

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE

WEDNESDAY, 18 OCTOBER 2023 AT 14:00 HOURS
IN COMMITTEE ROOMS 3 & 4, COUNCIL HOUSE, VICTORIA
SQUARE, BIRMINGHAM, B1 1BB

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 Public-I microsite ([please click this link](#)) 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 they must declare all relevant pecuniary and other registerable interests arising from any business to be discussed at this meeting.

If a disclosable pecuniary interest is declared a Member must not participate in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If other registerable interests are declared a Member may speak on the matter only if members of the public are allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless they have been granted a dispensation.

If it is a 'sensitive interest', Members do not have to disclose the nature of the interest, just that they have an interest.

Information on the Local Government Association's Model Councillor Code of Conduct is set out via <http://bit.ly/3WtGQnN>. This includes, at Appendix 1, an interests flowchart which provides a simple guide to declaring interests at meetings.

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:-

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 - 24 5 **MINUTES - AUDIT COMMITTEE 27 SEPTEMBER 2023 & EXTRAORDINARY MEETING 06 OCTOBER 2023**

To confirm and sign the minutes of the last meetings of the Committee held 27 September 2023 and 06 October 2023.

25 - 26 6 **COMMISSIONER'S REVIEW AND COMMENTS ON THE AGENDA**

To note the attached comments from the Commissioner.

27 - 58 7 **INTERNAL AUDIT UPDATE**

(20 minutes allocated) (1405 – 1425 hours)

Report of the Assistant Director Audit and Risk Management

59 - 76 8 **STRATEGIC RISK REGISTER – RISK MANAGEMENT UPDATE**

(20 minutes allocated) (1425 - 1445 hours)

Report of the Assistant Director Audit and Risk

77 - 114 9 **RESPONSE TO THE STATUTORY RECOMMENDATIONS**

- Equal Pay
- Oracle

- Financial Sustainability
- Governance

(45 minutes allocated) (1445 – 1530 hours)

Report of the Chief Executive

10 **UPDATE FROM EXTERNAL AUDIT**

(30 minutes allocated) (1530 – 1600 hours)

Verbal update of the External Auditors

115 - 118

11 **ASSURANCE SESSION – CABINET MEMBER CHILDREN, YOUNG PEOPLE & FAMILIES PORTFOLIO**

- Home to School Transport
- Managing Risk across the Children & Families Directorate

(35 minutes allocated) (1600 – 1635 hours)

Report from the Cabinet Member Children, Young People and Families

119 - 122

12 **SCHEDULE OF OUTSTANDING MINUTES**

Information for noting.

13 **DATE OF THE NEXT MEETING**

The next meeting is scheduled to take place on Wednesday, 29 November 2023 at 1400 hours in Committee Room 3 & 4, Council House.

14 **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.

15 **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

<p>AUDIT COMMITTEE 27 SEPTEMBER 2023</p>

MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON WEDNESDAY, 27 SEPTEMBER 2023 AT 1400 HOURS IN COMMITTEE ROOM 3 & 4, COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB

PRESENT:-

Councillor Fred Grindrod in the Chair;

Councillors Shabrana Hussain, Meirion Jenkins, Miranda Perks, and Paul Tilsley

NOTICE OF RECORDING/WEBCAST

645 The Chair advised and the Committee noted this meeting will be webcast for live or subsequent broadcast via the Council's Public-I microsite ([please click this link](#)) 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

646 Apologies were submitted on behalf of Councillor Shafique Shah for his inability to attend the meeting.

DECLARATIONS OF INTEREST

647 Councillor Tilsley declared his standing declaration. He is a Non-Executive Director for Birmingham Airport (Non-pecuniary).

EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

The Chair advised there would be a possible private discussion for a number of items on the agenda under Exempt paragraph 3 of schedule 12A of the Local Government Act 1972. These were noted as:

Audit Committee – 27 September 2023

- Item 5 - Private minutes - Audit Committee 15 September 2023 (Exempt paragraph 3 of schedule 12A of the Local Government Act 1972).
- Item 7 - Response from the Interim Director of Finance (Section 151 Officer) to the External Auditors Report.

The Chair requested for the City Solicitor and Monitoring officers to alert him if there was a need to move into private session on any other areas of the agenda.

