance with TMP6 Reporting requirements and management information arrangements.

The City Council will account for its treasury management activities, for decisions made and transactions executed, in accordance with appropriate accounting practices and standards, and with statutory and regulatory requirements in force for the time being.

TMP 8 Cash and cash flow management

Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this organisation will be under the control of the responsible officer, and will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the responsible officer will ensure that these are adequate for the purposes of monitoring compliance with TMP1(1.2) liquidity risk management, and for the purpose of identifying future borrowing needs (using a liability benchmark where appropriate). The present arrangements for preparing cash flow projections, and their form, are set out in **Schedule to TMP 8**.

TMP 9 Money laundering

The City Council is alert to the possibility that it may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of treasury management counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in **Schedule to TMP 9**.

TMP 10 Staff training and qualifications

The City Council recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. It will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The responsible officer will recommend and implement the necessary arrangements.

The responsible officer will ensure that Council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

Those charged with governance *have an* individual responsibility to ensure that they have the necessary skills to complete their role effectively.

The present arrangements are detailed in **Schedule to TMP 10**.

DRAFT

TMP 11 Use of external service providers

The City Council recognises that responsibility for treasury management decisions remains with the organisation at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which will have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid over-reliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the responsible officer, and details of the current arrangements are set out in **Schedule to TMP 11**.

TMP 12 Corporate governance

The City Council is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principles and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

The City Council has adopted and has implemented the key recommendations of the Code. This, together with the other arrangements detailed in the schedules to this document, are considered vital to the achievement of proper corporate governance in treasury management, and the responsible officer will monitor and, if and when necessary, report upon the effectiveness of these arrangements.

Section 151 Officer _____

Date _____

TREASURY MANAGEMENT MONITORING DASHBOARD: 30 SEPTEMBER 2021

	value	comparator	difference
1 Gross loan debt	£m	£m	£m
at month end	3,190		
year end Forecast (vs Plan)	3,568	3,722	-154
year end Forecast (vs Pru Limit for loan debt)	3,568	4,103	-535

Forecast year end debt is below the year end plan and prudential limit due to the impact of Covid and reduced borrowing required for the capital programme.
Some uncertainty remains about the continued impact of Covid on the Council's cashflow.

2 short term borrowing			
at month end (vs Guideline)	214	588	-374
interest rate year to date on outstanding deals (vs assumption)	0.25%	0.50%	-0.25%

Short term borrowing is currently lower than forecast. Covid grants received in advance has allowed the Council to temporarily use internal borrowing to meet its borrowing needs. As these grants are utilised, the Council expects to resume short term borrowing later in the year.

3 Treasury investments			
at month end (vs Guideline)	199	40	159
interest rate year to date on outstanding deals (vs assumption)	0.01%	0.20%	-0.19%

Treasury investments remain temporarily higher than the guideline, before commitments made to expenditure of Covid grants are actually spent.

4 Long term loans taken			
year to date (vs Plan)	-	130	-130
ave. interest rate obtained (vs assumption)	-	2.40%	-2.40%

No long term borrowing has been taken in the year to date, due to favourable cashflows deferring the need for long term borrowing.

5 Assurance	
were Credit criteria complied with?	yes
were investment defaults avoided?	yes
was the TM Code complied with?	yes
were prudential limits complied with?	yes

These are key performance indicators for treasury management which in normal circumstances should all be yes. Investment quality is kept under continual review with support from the Council's treasury advisers.

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	AUDIT COMMITTEE
Report of:	Assistant Director, Audit & Risk Management
Date of Meeting:	29th November 2021
Subject:	Birmingham Audit - Half Year Update Report 2021/22
Wards Affected:	All

1. PURPOSE OF REPORT

- 1.1 The attached report provides Members with information on outputs and performance in relation to the provision of the Internal Audit service during the first half of 2021/22.

2. RECOMMENDATIONS

- 2.1 Members note the level of audit work undertaken and assurances provided.

3. BACKGROUND

- 3.1 Members agreed the Internal Audit plan for 2021/22 at the Audit Committee meeting held on 30th March 2021.
- 3.2 As at the end of September 2021 we had completed 33% of the planned jobs which is slightly below our target of 40%. The completion of the plan is being closely monitored and we remain confident that the 95% completion target for the end of the financial year can be achieved.
- 3.3 The Pandemic had a significant impact on Internal Audit, during 2020/21 we were unable to provide our full range of services. However, we have now recommenced school audit visits and Social Housing investigation visits.

4. LEGAL AND RESOURCE IMPLICATIONS

- 4.1 The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations 2015. The work is carried out within the approved budget.

5. RISK MANAGEMENT & EQUALITY ANALYSIS ISSUES

- 5.1 Risk Management is an important part of the internal control framework and an assessment of risk is a key factor in the determination of the internal audit plan.
- 5.2 Equality Analysis has been undertaken on all strategies, policies, functions and services used within Birmingham Audit.

6. COMPLIANCE ISSUES

- 6.1 City Council policies, plans, and strategies have been complied with.

Sarah Dunlavey
Assistant Director, Audit & Risk Management

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E-mail address: sarah.dunlavey@birmingham.gov.uk

Birmingham Audit Half Year Report 2021/22

29th November 2021

Contents

1. Background / Annual Opinion
2. Added Value
3. Performance
4. Grant Certification

Appendix A: Reports Issued During the First Half of 2021/22

Appendix B: Summary of Significant Findings

1. Background / Annual Opinion

- 1.1 The 2021/22 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. It also took account of responsibilities under section 151 of the Local Government Act 1972.
- 1.2 The Council continues to go through significant change and pursue an ambitious agenda. The drivers for change being both organisational and financial. During a period of change it is important that any increased business risks are identified and managed in an effective manner. The audit plan is prepared using a risk-based methodology and is continually updated throughout the year, this helps to ensure that we concentrate on the most significant areas. The plan is prepared and delivered to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising of risk management, corporate governance, and financial control). In addition to audit reviews, the model used to formulate the end of year opinion, places reliance on assurance provided from other parties and processes. The opinion for 2021/22 will be based on the following sources of assurance:



- 1.3 The 2021/22 audit plan was approved by the Audit Committee at its March 2021 meeting. This report provides a summary of the progress made in delivering the agreed plan.

2. Added Value Services

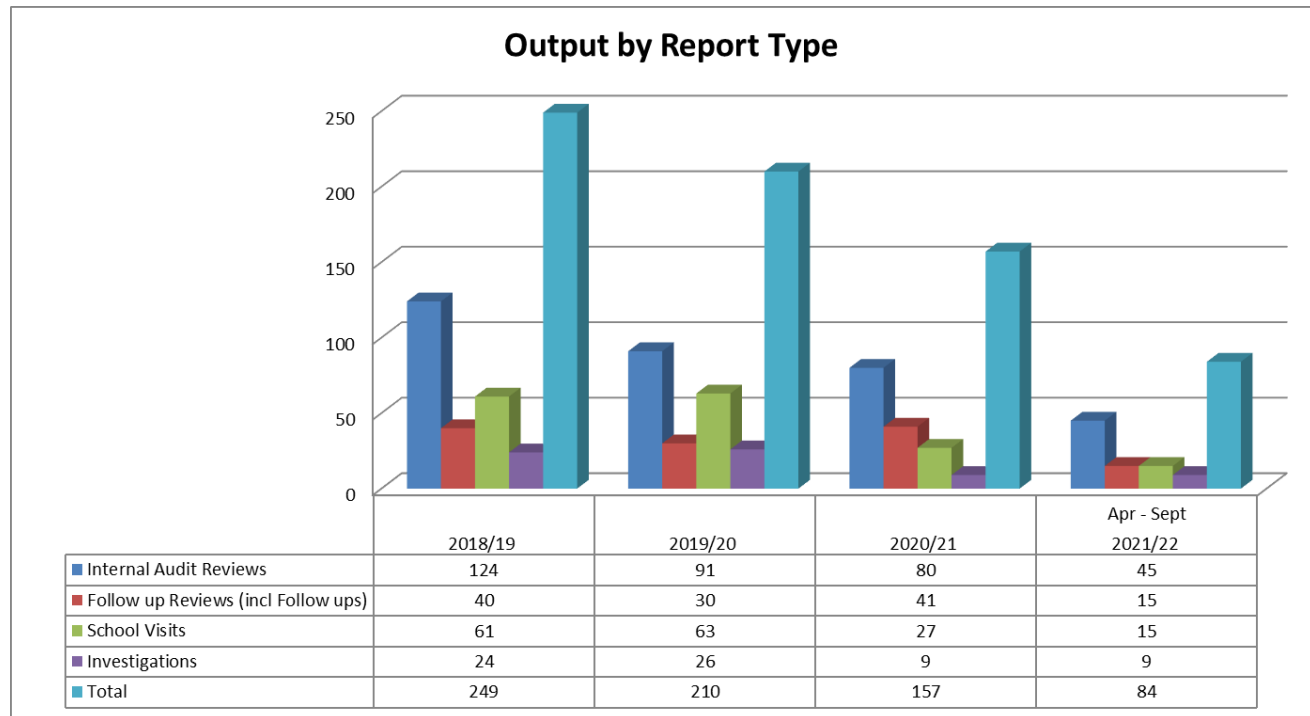
- 2.1 Although my primary responsibility is to give an annual assurance opinion, I am also aware that for the Internal Audit service to be valued by the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives. This is particularly true in the current uncertain times where everyone needs to provide support and help the Council in providing critical services to the citizens of Birmingham. Examples of how we have done this during the first half of 2021/22 include:

- Representation on the Safeguarding Stocktake Group, which is a cross service group looking at the safeguarding issues across the Education & Skills Directorate.
- Working with Housing, providing independent assurance on the implementation and impact of an invest to save Future Operating Model (FOM) and New Model Customer Journey.
- Working with the Children's Trust to deliver grant/funding certifications for Troubled Families and National Assessment and Accreditation Systems (NAAS).
- Continuing to attend and contribute to schools working groups within the Education & Skills Directorate Schools.
- Helping colleagues in Revenues review Single Person Discounts and identify new homes for charging purposes.
- Supporting the 'Tackling Serious and Organised Crime' Board.
- Developing a process to identify fraud within exempt accommodation and associated Adult Social Care records.
- Providing advice on the development of information that the Council can provide on a ward level basis.
- Direct support of West Midlands Police Regional Organised Crime Unit in county lines operations.
- Contributing to the management of Cyber risks, through participation at the Cyber Security Programme Board.
- Assisting in the improvements of the Information Assurance Governance Framework, through a programme of targeted GDPR/DPA compliance reviews
- Participation in the management of data breaches and ensuring that recommendations have been acted upon and implemented in a timely manner.
- Continuing support for the ERP Replacement Programme,

