

Response to External Auditor presentation

AUDIT COMMITTEE – 27 SEPTEMBER 2023



BE BOLD BE BIRMINGHAM



1. Equal Pay

The Council has a historic equal pay liability of between £650m-£760m which accrues at a rate of between £5m-£14m per month after 1st April 2025. Putting in place an effective Job Evaluation (JE) methodology will stem the liability following implementation by 1st April 2025. The methodology is to be agreed by Council Business Management Committee (CBMC).

CBMC Position:

Via verbal update to the committee

To address the specific bullets outlined within the paper from External Audit:

- To date we have shared the Equal Pay liability financial model from as at 31 March 2020, and we are in the final stages of completing the models for the 20/21, 21/22 and 22/23 financial years
- Legal colleagues have started to consolidate a timeline of activities, back to 2012, which identified key activities in relation to Equal Pay. This timeline has been shared with DLUHC and will be key to the Equal Pay work completed by External Audit.
- Trade Unions engagement has continued, and will continue, alongside the implementation of the newly agreed Job Evaluation methodology.

As mentioned by the External Auditors, we will need to review our accounts for FY20/21 and FY21/22. As a result, the S151 Officer will need to produce a going concern statement for those years, and be satisfied with the accounts for FY22/23 prior to submission to External Auditors for review.

2. Financial Sustainability

Detailed work around the financial sustainability of the Council has been ongoing for a number of weeks. This has concerns over the value of earmarked reserves, £383m, and unearmarked reserves, £230m. This has always been a concern for the S151 Officer who has to make a statement on the adequacy of reserves on an annual basis.

We are facing a number of financial challenges:

- An Equal Pay liability of between £650-760m;
- An in-year budget gap for FY23/24 of £87m;

- A two-year budget gap to the end of FY24/25 of £164.8m (based on the Q1 MTFP refresh that went to Cabinet in July.

This is addressed by two strands of work:

1) Development of in-year savings:

- There is a FY23/24 in-year saving recovery plan which is being developed by Corporate Leadership Team and Cabinet Members;
- In conjunction with each Director, the 'red' rated savings proposals are being reviewed. If savings are no longer deliverable then each Directorate has to present alternative savings to address the in-year gap;
- Alongside this, budget pressures which are driving additional costs are being reviewed. This results in identifying budget challenges which cannot be managed or mitigated (i.e. rising utility unit costs) to identify alternatives to reduce these costs.

2) Financial Recovery Plan (response to S114 Notice):

- Measures to reduce spending and mitigate budget pressures for 2023/24
- Organisational Redesign work to reshape our services around citizens and within our available resources
- A Capital Strategy and Assets Review
- A review of council-controlled companies and traded services
- An Income Review to maximise sustainable income
- Measures to achieve pay equity and stop the growth of our equal pay liability
- Dialogue with DLUHC to explore options for Exceptional Financial Support

3. Oracle – Progress to date

The council has experienced significant problems from the implementation of the Oracle system, which has incurred additional costs, as outlined. This has significantly impacted on our ability to operate business as usual activities and workarounds and manual interventions have been put in place. Since April 2023 a robust governance process has been implemented:

The Oracle Programme has now in place:

- Approval from Cabinet to the Oracle Implementation Report and approval for funding for the continuation of the Safe & Compliant phase, for the Solution Design work and the first stage of the Optimisation phase.
- Development of Safe and Compliant Plan.
- A single overarching Oracle Plan
- A comprehensive RAID log, with a mechanism for actively managing key, strategic risks.
- An established and effective Design Authority with processes established to work with it.
- Clear collaboration across the services.
- Dedicated communications and Business Change support.
- Work has begun on the 12-week High Level Design, led by DTS.

From October the Oracle Programme governance will be focused on the business processes and move into a Programme Based governance process:

- Hire to Retire
- Order to Cash
- Record to Report
- Procure to Pay
- Development, Support and Maintenance
- Security and Audit
- Integration, Interfaces and data

The Programme will continue to be overseen by the CLT and held to account at weekly Member Oversight Boards. With regular reporting into the Audit Committee and the Finance and Resources O&S Committee.

3. Oracle – Programme remediation & issue resolution

The Design Authority is now in place to oversee the Phase 1 ‘Safe and Compliant’ activity and to work across the council to design the optimised solution, and to learn from the mistakes of the past. In terms of the High-Level Design the following five decisions and guiding principles are as follows:

- i. adopt rather than adapt the Oracle solution, with the appropriate configuration of product, process and workflows to align with our needs.
- ii. change and align our business processes with the capabilities of current and future Oracle functionality.
- iii. ensure the current environment is in an acceptable state to enable the Council to fulfil its existing short and medium-term compliance and regulatory requirements.
- iv. understand current processes and needs to provide insight for informing our business change gap and defining implementation priorities.
- v. plan technical change carefully to minimise impact on users of the system, making use of separate environments where it makes sense to do so.

The proposed workstreams as described by Grant Thornton (Operating Model, Governance and risk Management, Technology Implementation, Programme Management and Change Management) align to our proposed way of working from October and will be informed by outputs of the High Level Design activity currently underway.

Development of the **Safe and Compliant Plan** which has already delivered a number of enhancements, including the implementation of Oracle Risk Management Cloud and increased audit logging.

The **High Level Design** is underway and once implemented will replace current interim/manual solutions for reporting, cash posting and compliance.