Upon consideration, it was:

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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 EXTRAORDINARY 15 SEPTEMBER 2023

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It was noted the private minutes had been reviewed by the City Solicitor and Monitoring Officer. During the private session, members sought assurances from the Chief Executive in relation to aspects of Oracle and Equal Pay which had been highlighted in the report issued by External Audit.

Points advised by the City Solicitor & Monitoring Officer:

- Assurances were sought around managing effective risk and security measures to support ongoing use of Oracle.
- Assurances were sought from the Chief Executive relating to the actions being taken to address historic implementation and governance issues.
- Assurances were sought from the Chief Executive relating to robust Contract Management of Oracle.

Private minutes were available to all members of the Council in the private section.

There were no issues or matters arising from the private minutes.

That the public and private minutes of the meeting, 15 September 2023 having been circulated, were agreed by the Committee as a full set.

ROLES & RESPONSIBILITIES FOR AUDIT COMMITTEE (FOLLOWING SECTION 114 NOTICE)

Following consultation with the Director for Finance (Section 151 Officer), the Independent Technical Advisor and the City Solicitor and Monitoring Officer it was felt the Audit Committee received independent training and advice on the role of Audit Committee, and the role going forward, to support the Council during the Section 114 notice and introduction of robust spend controls.

It was important the Audit Committee received independent support and advice. This would assist in the work programmes for future meetings in addition the need, or not, for extraordinary meetings as and when issues arise.

A summary of the work by Dr Robert Milford was shared with the Committee. Points made by Dr Milford:

- A short brief training had been offered to the Committee Members prior to this meeting taking place.
- More focussed training sessions would take place on Section 114 and other Governance Reviews.
- Support through training, mentoring, techniques for seeking assurance would be provided.
- Dr Milford was conducting a Governance Review himself which would be shared with the Committee to improve the Governance Framework for the organisation.

The Chair added that members who were able to attend the training session this morning appreciated the discussions. These discussions would be shared with the other Political Group Leaders of the Council. This would help to ensure all members of the Committee actively engage.

Dr Milford would be arranging direct meetings with each member of the Committee.

The Chair was grateful for the continuous support from the City Solicitor and Monitoring Officer as well as the Independent Technical Advisor for the Committee.

Upon consideration, it was:

650

RESOLVED

The Audit Committee to note the training session on the roles and responsibilities following the section 114 Notice.

RESPONSE FROM THE INTERIM DIRECTOR OF FINANCE (SECTION 151 OFFICER) TO THE EXTERNAL AUDITORS REPORT

The Chair reminded the Committee, a detailed report from the External Auditor was provided at the last meeting (from Mark Stocks) on the current issues impacting the Council. The response was provided to this by the Interim Director of Finance Section 151 Officer.

The following report of the Chief Executive (Head of Paid Service) & Interim Director of Finance (S151 Officer) was submitted:

(See document No.1 of the agenda pack)

The following summary was provided by the Interim Director for Finance on Equal Pay and Financial Sustainability;

Equal Pay

The historic potential liability for Equal Pay was estimated at between £650 - £760 million, accruing at a rate between £5 million to £14 million a month (after 1st April 2025). It was thus important to put in place an effective job evaluation methodology to stem the flow of the liability following the implementation in April 2025.

A decision would be taken at a full City Council meeting rather than a Council Business Management Committee (CBMC) meeting.

The Financial model had been shared with the External Auditors, Grant Thornton, which takes the equal pay liability model up to the 31st of March 2020. It was hoped by week ending 29 September 2023, the other three years, 2020 – 2021, 2022-2023 and 2022-2023 would be finalised so the full model can be passed onto the External Auditor. The model was split between General Fund Housing Revenue Account and the Dedicated Schools Grant. A detailed split would be shared.

The timelines had started to be consolidated by Legal colleagues back to 2012 to equal pay activities. The timeline was shared with Department for Levelling up Housing and Communities (DLUHC). Trade Unions engagement had continued, and will continue, alongside the implementation of the newly agreed Job Evaluation methodology. This was superseded by the issuing of Section 5 statement and the Section114 subsection 2 on the 21st of September 2023.