3. Performance

3.1 Outputs

3.1.1 During the first half of 2021/22 we issued 84 final reports. A comparison to the last 3 years (full years) is given in the chart below:

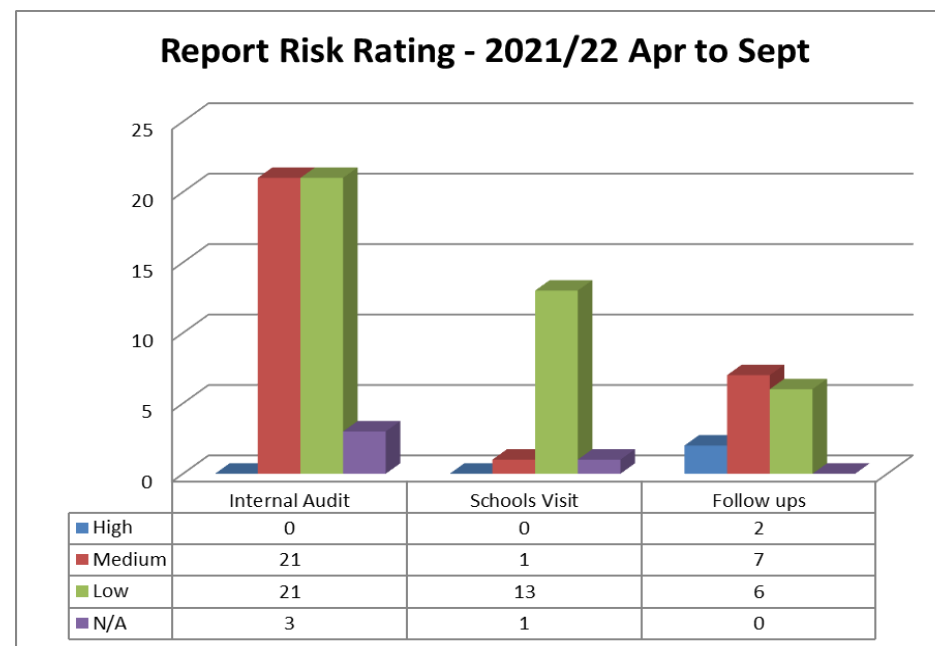
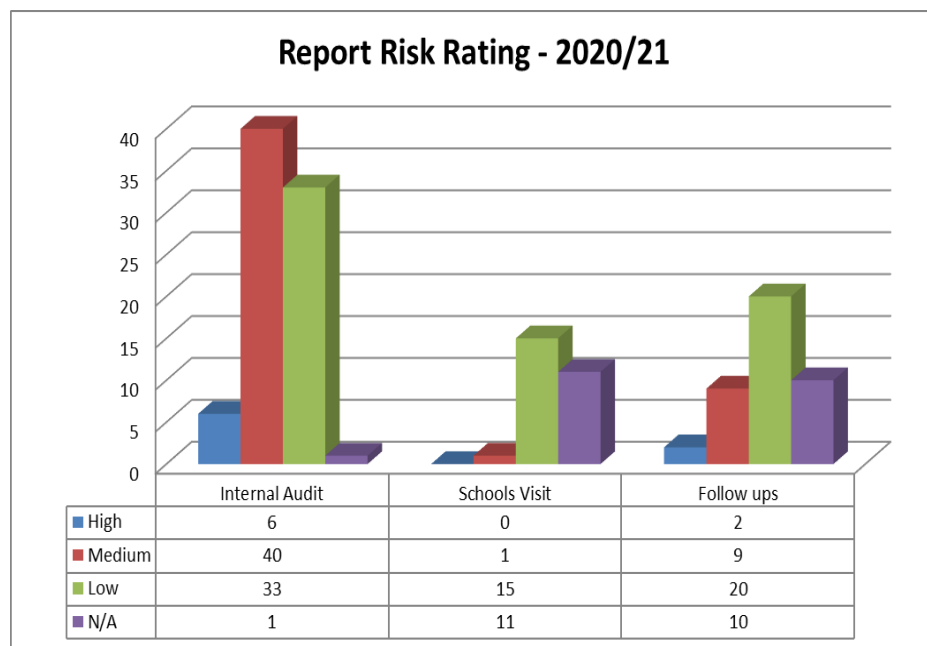


3.1.2 In accordance with the procedure for sharing Internal Audit reports, all Audit Committee Members are provided with a list of final audit reports issued each month, together with details of risk and assurance ratings. Members can request copies of reports and receive further information. A full list of the reports issued during the first half year, including details of how the reviews link to the Council's priority outcomes, core objective of good governance, the Corporate Risk Register, financial and business controls assurances is detailed in Appendix A.

3.1.3 Audit, school visit and follow up reports are generally given a risk rating to assist in the identification of the level of corporate significance. The key to the ratings given is:

1. Low – No material issues.
2. Medium - High importance to the business area the report relates to, requiring prompt management attention. Not of corporate significance.
3. High - Matters which in our view are of high corporate importance, high financial materiality, significant reputational risk, likelihood of generating adverse media attention or of potential of interest to Members etc.

3.1.4 From the 75 reports issued (45 Internal Audit, 15 School Visits, and 15 Follow up reviews) , 2 Follow up reviews were given a high risk rating, 29 had a medium rating, 40 had a low rating, and 4 (relating to advice and guidance or monitoring improvement progress) were not assigned a rating. An analysis of the report risk ratings, together with a comparison to 2020/21 is given in the charts below. A summary of the significant findings from our work is detailed in Appendix B.



3.1.5 In addition to a risk rating, audit and school reports are given an opinion rating on the effectiveness of the control environment. The audit opinion ratings are:

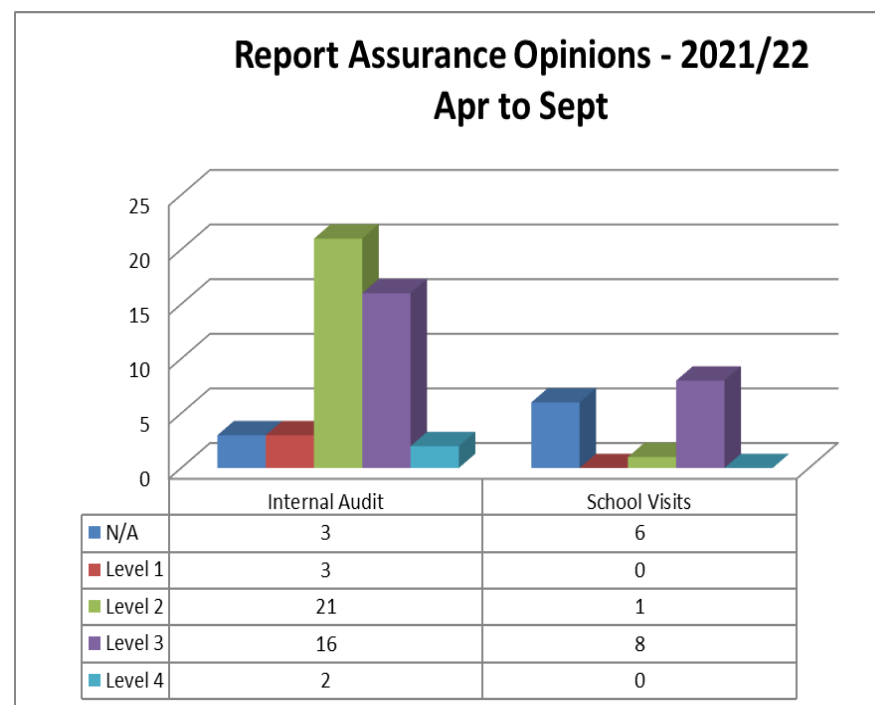
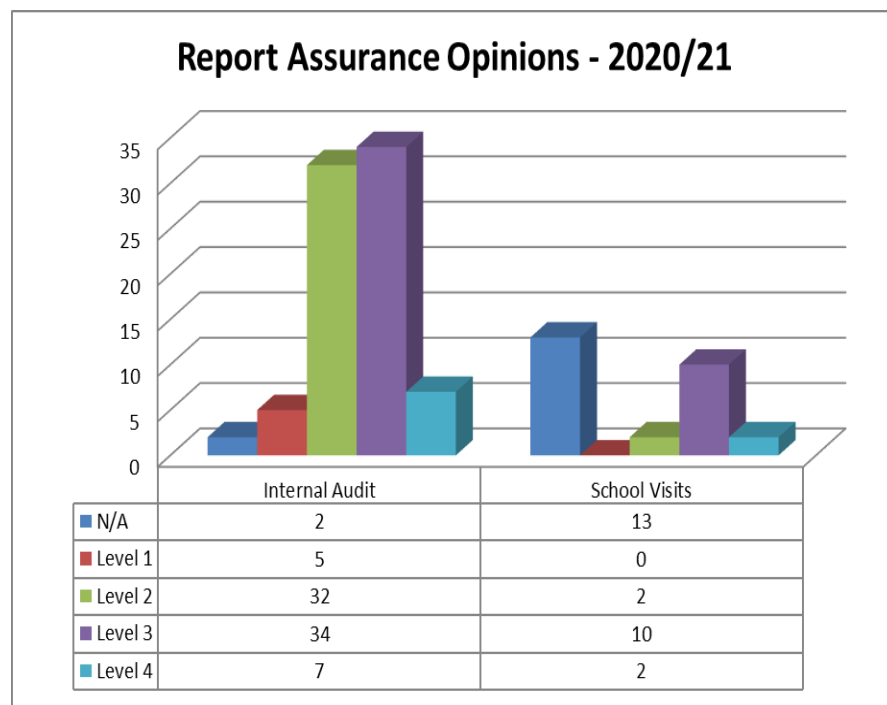
Level 1 - Controls evaluated are adequate, appropriate and are operating effectively to ensure that risks are being managed and objectives achieved.

Level 2 - Specific control weaknesses were noted. However, generally the controls evaluated are adequate, appropriate and effective to ensure that risks are being managed and objectives achieved.

Level 3 - Specific control weaknesses of a significant nature were noted, or the number of minor weaknesses noted was considerable. The ability to manage the relevant risks and achieve objectives is compromised.

Level 4 - Controls evaluated are not adequate, appropriate or effective. Risks are not being managed and it is unlikely that objectives will be met.

3.1.6 An analysis of the opinion ratings (excluding follow ups), together with a comparison with 2020/21, is given in the charts below. To date 40% of reports issued (including schools) this year have contained a negative assurance (Level 3 or 4) this is a slight improvement on the whole of last year (i.e. 51%).



3.2 Plan Completion

3.2.1 The approved 2021/22 plan contains 4,427 productive days. The table below details completion as at 30th September 2021 and provides a comparison to 2020/21 (full year).