The External Auditors had indicated the accounts for 2020-21 and 2021-22 need to be closed. As a result, the S151 Officer will need to produce a going concern statement for those years and be satisfied with the accounts for the year 2022-23 prior to submission to External Auditors for review. These going concern statements could not be issued by the Section 151 Officer until these figures were available and a pay equity model agreed to cap the liability.

The accounts for 2022-23, officers were working to get an outturn position as soon as possible and report to Cabinet by October/ November 2023. At the

previous meeting, the External Auditors had highlighted there was a potential to do a 2 stage External Audit of the accounts, members were made aware of a stage zero (i.e., to sign off the accounts by the S151 officer) which is a key part of the process, the Section 151 Officer needs to be assured that to ensure the systems and controls in place support the Accounts).

Financial Sustainability

This was related to the issue around reserves. There was £383 million of earmarked reserves and £230m of unearmarked reserves. Some of this money was to be used to cover the extra cost of Oracle implementation as well as balance the 2022-23 outturn (reported at period 10) – which was reported to Overview and Scrutiny as well as Cabinet.

An outline to the financial challenges was shared with the Committee. These were noted as:

- An Equal Pay liability of between £650-£760m;
- An in-year budget gap for financial year 2023-24 of £87m;
- A two-year budget gap to the end of financial year 2024-25 of £164.8m (based on the Q1 MTFP refresh that went to Cabinet in July. This is addressed by two strands of work: i) Development of in-year savings and ii) Financial Recovery Plan (response to S114 Notice). Details around this was shared with Committee members.

The following summary was provided by the Chief Executive on Oracle;

The Chief Executive introduced this item by firstly acknowledging and noting the concerns raised by the External Auditors around the risk and weakness in the governance and management of the programme presents risks to the effective uses of the resources.

The report submitted to the Committee outlines the current governance arrangements and changes to better align the workstreams with business processes and Oracle solution.

Details around the Optimisation phase and the Cabinet report in November 2023 were shared. Governance arrangements would be looked at to see if they were fit for purpose. Work would be taking place with the External Auditors to ensure a robust process was in place.

The Chief Executive assured the Committee continuous work was taking place with the External Auditors.

The Chair recognised there were two aspects of mitigating the Equal Pay Risk (i – understanding job evaluation process ii) equal pay issue raised through Task and Finish).

Councillor Perks raised that discussions around this would require a private session as there were legal proceedings around this area.

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The Chair felt it was important to address the issues raised by the external Auditors in the public domain recognising where there was sensitivity this would then move into a private session.

The Strategic Director of City Operations provided a summary around Task and Finish. Points noted;

- The Strategic Director for City Operations joined the Council in mid-April 2023. He had been made aware by the Interim Strategic Director (Mark Wiltshire) that parts of the Council believed parts of the council still had Task and Finish operating but not substantiated.
- The Interim Strategic Director had spoken to all officers in the Waste Service and advised if Task and Finish was happening, this must be stopped and managers to ensure this was enforced.
- Mid-April 2023, the Strategic Director for City Operations was clear that managers had not taken the advice given to brief their staff. Training and support had not been provided to staff to give them assistance.
- A meeting took place with Trade Unions and the expectations around Task and Finish to conclude. The Strategic Director met with managers to make this position clear too.
- The Strategic Director for City Operations wrote to all members of staff and explained his expectations (i.e. any practice around Task and Finish in place to come to an end).
- Written assurances were submitted to the Strategic Director of City Operations by all managers within the service areas that from their perspective Task and Finish had ceased in their respective areas.
- The Strategic Director for City Operations sought assurances through Internal Audit and undertaking a Management Review. This was to provide further assurance the Director for Street Scene and Waste (Darren Share) and his team were in line with operating procedures.

At this juncture, the City Solicitor and Monitoring Officer advised the Chair comments made in the public domain by the Strategic Director for City Operations should have satisfied the Committee and any further debate should take place in private.

The Chair accepted the advice provided however sought assurance in public Task and Finish had stopped now.

The City Solicitor and Monitoring Officer advised assurances had been provided from the Strategic Director for City Operations that direct instruction had been issued to stop the practice of Task and Finish. In addition, the Chief Executive provided comments at the last Audit Committee around her instructions. It was advised any further debate should be discussed in private especially when there was a risk to name officers.