	2020/21					2021/22				
	Planned Days	%	Year Actuals	%	Variance Days	Planned Days	%	Half Year Actuals (Apr – Sept)	% (Apr – Sept)	Variance Days (Apr – Sept)
Number of audit days in approved plan @ 1st April.	4664	100%	3813	100%	(851)	4427	100%	1855	100%	(2,572)
Main financial systems	705	15%	601	16%	(104)	705	16%	260	14%	(445)
Business controls assurance	1780	38%	1381	36%	(399)	1711	39%	672	36%	(1,039)
Investigations	830	18%	843	22%	13	830	19%	305	16%	(525)
Schools (Non-Visits)	30	1%	5	0%	(25)	42	1%	2	0%	(40)
Schools (Visits)	720	15%	332	9%	(388)	540	12%	238	13%	(302)
Follow up work	175	4%	172	5%	(3)	175	4%	111	6%	(64)
Ad-hoc work	299	6%	237	6%	(62)	289	6%	158	9%	(131)
Planning & reporting	120	3%	238	6%	118	130	3%	104	6%	(26)
City initiatives	5	0%	4	0%	(1)	5	0%	5	0%	0

3.2.2 As at 30th September 2021 we had completed 33% of the original planned jobs to draft report stage, which is slightly below our target of 40%. The completion of the plan is being closely monitored, we remain confident that the 95% completion target for the end of the final year can be achieved.

3.3 Corporate Fraud Team

3.3.1 The Corporate Fraud Team (CFT) is responsible for the investigation of financial irregularities perpetrated against the Council, whether this is by employees, contractors or other third parties. The Team identify how fraud, or other irregularity, has been committed and make recommendations to management to address any issues of misconduct, as well as reporting on any weaknesses in controls to reduce the chance of recurrence in the future.

3.3.2 The table below summarises the reactive investigations activity of the Team (excluding Application Fraud) for the year to date:

	2019/20	2020/21	2021/22 (Apr – Sept)
Number of outstanding investigations at the beginning of the year	14	30	53
Number of fraud referrals received during the year	105	124	35
Number of cases concluded during the year	89	101	31
Number of investigations outstanding	30	53	57

3.3.3 All referrals are risk assessed to ensure that our limited resource is focused on the areas of greatest risk. We work in conjunction with managers to ensure that any referrals that are not formally investigated by us are appropriately actioned.

3.3.4 Within the CFT there is a sub-team specifically established to tackle ‘application based’ fraud, primarily related to Social Housing and Council Tax. Their results are summarised in the table below:

	2019/20	2020/21	2021/22 (Apr – Sept)
Properties Recovered	59	14	15
Applications Cancelled	667	591	350
Council Tax Change	£429,144	£332,000	£184,451
Housing Benefit Overpayment	£473,794	£265,000	£177,639

3.3.5 The restrictions imposed during the Pandemic impacted on many aspects of our anti-fraud work, in particular the investigation of social housing fraud, which by its very nature, requires investigators to spend a large proportion of their time visiting Council properties and interviewing tenants. We have now been able to recommence investigation visits and in person interviews.

4. Grant Certification

- 4.1 In addition to controls assurance reviews I am required to provide audit certificates, verifying the expenditure incurred, for a number of grants that have been awarded to the Council.

Grant Certificates Issued
Troubled Families
Scambuster
Local Transport Capital Grant
Collaborative Fund Grant: Teaching School Core Grant Funding
Greater Birmingham and Solihull Local Enterprise Partnership

- 4.2 I have also been formally appointed as the First Level Controller for several European Grants. The First Level Controller is a formally appointed independent role that is required to provide a guarantee that the expenditure incurred under the programme is eligible and correctly accounted for.

European Grants – First Level Controller
Pure COSMOS – Public Authorities enhancing competitiveness of SMEs
Urban M – Stimulating Innovation through Collaborative Maker Spaces
TRIS – Transition Regions towards Industrial Symbiosis
BETTER
REMIX – Urban Regeneration Mix

Appendix A

Reports Issued During the First Half of 2021/22

Audit Reviews (45 Reports):

Key to linkages to the Council's priority outcomes, core objective of good governance, Corporate Risk Register, Financial Assurance and Business Control Assurance:

Outcomes

1. Birmingham is an entrepreneurial city to learn, work and invest in.
2. Birmingham is an aspirational city to grow up in.
3. Birmingham is a fulfilling city to age well in.
4. Birmingham is a great city to live in.
5. Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.
6. Birmingham is a city that takes a leading role in tackling climate change.

Assurance Type

7. Good Governance.
8. Strategic Risk Register.
9. Financial Assurance.
10. Business Control Assurance.

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10
The Active Wellbeing Society - Service Changes During the Pandemic	Medium	Level 4			✓	✓	✓						✓
Waste Management Procurement Compliance	Medium	Level 4					✓						✓
Assessment and Support Planning	Medium	Level 3			✓	✓	✓				✓		✓
Information Governance - Data Loss Prevention	Medium	Level 3		✓	✓	✓	✓	✓	✓				
VAT Improvement Plan	Medium	Level 3		✓	✓	✓	✓	✓	✓			✓	
Financial Control Review	Medium	Level 3		✓	✓	✓	✓	✓	✓			✓	
Waste Management Services - Independent Review	Medium	Level 3					✓						✓
Ethics	Medium	Level 3		✓	✓	✓	✓	✓	✓	✓			
Financial Savings Plan	Medium	Level 3		✓	✓	✓	✓	✓	✓			✓	

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10
Implementation of Corporate DBS Policy	Medium	Level 3			✓	✓	✓						✓
Direct Payments - Embedding Operational Practice (Stage Two)	Medium	Level 3											✓
Accounts Payable - Vendor Changes	Medium	Level 3		✓	✓	✓	✓	✓	✓			✓	
IT Project Governance	Medium	Level 3		✓	✓	✓	✓	✓	✓				✓
GDPR Compliance - Education and Skills Directorate	Medium	Level 3			✓						✓		✓
Rent Service - Current and Former tenancy arrears	Medium	Level 2					✓					✓	
Revenues Payments and Posting Delays	Medium	Level 2			✓	✓	✓					✓	
IT Procurement	Medium	Level 2		✓	✓	✓	✓	✓	✓				✓
IT Projects - Capita Retained Services	Medium	Level 2		✓	✓	✓	✓	✓	✓				✓
IT Projects - Application Platform Modernisation	Medium	Level 2		✓	✓	✓	✓	✓	✓				✓
Homelessness - HOC Prevention Model	Medium	Level 2				✓	✓						✓
Hospital Discharges, Pathway 2, Rehabilitation Beds	Medium	Level 2				✓							✓
Pupil Premium Free School Meals Data Issues	Low	Level 3			✓								✓
Public Health Procurement	Low	Level 3			✓	✓	✓						✓
Management of Reservoirs	Low	Level 3		✓			✓						✓
City Operations - Section 106 Funding	Low	Level 3		✓									✓
IT Policies	Low	Level 2		✓	✓	✓	✓	✓	✓				✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10
CareFirst IT Review	Low	Level 2			✓	✓	✓						✓
Perry Barr Regeneration Scheme - Project and Contract Management	Low	Level 2		✓				✓					✓
IT Applications - Decommissioning Applications	Low	Level 2		✓	✓	✓	✓	✓	✓				✓
Accounts Receivable - Instalment Plans	Low	Level 2		✓	✓	✓	✓	✓	✓			✓	
Corporate Payroll Temporary Changes to Contracts Allowances	Low	Level 2		✓								✓	
Accounts Payable - Fuel Cards	Low	Level 2		✓	✓	✓	✓	✓	✓			✓	
SAP Security	Low	Level 2		✓	✓	✓	✓	✓				✓	✓
Flood Risk Management	Low	Level 2		✓			✓						✓
Corporate Payroll - Starters & Leavers	Low	Level 2		✓								✓	
Benefit Service - Procedures	Low	Level 2			✓	✓	✓					✓	
Health and Safety Community Libraries - Controls Assurance	Low	Level 2			✓	✓	✓						✓
Fixed Assets IT Systems	Low	Level 2		✓	✓	✓	✓	✓	✓				✓
Birmingham City Laboratories	Low	Level 2			✓	✓	✓						✓
Corporate Payroll - Recovery of Overpayments for Leavers	Low	Level 1		✓								✓	
Housing Benefit Accuracy Awards (DWP)	Low	Level 1			✓	✓	✓					✓	
Accounts Payable - Payments over £75k	Low	Level 1		✓	✓	✓	✓	✓	✓			✓	
Enablement Second Progress Review	N/A	N/A			✓	✓	✓						✓

Title	Council Risk Rating	Assurance	RAG	1	2	3	4	5	6	7	8	9	10
In-Year School Admission Progress Update	N/A	N/A			✓								✓
Revenues and Benefits Recruitment	N/A	N/A			✓	✓	✓						✓

Follow up Reviews (15 Reports):

Title	Risk Rating Council	RAG
GDPR - Procurement and Contract Management	High	
Supplier Financial Risk - Embedding the Methodology	High	
The Birmingham and Solihull Youth Promise Plus Funding Programme Management Arrangements	Medium	
Information Assets Register	Medium	
Information Governance - Data Privacy Impact Assessments	Medium	
Anti Virus - Malware	Medium	
Information Governance - Remote Working GDPR Compliance and Security	Medium	
Information Governance - Article 33 Breach Notification	Medium	
Use of IT Shared Drives	Medium	
Northgate Data Quality	Low	
Corporate Payroll - IR35 Compliance	Low	
IT Governance - Housing Repairs	Low	

Title	Risk Rating Council	RAG
IT Applications - Impulse and CV Hub	Low	
Logotech Treasury Management System	Low	
Information Governance - Access to Information	Low	

Investigations (9 Reports)

School Visits (15 Reports, including 6 school follow up reports)

Summary of Significant Findings

Red High Risk Reports

During the first half of 2021/22 we issued 2 follow up red rated reports), where we identified a 'high' risk rating for the Council. Brief details of the issues highlighted in these reports are detailed below:

GDPR - Procurement and Contract Management

Council Risk Rating: High

Follow up

RAG:



At the time of our review work was still ongoing to implement the agreed recommendations and ensure that the Council is compliant with GDPR in relation to procurement/contracts. Training of Information Asset Owners was underway but training on GDPR for procuring officers and contract managers had still not been delivered; this training is particularly necessary in order to ensure Legal Services are engaged early on when goods and services are procured, and to ensure Data Protection Impact Assessments (DPIA) are properly completed. Work had also not been completed to review the Data Processing Agreements (DPA) or Data Sharing Agreements (DSA) to ensure they are compliant.