Councillor Perks supported the legal advice provided and she was in favour to move to a private session and if any detail was able to go back into the public domain was undertaken.

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Councillor Tilsley suggested to possibly discuss the other reports as part of the agenda from the Interim Director of Finance and discuss these before moving to a private session.

Councillor Jenkins opposed a private session and requested for this to be voted upon. He voted against a private session, and this would be minuted. The Chair noted comments raised by Members of the Committee and highlighted the private session was not restricting members of the committee to hear the content. A vote would be taken at the end of the report following questions for the public questions being addressed.

Councillor Tilsley noted comments made by Councillor Jenkins however, highlighted once discussions start taking place on Equal Pay, there was the risk of naming officers and for this reason a private session would be preferred.

(Note: Due to the number of questions raised by members, these have been grouped in a section within the minutes followed by responses by officers).

Members raised questions and made the following comments;

- Earmarked reserves of £383 million pounds and unearmarked of £230 million pounds, it was questioned if this was the net reserves which take account of £87 million deficit projected to have in this year's budget and £36 million pounds Cabinet agreed to Oracle subsidiary from reserves?
- Concerns were raised on council tax and business rates. External Auditors had previously raised concerns around bank reconciliation and security controls.
- How long would it take to complete the Safe and Compliant stage?
- Oracle – why were some BCC staff coming into work 4am to resolve these issues?
- Bank Reconciliation – questions around the kit that was required to work were raised.
- Question was raised on what work were the 30 employees doing on the bank reconciliation if the piece of kit for the system was doing this?
- Task & Finish – Councillor Jenkins thought this was a good idea as employees would work harder and faster then leave earlier from work. Measure output than input – allow people to work harder but faster.

In response to members question the Interim Director of Finance (Section 151 Officer), the Assistant Director for Financial Strategy and the Chief Executive made the following points:

- The £87 million pounds was not funded through reserves. This had to be from savings efficiencies. This did not have the 2023-24 usage in. The £46.5 million pounds for Oracle was used against the £230 million.
- Some of the debt had accumulated from business rates; cost of living crisis; post covid – inability to chase the debt. The Finance Team were following this up. The S151 Officer receives a monthly update from the Revenues Manager. This information was also shared amongst Finance Overview and Security and can be shared with Audit Committee.
- Any transactional work such a bank reconciliation was a concern.

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- A piece of software with sat in front of the General Ledger was not currently working. This had to work to ensure Birmingham was safe and complaint. Staff were currently placing the transactions into the correct place for budget monitoring. This had caused most of the delay to the Accounts.
- The largest issue for 2022-23 was the reporting of the financial position. Further details around this was shared with members.
- There was a backlog in 2023-24.
- The Chief Executive highlighted there were a few issues around compliance. However, everything was being undertaken to ensure the organisation operates safely.
- Issues around the 4am start for staff would be investigated and information around this would be shared with Committee members outside of the meeting.
- Security - Oracle Risk Management Cloud had been implemented. A number of operational problems are currently being encountered which is increasing administration workload, these issues are being worked upon. An update would be provided at the next meeting.
- March Bank reconciliation would be completed once all items were allocated to the ledger. A final year end reconciliation would be taking place.
- The 30 employees were working on the bank reconciliation and correcting transactions which the piece of software was not doing.
- Task and Finish was not a legitimate working practice. Further details would be discussed during a private session.

Further questions were raised made by members. These were noted as:

- Risk Based approach – what was this approach?
- Schools – Budgets – what was the current position on budget setting etc?
- Trade Union engagement – Decision for Job Evaluation Methodology would be shared with City Council however, members sought clarity what trade union engagement was taking place, as option 2 of the pay review had not been agreed by the Trade Unions. The addendum had not been agreed therefore outsourcing the Job Evaluation would most likely be the only option.
- If option 4 would be taken forward, what work was taking place to look at providers for this outsourcing company to avoid any delays?
- Questioned whether there were sufficient external providers available to fulfil delivery of option 4 should this option be agreed? Were officers confident there was a range of providers ready? Procurement rules would have to be adhered to (i.e. 3 potential bidders).
- Queries raised that should option 4 be selected, a desk research on the tendering process would be in place.
- Were officers confident the tendering for the 3 potential bidders would be in place?
- There were no other options left i.e., option 4 – how confident were we on the tendering process, start date and if there was a clear risk register for this. Have the risks around the procurement process been considered and if these been mitigated against the Equal Pay?