Supplier Financial Risk - Embedding the Methodology

Council Risk Rating: High

Follow up

RAG:



Whilst our recommendations to strengthen the methodology and the associated Financial Toolkit have been implemented. We identified that further work is required across directorates to embed the methodology. As such, there is a risk that contract managers are unaware of the supplier's financial position.

These follow-up reports are being tracked and the action taken monitored through the Council's Leadership Team (CLT).

School Visits

The school audit visit programme recommenced in April 2021 following the 3rd national lockdown. We were able to complete audits throughout the summer despite the challenges faced by schools due to the Pandemic. The approach to each visit was agreed with the school and included the opportunity for remote auditing and on-site work where appropriate.

Our approach includes progress reviews for schools that have received a Level 3 Assurance/High risk rating in the last academic year. This process is having a positive and helping to secure the implementation of recommendations and the ability of schools to manage risk effectively.

We continue to work with the Education & Skills Directorate and school colleagues to ensure we deliver robust and added value audits that respond to the financial challenges faced by schools. Visits are selected through a risk-based plan and our work programme is constantly reviewed to meet key priorities and issues.

The outcomes from the audits completed this financial year continue to reflect the general trends from previous years. This is not unexpected as our work focuses on those schools with the greatest challenges.

Overall, we continue to find schools have effective systems of control in place, and staff and Governors are complying with key processes. However, there are still areas for development which would improve strategic and operational delivery - notably financial governance, budget planning, financial management and purchasing. There are known financial challenges across the maintained school sector resulting mainly from reduced funding and increased staffing costs and we have therefore identified a continued increase in schools relying on previous years' carry forward surplus balances to achieve balanced budgets along with predicted deficits in future years for a majority of the schools visited.

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Assistant Director, Audit & Risk Management

Date of Meeting: 29 November 2021

Subject: Corporate Assurance Framework

Wards Affected: All

1. Purpose of Report

- 1.1. A Corporate assurance framework has been developed to improve oversight and prepare an evidence base for the key sources of assurance that are relied on to manage risks and as a result support in the achievement of organisational strategic objectives.

2. Recommendations

- 2.1. To note the development of a Corporate Assurance Framework and the ongoing work through its stages of maturity.

3. Background

- 3.1 An assurance framework is a structured means of identifying and mapping the main sources of assurance in an organisation, and co-ordinating them to best effect
- 3.2 The corporate assurance framework describes the 3 lines of defence methodology and informs the Council where its evidence is for good governance and risk management.
- 3.3 Assurance is the bedrock of evidence that gives confidence that risk is being controlled effectively, or conversely, highlights that certain controls are ineffective or there are gaps that need to be addressed.
- 3.4 There is a process underway for each service to map its sources of assurance against the 3 lines of defence. Identifying areas where assurance activities are not present, or are insufficient (assurance gaps).
- 3.5 The next stage in the process will be to interpret the results by assessing how robust the source of assurance is, whether it is positive or negative and whether it is proportionate to the risk.

4. Legal and Resource Implications

- 4.1 The work is completed within approved budgets.

5. Risk Management & Equality Impact Assessment Issues

- 5.1 The Corporate Assurance Framework underpins the risk management process by ensuring that there is an effective and comprehensive process in place to identify, understand, monitor and address current and future risks.
- 5.2 The Council's risk management framework has been Equality Impact Assessed and was found to have no adverse impacts.

6. Compliance Issues

- 6.1 The Council's continued maturity in assurance mapping will complement the development and delivery of the Council's objectives.

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Birmingham City Council Corporate Assurance Framework



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1. Introduction

1.1 Purpose of the Assurance Framework

Assurance is an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes of the organization.

The aim of this document is to set out how Birmingham City Council uses a range of sources of assurance available to ensure the Council is performing and how its governance, control and risk arrangements are managed.

1.2 What is an Assurance Framework

An Assurance Framework is a set of systems, processes and protocols designed to provide an evidence-based and independent assessment of the governance, risk management, and control processes of an organisation.

The Assurance Framework enables the Council to monitor, measure and scrutinise how well objectives are being met and risks managed. It also implements processes to ensure an adequate response if risks or performance are perceived to be unacceptable.

There are significant benefits to improved co-ordination of assurance. Fundamental to these is the provision of streamlined and synchronised information on organisational performance and the management of associated risks, helping the organisation to operate efficiently and effectively

More specifically, an effective assurance framework

- Provides timely and reliable information on the effectiveness of the management of major strategic risks and significant control issues;
- Facilitates escalation of risk and control issues requiring visibility and attention by senior management, by providing a cohesive and comprehensive view of assurance across the risk environment;
- Provides an opportunity to identify gaps in assurance needs that are vital to the organisation, and to plug them (including using internal audit) in a timely, efficient and effective manner;
- Can be used to raise organisational understanding of its risk profile, and strengthen accountability and clarity of ownership of controls and assurance thereon, avoiding duplication or overlap;
- Provides critical supporting evidence for the production of the Annual Governance Statement;
- Can clarify, rationalise and consolidate multiple assurance inputs, providing greater oversight of assurance activities for CLT and Audit Committee in line with the risk appetite; and
- Facilitates better use of assurance skills and resources

2. Three Lines of Defence

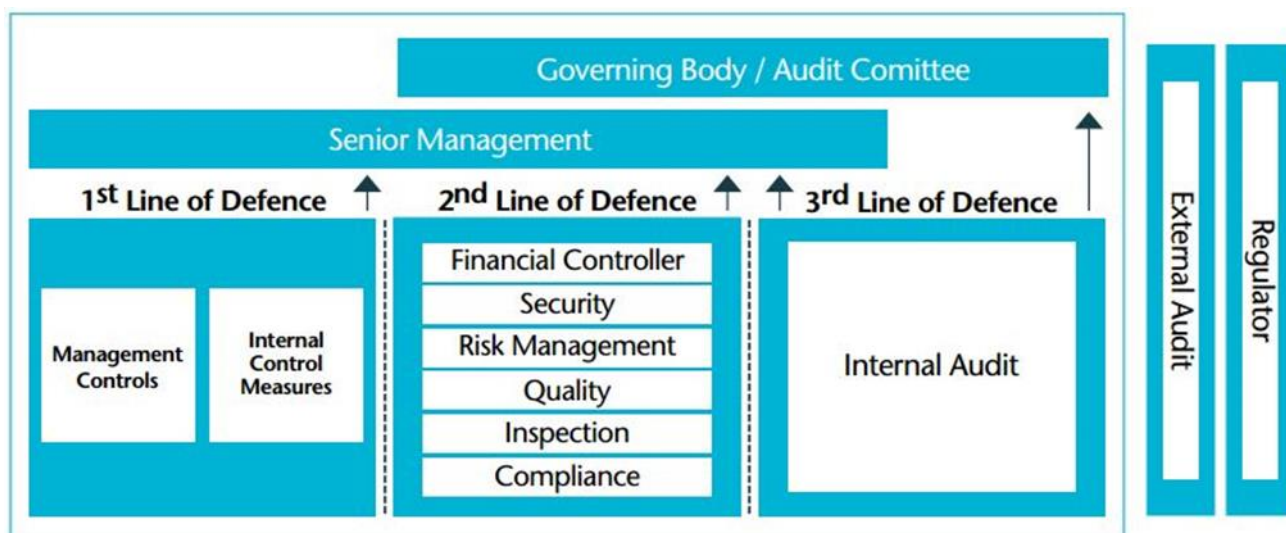
2.1 Assurance can come from many sources within an organisation. A concept for helping to identify and understand the different contributions the various sources can provide is the Three Lines of Defence model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. For example, management assurances could be harnessed to provide coverage of routine operations, with internal audit activity targeted at riskier or more complex areas.

This Framework is the umbrella document for each director to supplement with local sources of assurance for their areas of accountability. Good governance and associated assurance activities should cascade through the organisation, proportional to the risks.

2.2 It is likely to be helpful to adopt a common assurance “language” or set of definitions across the three lines to ease understanding, for example, in defining what is an acceptable level of control or a significant control weakness. Appendix A lists the major governance areas (i.e. the arrangements, including political, economic, social, environmental, administrative systems, policies and processes, legal and other arrangements put in place, to ensure that the intended outcomes for stakeholders are defined and achieved) where assurance would be expected, and identifies the appropriate supporting evidence.

What is the Three Lines of Defence model?

The IIA and the Institute of Directors endorse the 'Three Lines of Defence' model as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:



First line

2.3 Within the 'front-line' or business operational areas, there will be many arrangements established that can be used to derive assurance on how well objectives are being met and risks managed; for example, good policy and performance data, monitoring statistics, risk registers, reports on the routine system controls and other management information.

Activities supporting 1st Line

The annual assurance process (see Appendix B) provides positive assurance and identifies significant issues for monitoring.

Accountability letters signed

Performance monitoring.

Strategic and directorate risk registers

Corporate PMO reporting

Nature of assurance

2.4 This comes direct from those accountable for delivering specific objectives or operation; it provides assurance that performance is monitored, risks identified and addressed, and objectives are being achieved. This type of assurance may lack independence and objectivity, but its value is that it comes from those who know the business, culture and day-to-day challenges.

Second line

2.5 This work is associated with oversight of management activity. It is separate from those responsible for delivery, but not independent of the organisation's management chain. This could typically include compliance assessments or reviews carried out to determine that policy or quality arrangements are being met in line with expectations for specific areas of risk across the organisation; for example, purchase to pay systems, health and safety, information assurance, security and the delivery of key strategic objectives. Statutory Officers Group has a specific role in ensuring compliance with statutory responsibilities.

2.6 The developing discipline of Portfolio / Programme Management may be of particular use in supporting the second line regarding the assurance of major business change. Portfolio Management aims to provide a co-ordinated approach to enable the most effective balance of organisational change and business as usual. It seeks to take a strategic viewpoint, focused on key issues, to build on and better co-ordinate existing processes such as strategic planning, investment appraisal and project and programme management.

Nature of assurance

2.7 The assurance provides valuable management insight into how well work is being carried out in line with set expectations and policy or regulatory considerations. It will be distinct from and more objective than first line assurance.

Activities supporting 2nd Line

Compliance monitoring e.g. mandatory training, purchase orders

Health & Safety function / inspections

Overview & Scrutiny

Audit Committee

Information Assurance Boards

Star Chambers

CC-GCG

Capital Board

Programme governance inc CWG, Transformation

Employment Governance Group

Procurement Board

Third line

2.8 This relates to independent and more objective assurance and focuses on the role of internal audit, which carries out a programme of work specifically designed to provide the S151 Officer with an independent and objective opinion on the framework of governance, risk management and control. Internal audit will place reliance upon assurance mechanisms in the first and second lines of defence, where possible, to enable it to direct its resources most effectively, on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements. It may also take assurance from other independent assurance providers operating in the third line, such as those provided by independent regulators, for example.