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- Questions were raised why viability was referred to and not assurance?
- In January 2023, there was awareness of the Equal Pay crisis however, members were informed by the Leader of the Council in June 2023. Audit Committee were not made aware of the crisis as notified at the November 2022 meeting.
- Questions were raised if in January 2023, the External Auditors were informed if the crisis of Equal Pay? Also, at any point the External Auditors were informed of the instruction of solicitors by the trade union and live litigation to the council? The External Auditors should have been informed.
- A budget had been agreed in February 2023, however, there was clear knowledge of an Equal Pay crisis however questions were raised why Equal Pay was not indicated on the risk register or budget.
- Councillor Perks indicated she was not satisfied with the information contained in the CBMC report around the risks and calculated timescales associated with the four options of the job evaluation.
- In addition to the report to CBMC setting out risks associated with the options to Job Evaluation, members requested for additional information around risks and calculated timescales associated with the four options of the job evaluation.
- What was the link between the Department risk register and overall strategic risk register presented to this Committee. Was Equal Pay listed on the Directorate Risk register? Equal Pay Risk was highlighted on the Strategic Risk Register in June 2023?

In response to members questions the Interim Director of Finance (Section 151 Officer), Acting Director for People and Corporate Services and the Chief Executive made the following points:

- 2022-23 accounts – As Oracle was not producing information and reports, work had to take place outside of the system and forecast where they would be for the rest of the year, based of risk-based assessment.
- A written update would be provided to the Committee around Schools budgets and their current position.
- At present there was no work taking place to engage with an external provider (outsource for option 4) of the Job evaluation. A decision had not been made. It was noted once the decision to pursue with option 4 (delivery of the Job Evaluation Scheme) methodology takes place , then the options for providers would be explored.
- The report to Cabinet in July 2023 set out the procurement process for the job evaluation. This would only be actioned once the decision on the option was made. The Acting Director for People and Corporate Services was confident there was a range of companies available to deliver option 4.
- Engagement with Trade Unions – CBMC paper and meeting, selected option 2 on the provision of the collective agreement would be signed by a deadline. Between the suggested date of sign off by the Trade Union a series of meetings had taken place chaired by Chief Executive and Deputy Leader up to the deadline.
- Research had taken place on providers available within the market and what they provided. In addition, which other providers were delivering job

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evaluation across the country. There were several leading providers that were already undertaking this. A plan had been shared with Cabinet. This would take approximately a month to be in place.

- CBMC report set out the risks attached to all four options of the job evaluation.
- The last 3-4 months in depth work had taken place around option 4. A steering Governance Board chaired by the Chief Executive took place which monitored progress. Governance monitoring the risk register was in place.
- Representation had taken place by Trade Unions that they had opposed to option 4. Both option 2 and 4 were viable to meet the April 2025 deadline and provide a robust delivery. This highlighted the role of Audit Committee as part of this process.
- There was risk with all the options. Opposition had been provided by trade unions and the use of option 4. A Dispute resolution process was in place as well as a mitigation plan.
- The emerging figures of the potential Equal Pay liability were not available in January 2023, and it was a crisis as there were disputes with two of the trade unions.
- The Corporate Director would need to check which colleagues had communicated to the External Auditors about the claims.
- Option 3 was unlawful – as indicated in the report to CBMC meeting. The report of the CBMC meeting set out the risks associated for all four options.
- Officers provided further detailed breakdown of the stages of the Job Evaluation process.
- Equal Pay was placed high on the Directorate Risk Register. Governance around this had to be raised into this.

Further debate and discussions ensued around the job evaluation process and options that were available for the council.

The Chair of the Committee, and Councillors raised additional concerns during the debate.

The External Auditor notified the Committee, both officers and members knew about the Equal Pay position in February 2023. It was a duty from both officers and members to declare this issue. The External Auditors were informed in March 2023. Details around the options presented to CBMC were shared. It was noted the Council had to now had to decide which option it will pursue with.