2.9 Other sources of independent assurance available external system accreditation reviews/certification (e.g. ISO/Risk Management Accreditation Document Sets), European Commission Auditors and HMRC.

2.10 As an additional line of assurance, sitting outside of the internal assurance framework and the Three Lines of Defence model, are external auditors, who are external to the organisation with a statutory responsibility for certification audit of the financial statements. It is important that internal audit and external audit work effectively together to the maximum benefit of the organisation and in line with international standards³.

Nature of assurance

2.11 Independent of the first and second lines of defence. Internal audit operates to professional and ethical standards in carrying out its work, independent of the management line and associated responsibilities. External audit operates similarly and reports mainly to those charged with governance (Audit Committee).

Activities supporting 3rd Line

Birmingham Audit
European Auditors
ISO accreditation
Independent regulators
External Audit (Grant Thornton)
External peer review
Specific independent Project reviews / consultancies
Budget sufficiency review (CIPFA)

3. Reporting

- 3.1. CLT and Audit Committee will need to ensure that they are receiving sufficient and timely assurance information on the management of risk to enable them to exercise good oversight. This is currently monthly at CLT and Quarterly at Audit Committee. EMT have received updates on an annual basis and Cabinet members review the updates that are submitted by Risk Owners.
- 3.2. Each Cabinet Member is invited to Audit Committee on an annual cycle to an Assurance Session for their portfolio. There is an Annual Report from the Chair of Audit Committee to Full Council.
- 3.3. The Annual Governance Statement is a key feature of the Council's annual reporting and Accounts. It covers the organisation's corporate governance, risk management and internal control arrangements. The AGS incorporates an evaluation on how well the arrangements have operated in practice.
- 3.4. Next steps involve assurance mapping, initially using Annex C to identify gaps or where evidence is out of date or lacks relevance.

Annex A – Key Corporate Assurance Areas

GOVERNANCE AREA	DEFINITION	EVIDENCE / SOURCE OF ASSURANCE
Roles and Responsibilities	The Council is clear about the roles and responsibility of Members to plan, run, monitor and develop Council business, and Officers to effectively deliver Council Services and optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.	<p>Training and officer training completed on roles and responsibilities</p> <p>Constitution reviewed twice a year to ensure roles and responsibilities are clear</p> <p>Effective Member induction programme</p> <p>Effective Officer induction programme (HR)</p>
ICT Infrastructure and Digital Strategy	The Council has an ICT transformation programme, and will develop efficient, effective systems and technology to support delivery of services.	Digital Strategy
Legal Framework	The Council has a legal framework (Constitution, Policy & Procedures) which sets out the rules and procedures that are to be followed by Members and Officers. This details how the Council will utilise its powers to the benefit of the community, whilst observing the requirements of legislation and general responsibilities placed on it.	<p>Constitution reviewed twice a year to ensure roles and responsibilities are clear</p> <p>Annual Code of Conduct training for Members</p> <p>Overview of Constitution and ‘decision making’ for Members and Officers</p> <p>Effective and transparent decision making – orderly meetings, decision on forward plan etc. MO reviews this and bring paper to CLT and CBM on regular basis</p>
Shared Values	The Council will ensure that its values are embedded within Council Policies and Procedures and that there is an expectation that those who work with the Council will respect these.	

Effective Policies, Strategies and Procedures	The Council will maintain an effective Policy Framework and identify the key policies to ensure effective delivery of the Councils objectives.	
Decision Making and Evidence and Delegations of Duties	The Council will effectively evidence and record decisions made in connection with the discharge of its functions and publish those appropriately.	MO to do a bi-monthly audit to ensure there is evidence and record decisions made in connection with the discharge of its functions and publish those appropriately.
Scrutiny Arrangements	The Council will maintain Scrutiny arrangements as part of its system of governance to ensure constructive challenge and debate on policies, performance and decision making	Annual review of the scrutiny framework (See Scrutiny Business Report to Council) Regular review by MO of scrutiny work plan
Internal Audit	The Council will maintain an effective internal audit function in line with the Public Sector Internal Audit Standards	Internal Audit Charter (see <i>Birmingham Audit Annual Report</i>) Peer Review (see report on Public Sector Internal Audit Standards)
Conduct	Officers and members will behave in line with the Nolan principles and lead a culture of acting in the public interest	An effective Member Code of Conduct Regular training for Members on code of conduct Staff Code of Conduct
Audit Committee	The Council will maintain an effective Audit and Risk Committee that reflects the political composition of the council, which operates in compliance with CIFPA guidance	Audit Committee Terms of Reference (Section B14 of the Constitution) Effectiveness Review (see report on Audit Committee – Future Ways of Working) Chair’s Annual Report to Full Council
Declaration of Interests	The Council will maintain registers of interests for both members and officers. The register documents interests which may be seen to potentially unethically or unlawfully influence individual’s duties.	Member declarations published Training provided for members on declaration of interest Process to remind members to update register with FAQ’s Officer declarations maintained locally when deemed appropriate

Member & Officer Induction, Training & Development	The Council will ensure that Members and Officers receive induction training to assist them in effectively executing their duties. The Council will ensure that members are offered, and officers receive continued professional development and other appropriate training to ensure they maintain their skills and knowledge.	A member development training plan
Gifts and Hospitality	The Council will maintain registers of gifts and hospitality for Members and Officers to ensure that appropriate safeguards are in place.	Gifts and Hospitality Policy Member declarations
Workforce Plan	The Council manages its workforce to ensure that the organisation has an adequate supply of people with the skills, knowledge and experience required to achieve its strategic objectives efficiently and effectively, both in the short and long term.	Workforce Strategy 2018 - 2022
Partnership Working and Shared Services	The Council is committed to effectively working in partnership to deliver outcomes as it recognises the benefits of partnership and collaborative working.	

Risk Management	The Council will ensure that effective risk management is embedded across the council and its decision making processes.	Risk Management Toolkit
Developing and Maintaining the Corporate and Service Plans (Performance Management)	The Council will develop and produce its Corporate and Service Plans. The Council will ensure that effective performance management arrangements are embedded across the council and will report our performance publicly.	Delivery Plan Performance Monitoring Reports
Individual Performance Management Arrangements	The Council will hold individuals to account for their performance	My Appraisal
Counter Fraud & Corruption Arrangements	The Council will ensure that effective Counter Fraud and corruption arrangements are embedded across the council and will investigate suspected or identified fraud.	Annual Fraud Report
Whistleblowing Arrangements	The Council will maintain arrangements for individuals to raise concerns and will ensure that these are acted upon	Whistleblowing Policy

Effective Governance Framework	The Council will maintain a Local Code of Corporate Governance and associated Assurance Framework and will review its governance arrangements periodically.	Annual Governance statement Review of the constitution
Effective Information Governance	The Council will ensure that effective information governance arrangements are embedded across the council and will investigate suspected or identified breaches.	Information Assurance Board Data Breach panel
Access to Information	The Council will ensure transparency by providing access to information	Data Factory Open Data
Financial Management	The Council will ensure that effective financial management arrangements are embedded across the council, which supports short, medium and long term achievement of the Councils ambitions and service provision	Medium Term Financial Strategy
Consultation and Engagement	The Council will have clear channels of communication in place with the community and other stakeholders, and will define the types of issues it will consult and engage on and how we will use the feedback received.	Citizen Survey Be Heard Implementation of a Corporate Consultation Policy (WIP)
Asset Management	The Council has an Asset Management Framework that ensures all of the Council's assets are compliant, sustainable, fit for purpose and support the delivery of Council services and strategic objectives.	Property Strategy Nov 18

Comments, Compliments and Complaints	The Council recognises feedback as an incredibly valuable resource for improving the experiences of our customers and shaping the design and delivery of our services for the future.	Complaints policy
Development Plan	The Council will prepare and maintain Development Plans in accordance with legislation and national policy that sets the overall strategic direction for the City for up to the next 15 years.	Big City Plan Annual Monitoring Report is a public document that reports on the delivery of the Birmingham Development Plan. Enterprise Zone Investment Plan Annual Public Sector Equality Duty Report
Inclusion and Diversity	The Council recognises and values the diversity of all people and communities in the borough and in our workforce, and is committed to providing efficient, effective and relevant services to our residents and to ensuring that we are a good employer.	
Programme and Project Management Methodology	The Council's Programme and Project Management methodology defines and maintains standards for project management within the organisation to provide decision-making capacity to ensure the program objectives are met	Monthly reporting cycle and dashboards
Health & Safety	The Council has a Health and Safety Policy with proactive goals, which is supported by a strategy and management framework. This seeks to ensure the risks associated with the health and safety of those engaging in Council activities are appropriately managed, regularly reviewed and investigations completed where incidents occur.	H&S Policy in place detailing roles and responsibilities
Business Continuity and Emergency Planning	The Council has Business Continuity and Emergency Planning processes in place to continue to provide services and respond to an emergency or incident.	Business Continuity Plan Emergency provision in the Constitution
Safeguarding	The Council actively promotes safeguarding to prevent harm and reduce the risk of abuse or neglect to adults with care and support needs and children	Birmingham Safeguarding Children's Partnership Birmingham Adults Safeguarding Board
Procurement	The Council will ensure that effective procurement arrangements are embedded to enable the Council to demonstrate good practise, compliance with legislation, realise value for money and public accountability.	Procurement Toolkit

Overview of Corporate Governance Assurance Process 2020/21

The Accounts and Audit Regulations (2015) and CIPFA / SOLACE Governance Framework require the Chief Executive and the Leader to conduct a review of the effectiveness of the system of internal control and prepare an Annual Governance Statement (AGS).

The AGS provides a brief communication regarding the review of governance that has taken place and the role of the governance structures involved. It is a high level strategic document focused on outcomes and value for money and relates to the Council's vision for Birmingham.

It also contains a review of the effectiveness of the Council's governance arrangements in relation to the core principles from the revised CIPFA / SOLACE Framework, ie:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive shareholder engagement.
- Defining outcomes in terms of sustainable, economic, social and environmental benefits.
- Determining the interventions necessary to optimize the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting and audit, to deliver effective accountability,
- and identifies any significant governance issues and reviews sources of assurance for previous issues.

This statement is signed by the Leader and Chief Executive and is subject to review by the Council's Audit Committee.

In signing the statement, they must be satisfied that the document reflects the circumstances

of the Council. In order to support the production of the AGS, a two-stage process is being retained. This has however been streamlined and the business unit statements now link directly to the directorate statements.

The model for formulating the end of year opinion places reliance on assurance provided from other parties and processes. This enables a broader coverage and ensures that the totality of the audit, inspection and control functions deployed across the Council are properly considered, in arriving at the overall opinion / assurance given by Birmingham Audit.

Directorate Assurance

Each directorate will be required to complete an Assurance Statement and provide supporting documentation (which will be subject to audit review) confirming the types and frequency of monitoring covering some or all of the following areas: -

Risk Management
Business Planning
Partnership / Commissioning / Alternative Delivery Vehicles
Compliance with Key Policies / Procedures
Project Management
Budget / Voyager/ VFM / Resource Savings
Internal Control Environment
Fraud
Independent Assurance / Internal & External Audit
Service Delivery / Human Resources
Information Governance

Directorates are required to provide examples of assurance processes in place to support the comments made.

Issues to be raised on the Assurance Statements

There is no simple answer as to what should be included either at business unit or directorate level statements as it will differ between different parts of the Council. However, as a broad guideline, issues to be raised with the Director or Chief Executive should be issues that significantly impact on the business unit and or the directorate. They could be issues / risks that are directly related to the unit i.e. they only impact on the unit and involve no other sections. Alternatively, they could be issues / risks that impact on the business unit or directorate instigated by the actions of others outside the unit or directorate.

The AGS will be prepared by the Finance Manager, Finance & Governance Directorate, using the information supplied by directorates.

In addition, there is a requirement for the AGS to reflect the position of the Council at the date the statement is approved. This means that it is possible that issues may arise after you have signed your directorate certificates but before the AGS is formally approved. It is important that the Council has a documented process for how to deal with this. The process

to be adopted is as follows: -

- Any new issues identified by the directorates, Section 151 Officer, Monitoring Officer or Audit after the completion of the assurance process must be raised with the Chief Executive by the Section 151 officer.
- If the Chief Executive considers the matter/s to be material to the Annual Governance Statement process it will be added to the AGS or a revised version of the AGS will be produced, approved, resigned and dated if necessary (this will depend where in the authorisation process the AGS is).

Divisional / Business Unit Assurance

The assurance certificate(s) from the individual divisions and business units will form the basis of supporting information for the directorate statement. The divisional / business unit form closely resembles the approach to directorate certificates. It is important that each business area complete an assurance statement. As a minimum it is the Chief Executive's expectation that all significant areas of service delivery / business units within a directorate will make a return. Directorates will need to decide for themselves which areas should complete one.

Assurance at Service Level

There are many sources of assurance that already exist that can be harnessed to provide the body of evidence required

First line of defence

Strategies & Business Plans

MI: Performance Management

MI: Financial Management & Reporting

Core Financial System etc. controls (e.g. Accounts Payable) Core Procurement etc. System controls (e.g. Invoice reconciliations)

Management Self Assessments and Declarations (e.g. Annual Assurance Statements)

Second line of defence

Governance Structures & Processes (e.g. that review and monitor performance)

Functional Compliance Reviews (e.g. Finance, Information Security)

Quality Control Checks

Internal Business Change stage/gate reviews

Customer Satisfaction

Surveys/Complaints

Corporate Risk Management/ Assurance

Third line of defence

External Project/Programme

Reviews (e.g. Independently commissioned)

Adjudicators/ Tribunals

External Accreditation/Certification

Strategic Partners Assurance Reports

Internal Audit Engagements

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Managing Director of the City Housing Directorate

Date of Meeting: 29 November 2021

Subject: Ombudsman Report concerning a complaint about the Housing Solutions and Support Service

Wards Affected: All

1. Purpose of Report

- a) In December 2006, the Audit Committee endorsed a framework for informing and involving Members of the Council when the Local Government and Social Care Ombudsman issues a report.
- b) The aim of this report is to inform members about the Ombudsman's report, issued on 13 October 2021, regarding the Council's delay in dealing with applications to join the Housing Register.
- c) As the Ombudsman has found fault causing injustice and have made recommendations to remedy the injustice caused, it should be considered by this Committee on behalf of the City Council.

2. Recommendations

That the Audit Committee notes the Managing Director of City Housing's response to the Local Government and Social Care Ombudsman's recommendations.

3. Background Information

3.1 A copy of the Local Government and Social Care Ombudsman's report dated 6 October 2021 is appended to this report. All Ombudsman reports are anonymous, so, whilst the events described are real, the names of those involved are not included.

3.2 The essence of the complaint:

- Mrs X complained the Council took too long to process her application to join the Housing Register. She also complained the Council didn't properly consider her circumstances before deciding which priority band to award her.
- As a result, Mrs X says her application is in Band 2 but should be in Band 1 and she has missed six months of time on the register. Mrs X says this means her family continues to live in unsuitable accommodation.
- The LGSCO have issued their findings on this matter in a public interest report because the number of people affected by the Council's delay dealing with applications to the register is significant and because the service failure is causing injustice to others who have not complained.

4. The Key Events

4.1 Mrs X applied to the housing register in March 2020. She and her children live in a 2 bedroom flat.

- Mrs X's husband is Mr Y. Mrs X was a carer for Mr Y. Mr Y has a severe and enduring mental illness. His health meant that although he had his own tenancy, Mr Y needed to live with Mrs X. He also needed his own bedroom.
- As a result, the children occupied one bedroom, Mr Y the other, and Mrs X slept in the living room.
- The Council processed the application in September 2020. It awarded Band 3.
- Mrs X asked the Council to look again at its decision about her priority band. She provided some more information from their family support worker about Mr Y's health and its impact on both him and the children.
- The Council reviewed its decision in October 2020. The Council accepted the evidence that Mr Y needed his own bedroom and so assessed the family as needing four bedrooms. It decided that Mrs X's application should be in Band 2. It awarded that band from the date of its decision.

5. The Ombudsman's Findings - Fault found causing injustice

5.1 **Priority Band**

The Council's review found that Mrs X should have been in Band 2. The Council did not backdate this priority. In response to our enquiries, the Council accepted that it should have backdated Mrs X's priority band to September 2020, when it processed her application.

The Council has already amended Mrs X's application to remedy this fault.

Mrs X says her application should be in Band 1. The Council says it took all the evidence into account and awarded Band 2 in line with its allocations policy.

We cannot question a council's decision just because someone disagrees with it. We must consider whether the Council made the decision properly, considering all the relevant information, law, and guidance.

At first, the Council got Mrs X's priority band wrong. Its own review identified this and changed the band. The Council considered Mr Y's health and the needs of the children. The Council's decision is in line with its allocations policy, which says Band 2 is for applicants who are lacking two bedrooms or whose health is directly affected by their current accommodation.

Therefore, we do not find fault with how the Council decided to put Mrs X's application in Band 2.

5.2 **Delay**

Mrs X applied to the housing register in March 2020. The Council did not process her application until September. This is a period of six months.

The law and guidance do not set out a timescale for processing applications. Nor does the Council's allocations policy. However, we expect councils to deal with applications in a timely manner. Four to six weeks is what we consider an appropriate time to process applications.

The Council delayed Mrs X's application by at least five months. This is fault.

The Council says it has a significant backlog of applications to the housing register. It receives an average of 500 new applications a week.

The Council did not backdate Mrs X's registration date to reflect the delay. This means Mrs X's priority date on the register is later than it would be had the Council dealt with her application more quickly.

The Council has provided evidence to show that Mrs X would not have successfully bid for a property between March and September 2020. We therefore do not find that the Council's delay prevented Mrs X and her family from moving to a more suitable home.

However, the Council uses priority band dates to separate applications in the same band. This means an applicant with a priority band date of March 2020

would be higher on the list than an applicant with a priority band date of September.

Mrs X is not disadvantaged compared to those whose applications were also subject to the delay. She is, however, at a disadvantage compared to those who joined the housing register before the backlog developed, or when it was less significant. This is an injustice to Mrs X.

The law says we can investigate matters which come to our attention in an investigation which may cause injustice to someone who has not complained. In this case, the number of people affected by the Council's delay dealing with applications to the register is significant. Of the on average 500 applications the Council receives each week, 45% will be eligible to join the Housing Register. This means the number of people affected by the Council's fault is increasing by an average of 225 a week.

Although Mrs X did not miss out on a property, it is likely other applicants have. The delay will particularly affect applicants who would attract a Band 1 priority. This is about 8% of applicants. For applicants who need a one-bedroom property, which comprised 42% of the Council's lettings last year, most in Band 1 receive an offer within five months.

Band 1 applicants are most likely to be those with significant disabilities or who need to move in an emergency such as fleeing violence or leaving hospital. These applicants are likely to be the most vulnerable. The delay caused by the backlog is an injustice to these applicants.

6. The Ombudsman's Recommendations

6.1 To remedy the injustice to Mrs X the Council should:

- apologise to Mrs X. Mrs X's first language is not English. The Council should write to Mrs X in her spoken language or apologise verbally through an interpreter; and
- backdate Mrs X's priority band date to the date she applied in March 2020.

When we find fault causing injustice, we can also make recommendations to the Council to improve its services.

The Council recognises there is a significant backlog of housing applications and has already acted to address it. This includes:

- appointing seven extra officers in May 2020; and
- evaluating IT system enhancements.

These changes are welcome. However, the Council should also take action to reduce injustice to future applicants.

This fault affects thousands of current and previous applicants. However, we are conscious that amending these applications would be a big task and the Council is already overwhelmed. Furthermore, any attempt to remedy the injustice to current or future applicants will disadvantage those already on the register by comparison. Considering this, our recommendations seek to address the cause of the injustice by reducing the delay. To this end, the Council should within three months of the date of this report:

- produce an action plan setting out how it will get processing of applications down to four to six weeks, with target dates. The action plan should include the dates of regular reports on progress to the relevant Council committee.
- review its Housing Allocations Policy to ensure any delay by the Council does not impact on an applicant's priority band date.

The Council should address complaints it receives from other applicants about the impact of this delay in line with our recommendations in this report.

The Council has accepted our recommendations.

7. The Council's View

7.1 The Council accepted the Ombudsman's recommendations at the draft report stage.

7.2 The Council has subsequently carried out the following actions:

- A letter of apology was sent to Mrs X, in her spoken language, on 25 October 2021.
- Mrs X priority band has been backdated to 11 March 2020
- An action plan has been produced to reduce the housing application backlog to within four to six weeks by 31 December 2021.
- A review of the Housing Allocations Policy is in progress which includes ensuring that any delay by the Council does not impact on an applicant's priority band date.
- A process has been implemented to address complaints it receives from other applicants about the impact of this delay in line with the recommendations in this report.

8. Legal and Resource Implications

The agreed payments have been made from an appropriate budget.

9. Risk Management & Equality Impact Assessment Issues

- 9.1 The actions taken to date allow the service to implement learnings from this case. Should these actions not be embedded, there is a risk that other housing applicants will experience a delay and incorrect assessment of their housing need. This has the potential to impact upon many housing applicants, so it is essential that the backlog of housing application is reduced and quality checks of the revised processed are embedded.

10. Compliance Issues

- 10.1 The Council has welcomed and complied with all of the Ombudsman's recommendations.
- 10.2 Temporary additional resources are in place to provide extra capacity to assess the backlog of housing applications by 31 December 2021.
- 10.3 A revised Housing Allocation Policy is due to be considered by Cabinet in March 2022.
- 10.4 A revised operational procedure has been implemented to address complaints from applicants impacted by a delay in assessing applications.

11. Recommendations

That the Audit Committee notes the actions being taken in response to the Local Government and Social Care Ombudsman's report.

Contact officer: Dawanna Campbell, Acting Assistant Practice Manager, Legal and Governance

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Julie Griffin, Managing Director of the City Housing Directorate

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Report by the Local Government and Social Care Ombudsman

**Investigation into a complaint against
Birmingham City Council
(reference number: 20 007 658)**

6 October 2021

The Ombudsman's role

For more than 40 years the Ombudsman has independently and impartially investigated complaints. We effectively resolve disputes about councils and other bodies in our jurisdiction by recommending redress which is proportionate, appropriate and reasonable based on all the facts of the complaint. Our service is free of charge.

Each case which comes to the Ombudsman is different and we take the individual needs and circumstances of the person complaining to us into account when we make recommendations to remedy injustice caused by fault.

We have no legal power to force councils to follow our recommendations, but they almost always do. Some of the things we might ask a council to do are:

- > apologise
- > pay a financial remedy
- > improve its procedures so similar problems don't happen again.

Section 30 of the 1974 Local Government Act says that a report should not normally name or identify any person. The people involved in this complaint are referred to by a letter or job role.

Key to names used

Mrs X the complainant

Report summary

Housing Allocations

Mrs X complained the Council took too long to process her application to join the Housing Register. She also complained the Council didn't properly consider her circumstances before deciding which priority band to award her.

Finding

Fault found causing injustice and recommendations made.

Recommendations

To remedy the injustice to Mrs X the Council should:

- apologise to Mrs X. Mrs X's first language is not English. The Council should write to Mrs X in her spoken language or apologise verbally through an interpreter; and
- backdate Mrs X's priority band date to the date she applied in March 2020.

When we find fault causing injustice, we can also make recommendations to the Council to improve its services.

The Council recognises there is a significant backlog of housing applications and has already acted to address it. This includes:

- appointing seven extra officers in May 2020; and
- evaluating IT system enhancements.

These changes are welcome. However, the Council should also take action to reduce injustice to future applicants.

This fault affects thousands of current and previous applicants. However, we are conscious that amending these applications would be a big task and the Council is already overwhelmed. Furthermore, any attempt to remedy the injustice to current or future applicants will disadvantage those already on the register by comparison. Considering this, our recommendations seek to address the cause of the injustice by reducing the delay. To this end, the Council should within three months of the date of this report:

- produce an action plan setting out how it will get processing of applications down to four to six weeks, with target dates. The action plan should include the dates of regular reports on progress to the relevant Council committee.
- review its Housing Allocations Policy to ensure any delay by the Council does not impact on an applicant's priority band date.

The Council should address complaints it receives from other applicants about the impact of this delay in line with our recommendations in this report.

The Council has accepted our recommendations.

The complaint

1. Mrs X complained the Council took too long to process her application to join the Housing Register. She also complained the Council didn't properly consider her circumstances before deciding which priority band to award her.
2. As a result, Mrs X says her application is in Band 2 but should be in Band 1 and she has missed six months of time on the register. Mrs X says this means her family continues to live in unsuitable accommodation.

Legal and administrative background

3. We investigate complaints about 'maladministration' and 'service failure'. In this report, we have used the word 'fault' to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. We refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)
4. We cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. We must consider whether there was fault in the way the decision was reached. (*Local Government Act 1974, section 34(3), as amended*)
5. We may investigate matters coming to our attention during an investigation, if we consider that a member of the public who has not complained may have suffered an injustice as a result. (*Local Government Act 1974, section 26D and 34E, as amended*)

Housing allocations

6. Every local housing authority must publish an allocations scheme that sets out how it prioritises applicants, and its procedures for allocating housing. All allocations must be made in strict accordance with the published scheme. (*Housing Act 1996, section 166A(1) & (14)*)
7. An allocations scheme must give reasonable preference to applicants in the following categories:
 - homeless people;
 - people in insanitary, overcrowded or unsatisfactory housing;
 - people who need to move on medical or welfare grounds;
 - people who need to move to avoid hardship to themselves or others.(*Housing Act 1996, section 166A(3)*)
8. We normally will not find fault with a council's assessment of a housing applicant's priority if it has carried this out in line with its published allocations scheme.
9. We recognise that the demand for social housing far outstrips the supply of properties in many areas. We normally will not find fault with a council for failing to re-house someone, if it has prioritised applicants and allocated properties according to its published lettings scheme policy.

The Council's allocations scheme

10. **Bidding:** The Council operates a choice-based lettings scheme. This means housing applicants can apply for available properties. This is called bidding. The Council advertises new properties on a weekly cycle.

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11. **Priority band:** The Council places applicants who qualify to join the housing register in a priority band from Band 1 (highest priority) to Band 4 (lowest priority). This priority is the first factor the Council uses to allocate a property.
 12. **Registration date:** This is the date on which the Council first placed an application into a priority band.
 13. **Priority band date:** This is the date on which the Council placed the application into the priority band. This can be different from the registration date if an applicant's circumstances change, and they attract a higher priority band after registration. This date is important because the Council uses it to decide priority within a band. For example, if there are three bids for a property from applicants with Band 1 priority, the applicant with the oldest priority band date will be highest on the list.
 14. **Band 1:** So far as is relevant to this complaint, the Council awards Band 1 where:
 - a medical condition or disability is made substantially worse by current housing. This includes people whose life is at risk or who are completely housebound because of their housing conditions or type of accommodation;
 - there is serious threat to a child and children's services have determined that there is no other way to protect the child.
 15. **Band 2:** So far as is relevant to this complaint, the Council awards Band 2 where:
 - the applicant household is lacking two bedrooms in their current accommodation;
 - the applicant's medical or disability needs mean their housing is unsuitable. This includes applicants who are not housebound or whose life is not at risk, but whose current housing is directly impacting their health;
 - an applicant needs to move to give or receive ongoing care and support.

How we considered this complaint

16. We produced this report after examining relevant documents and discussing the complaint with Mrs X.
17. We gave the complainant and the Council a confidential draft of this report and invited their comments. The comments received were taken into account before the report was finalised.

What we found

What happened

18. Mrs X applied to the housing register in March 2020. She and her children live in a 2 bedroom flat.
19. Mrs X's husband is Mr Y. Mrs X was a carer for Mr Y. Mr Y has a severe and enduring mental illness. His health meant that although he had his own tenancy, Mr Y needed to live with Mrs X. He also needed his own bedroom.
20. As a result, the children occupied one bedroom, Mr Y the other, and Mrs X slept in the living room.
21. The Council processed the application in September 2020. It awarded Band 3.

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22. Mrs X asked the Council to look again at its decision about her priority band. She provided some more information from their family support worker about Mr Y's health and its impact on both him and the children.
 23. The Council reviewed its decision in October 2020. The Council accepted the evidence that Mr Y needed his own bedroom and so assessed the family as needing four bedrooms. It decided that Mrs X's application should be in Band 2. It awarded that band from the date of its decision.

Findings

Priority Band

24. The Council's review found that Mrs X should have been in Band 2. The Council did not backdate this priority. In response to our enquiries, the Council accepted that it should have backdated Mrs X's priority band to September 2020, when it processed her application.
25. The Council has already amended Mrs X's application to remedy this fault.
26. Mrs X says her application should be in Band 1. The Council says it took all the evidence into account and awarded Band 2 in line with its allocations policy.
27. We cannot question a council's decision just because someone disagrees with it. We must consider whether the Council made the decision properly, considering all the relevant information, law, and guidance.
28. At first, the Council got Mrs X's priority band wrong. Its own review identified this and changed the band. The Council considered Mr Y's health and the needs of the children. The Council's decision is in line with its allocations policy, which says Band 2 is for applicants who are lacking two bedrooms or whose health is directly affected by their current accommodation.
29. Therefore, we do not find fault with how the Council decided to put Mrs X's application in Band 2.

Delay

30. Mrs X applied to the housing register in March 2020. The Council did not process her application until September. This is a period of six months.
31. The law and guidance do not set out a timescale for processing applications. Nor does the Council's allocations policy. However, we expect councils to deal with applications in a timely manner. Four to six weeks is what we consider an appropriate time to process applications.
32. The Council delayed Mrs X's application by at least five months. This is fault.
33. The Council says it has a significant backlog of applications to the housing register. It receives an average of 500 new applications a week.
34. The Council did not backdate Mrs X's registration date to reflect the delay. This means Mrs X's priority date on the register is later than it would be had the Council dealt with her application more quickly.
35. The Council has provided evidence to show that Mrs X would not have successfully bid for a property between March and September 2020. We therefore do not find that the Council's delay prevented Mrs X and her family from moving to a more suitable home.
36. However, the Council uses priority band dates to separate applications in the same band. This means an applicant with a priority band date of March 2020

would be higher on the list than an applicant with a priority band date of September.

37. Mrs X is not disadvantaged compared to those whose applications were also subject to the delay. She is, however, at a disadvantage compared to those who joined the housing register before the backlog developed, or when it was less significant. This is an injustice to Mrs X.
38. The law says we can investigate matters which come to our attention in an investigation which may cause injustice to someone who has not complained.
39. In this case, the number of people affected by the Council's delay dealing with applications to the register is significant. Of the on average 500 applications the Council receives each week, 45% will be eligible to join the Housing Register. This means the number of people affected by the Council's fault is increasing by an average of 225 a week.
40. Although Mrs X did not miss out on a property, it is likely other applicants have. The delay will particularly affect applicants who would attract a Band 1 priority. This is about 8% of applicants. For applicants who need a one-bedroom property, which comprised 42% of the Council's lettings last year, most in Band 1 receive an offer within five months.
41. Band 1 applicants are most likely to be those with significant disabilities or who need to move in an emergency such as fleeing violence or leaving hospital. These applicants are likely to be the most vulnerable. The delay caused by the backlog is an injustice to these applicants.

Conclusions

42. We do not find fault with how the Council assessed Mrs X's priority band.
43. It was fault for the Council not to backdate Mrs X's priority band date after the review. The Council has already remedied this.
44. The Council's delay in processing Mrs X's application is fault. As a result, her priority band date is six months later than it would be, were it not for the fault. This is an injustice to Mrs X.
45. The delay is not isolated to Mrs X's case. The Council's average time to process an application is, at time of writing, 22 weeks. This service failure is causing injustice to others who have not complained.

Recommendations

46. The Council must consider the report and confirm within three months the action it has taken or proposes to take. The Council should consider the report at its full Council, Cabinet or other appropriately delegated committee of elected members and we will require evidence of this. (*Local Government Act 1974, section 31(2), as amended*)
47. In addition to this requirement, to remedy the injustice to Mrs X the Council should:
 - apologise to Mrs X. Mrs X's first language is not English. The Council should write to Mrs X in her spoken language or apologise verbally through an interpreter; and
 - backdate Mrs X's priority band date to the date she applied in March 2020.




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48. When we find fault causing injustice, we can also make recommendations to the Council to improve its services.
49. The Council recognises there is a significant backlog of housing applications and has already acted to address it. This includes:
- appointing seven extra officers in May 2020; and
 - evaluating IT system enhancements.
50. These changes are welcome. However, the Council should also take action to reduce injustice to future applicants.
51. This fault affects thousands of current and previous applicants. However, we are conscious that amending these applications would be a big task and the Council is already overwhelmed. Furthermore, any attempt to remedy the injustice to current or future applicants will disadvantage those already on the register by comparison. Considering this, our recommendations seek to address the cause of the injustice by reducing the delay. To this end, the Council should within three months of the date of this report:
- produce an action plan setting out how it will get processing of applications down to four to six weeks, with target dates. The action plan should include the dates of regular reports on progress to the relevant Council committee; and
 - review its Housing Allocations Policy to ensure any delay by the Council does not impact on an applicant's priority band date.
52. The Council should address complaints it receives from other applicants about the impact of this delay in line with our recommendations in this report.
53. The Council has accepted our recommendations.

Decision

54. We have completed our investigation. The Council's delay dealing with Mrs X's application to the housing register was fault. This delay caused her an injustice and is causing injustice to others who have not complained.

BIRMINGHAM CITY COUNCIL**AUDIT COMMITTEE****29 NOVEMBER 2021****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
334 29/06/2021	<p><u>ASSURANCE SESSION – CABINET MEMBER STREET SCENE & PARKS PORTFOLIO</u></p> <p><u>Additional Recommendations:</u></p> <p>(ii) The Committee to receive a briefing note on the restructure of the Street Scene service area.</p> <p>(iii) The Committee to receive a formal response to the use of tips via Bromsgrove City Council as there was a lack of household recycling centres in the South of the City.</p>	<p>Rob James – Director for City Operations to lead on responses.</p> <p>Note: 15/10/2021 – Responses sent to Members however, at the 19 October meeting, Members were not content with the responses received. A further response to be provided by the service area.</p>
335 29/06/2021	<p><u>BIRMINGHAM AUDIT ANNUAL REPORT 2020/21</u></p> <p><u>Additional Recommendation:</u></p> <p>iii) That the Committee agreed for an update on procurement contracts, process, controls, and governance to be provided at a future committee.</p>	<p>Scheduled for 29 November Committee (Link into Finance & Resources Portfolio discussions)</p> <p>Note: Updates will be provided at the 29 November meeting.</p>

<p>350 26/07/2021</p>	<p><u>ASSURANCE SESSION – CABINET MEMBER EDUCATION, SKILLS & CULTURE PORTFOLIO</u></p> <p><u>Additional Recommendations:</u></p> <p>That the Audit Committee;</p> <p>(ii) Agreed for a written response outlining the number of children missing in education, children missing and the work around the safeguarding to be provided.</p> <p>(iii) Noted the Assistant Director – Legal Services & Deputy Monitoring Officer to review the contract for the interim Director for Education and Skills and provide this to Councillor Jenkins if appropriate.</p> <p>The Office of the Monitoring Officer has had the opportunity to consider Cllr Jenkins request for copy of the contract as between the former DCS (Kevin Crompton) and the Council. There is no direct contract of engagement as between the Council and the former DCS. There exist two contracts. The first as between the former DCS and his supplier agency. The second as between the supplier agency and the Council.</p> <p>The Office of the Monitoring Officer has reviewed the first contract. Details of the former DCS' remuneration are already in the public domain as all interim JNC Officers remuneration was provided to Full Council earlier this year.</p> <p>It is not considered appropriate to release to individual Audit Committee members copies of agency supplier contracts. The content would not assist Audit Committee members in furtherance of the terms of reference of Audit Committee. In addition, the content would likely be deemed commercially sensitive information by a supplier agency.</p> <p>(iv) Agreed for a written response to be provided to Councillor Morrall around;</p> <ul style="list-style-type: none"> ➤ additional funding West Midlands Combined Authority 2021-22; ➤ costs associated with Acivico - replacing boilers in schools and maintaining buildings; ➤ who were the competitors as there was reduction in BAES fees and non-public programmes decreased income streams; 	<p>Kevin Crompton – Interim Director for Education & Skills to lead on responses.</p> <p>Note: Comments from the Office of the Monitoring Officer under action (iii)</p> <p>Note: 18/10/2021- Responses sent to Members however, outstanding action on the up to date figures on elective home education, children missing education and children missing from home /care. This should be</p>
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	<ul style="list-style-type: none"> ➤ IT Infrastructure – what was happening with Adult learning, laptops being provided; ➤ increasing home-schooling – figures pre-Covid and through Covid period; ➤ school exclusions – the demographics (i.e. gender, race etc) and what was happening to re-engage children as there was a lot of gang culture and CSE's when children drop out of schools. 	provided end of Oct/Nov.
351 26/07/2021	<p><u>OMBUDSMAN REPORT CONCERNING A COMPLAINT ABOUT HOME TO SCHOOL TRANSPORT DEPARTMENT</u></p> <p><u>Additional Recommendations:</u></p> <p>That the Audit Committee,</p> <p>(ii) Agreed for the Interim Director for Education & Skills to provide a formal response to the Audit Committee on the following areas of the complaints;</p> <ol style="list-style-type: none"> 1) when was the department and the council advised of the complaints, 2) which officers considered whether the matter should be taken up by the council, 3) whether the Cabinet Member was advised of the action to be considered by the city council, 4) what was the decision and if there was a decision not to investigate, whether the Cabinet Member was/was not informed of that decision, 5) concerns highlighted by the Ombudsman around the 'right to appeal', 6) The procedure that the service currently operated to be shared with members <p>(iii) Agreed that once replies to the questions listed in part ii of this resolution were received, the Interim Chief Executive and Interim Director to provide a response to the process which would be in place to deal with the matters raised by the Committee.</p>	<p>Kevin Crompton – Interim Director for Education & Skills to lead on responses.</p> <p>Note: 18/10/2021- Responses sent to Members</p> <p>Completed & Discharged</p>
364 30/09/2021	<p><u>STATEMENT OF ACCOUNTS 2020/21 & AFR PROGRESS REPORT</u></p> <p><u>Additional Recommendations:</u></p> <p><u>(Audit Findings Report Progress Report)</u></p> <p>That the Audit Committee;</p> <p>(ii) Agreed for the Chair of the Audit Committee to write to the Resources Overview & Scrutiny</p>	<p>Councillor Grindrod</p>

	<p>highlighting transparency issues raised on partner funding for the CWG.</p> <p>(iii) Agreed for officers to review the risk and learnings CWG partner funding linked to CIPFA's work.</p> <p>(iv) Agreed for a review to be shared at a future meeting around reflecting on challenges of business grants and how effective the Council was on delivering these on behalf of Government.</p>	<p>Rebecca Hellard/ Mohammed Sajid Note: Business as usual (BAU) – ongoing</p> <p>Sarah Dunlavey/ Peter Bishop</p> <p>Note: Update provided by Peter Bishop at the 19/10/2021 meeting as part of the Assurance Session for the Deputy Leader.</p> <p>In addition, 09/11/2021- Response sent to Members (linked to additional action from Minute 365 30/09/2021)</p>
365 30/09/2021	<p><u>EXTERNAL AUDITORS PROGRESS UPDATE</u></p> <p><u>Additional Recommendation:</u></p> <p>That the Audit Committee;</p> <p>(ii) Requested further explanation as to why the remaining £5.1 million of business grants was not released to businesses.</p>	<p>Sarah Dunlavey/ Peter Bishop</p> <p>Note: 09/11/2021- Response sent to Members.</p>
377 19/10/2021	<p><u>ASSURANCE SESSION – THE DEPUTY LEADER'S PORTFOLIO</u></p> <p><u>Additional Recommendations:</u></p> <p>That the Audit Committee;</p> <p>(ii) Agreed for a briefing to be offered to all Members of the Council on Cyber Security, GDPR and roles related to data processing.</p> <p>(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.</p>	<p>Peter Bishop – Director, Digital & Customer Services to lead on responses.</p>

<p>379 19/10/2021</p>	<p><u>STATEMENT OF ACCOUNTS 2020/21 & AUDIT FINDINGS REPORT</u></p> <p><u>Additional Recommendations:</u></p> <p>That the Audit Committee;</p> <p>(iii) Subject to any amendments or qualifications submitted from the external auditors, the Committee agree to delegate approval of the Statement of Accounts to the Chair of Audit Committee. In the event of amendments or qualifications to the Statement of Accounts, Members of the Audit Committee will determine whether a further and additional Audit Committee meeting in person is required to approve the Statement of Accounts.</p> <p>(iv) Noted further information on Lender Option Borrower Option's to be provided to Members.</p>	<p>Mohammed Sajid</p> <p>Mohammed Sajid</p>
<p>381 19/10/2021</p>	<p><u>REPORT INTO ISSUES RELATED TO THE TRAVEL ASSIST SERVICE</u></p> <p><u>Additional Recommendations:</u></p> <p>That the Audit Committee;</p> <p>(ii) Noted a written response would be provided on safeguarding measures Voluntary organisations and Early Year providers were expected to have in place and the support provided by BCC.</p> <p>(iii) Noted a continual reflection and updates to be made on the actions to the responses of the recommendations in the Weightman's report.</p> <p>(iv) Agreed once the root and branch review on Procurement, Commissioning, assurances, systemic challenges were completed, a report to be provided to the Audit Committee on its findings.</p>	<p>Kevin Crompton – Interim Director for Education & Skills to lead on responses</p> <p>Note: 17/11/2021- Response sent to Members.</p> <p>Sue Harrison - New Interim Director for Education & Skills to lead on response</p> <p>Steve Sandercock Assistant Director – Procurement (Interim)</p> <p>Note: 17/11/2021- Presentation circulated to Members outlining the approach to this work. A report on the findings will be shared with the Committee in March 2022.</p>