The Chair wanted the Audit Committee to be assured before a decision was made at full council on the Job Evaluation decision. He reassured the public that the Committee placed as much information in the public domain to remain open and transparent however, aware the legal and sensitive implications.

A minute would be taken of the private session which was available to all Councillors and information that can be placed into the public domain, this would be read out in the next meeting.

A vote was taken on moving to a private session.

Upon being put to a vote it was 3 in favour, 1 against and 1 abstention.

At 1540 hours, the Committee moved to a private session.

(Note: Minute 651 is in private)

RE-ADMITTANCE OF THE PUBLIC

652

At 1620 hours, following discussions on item 7, Response from the Interim Director of Finance (Section 151 Officer) to the External Auditors Report, the Committee moved back into the public meeting.

(The Committee moved back to Item 7 on the agenda)

RESPONSE FROM THE INTERIM DIRECTOR OF FINANCE (SECTION 151 OFFICER) TO THE EXTERNAL AUDITORS REPORT

The private minute would be reviewed, and relevant sections would be placed back into the public domain.

Points made during the private session and placed back into the public minutes:

- The Strategic Director for City Operations (Craig Cooper) had 5 areas of responsibility. These were noted as Community Safety; Highways and Infrastructure; Neighbourhoods; Enforcement, Street Scene and Waste Services.
- There were three Assistant Directors and two Directors across the five areas.
- There was a system of Governance and Management within the Council and operating procedures in place.

Additional points made in response to members question the Strategic Director for City Operations made the following points:

- If an employee worked 7.2 hours per day, their job role was evaluated by looking at how long it took to undertake the waste run. i.e. how much time was required to remove, empty and place back bins. The outputs and outcomes that were being delivered would be looked at. An assessment from a health and wellbeing perspective had been taken.
- 330 tonnes of residual waste was collected and weekly collections took place whereas most parts of the country had fortnightly collections. Recycling collection was lower for Birmingham.
- The workforce was spilt across three depots working to standard practices.
- A waste collection round was assessed by looking at the amount of time required for the round. There was time when rounds were accelerated, or two bins were collected at the same time rather than one.

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- Details around missed bin collections across various Councils was shared.
- The Strategic Director was committed to work with the lead Cabinet Member to reset the strategy for waste by putting an Improvement Plan in place. This was to ensure the Council were clear what they would like to achieve from residual waste collection. In addition, to be clear on the target for recycling; understand how to deal with bulk waste and commercial waste.
- This work would establish new ways of working for the Waste Service to improve the outcomes for the residents for Birmingham.
- Work had to be undertaken within the service to get to where they had to be. The Strategic Director was committed to working with the Council and Members to deliver an effective service for citizens of Birmingham.

At this juncture, the Chair notified the Committee he had received a letter from the Leader of the Council that due to the meeting running over time, he was no longer able to attend. On this basis, agenda item 9 was removed off the agenda and the Chair called for an extraordinary meeting for the committee to have discussions with the Leader of the Council.

Councillor Jenkins had concerns around the attendance of Committee Members and holding extra meetings. Most members were part time representatives and holding extra meetings was not feasible.

The Chair emphasised the importance of the work the Audit Committee had to undertake and the assurances they had to provide to the wider Council hence the extra meeting had to take place. This would be a single agenda item with a specific view of speaking to the Leader and the current situation.

Upon consideration, it was:

653

RESOLVED:-

The Audit Committee;

- (i) Noted the response from the Interim Director of Finance to the External Auditors Report presented to this Committee at its meeting on Friday 15th September 2023.
- (ii) Noted officers would provide a response to outstanding queries raised by the Committee on;
 - Issues around the 4am start for staff.
 - Security - an update on Oracle Risk Management Cloud
 - Risks and calculated timescales associated with the four options of the job evaluation process.
 - A written update would be provided to the Committee around Schools budgets and their current position.

UPDATE FROM THE INTERIM DIRECTOR OF FINANCE (SECTION 151 OFFICER) TO THE SECTION 114 NOTICE

The following report of the Chief Executive (Head of Paid Service) & Interim Director of Finance (S151 Officer) following the Extraordinary Meeting of the Council was submitted:

(See document No.2 of the agenda pack)

The Interim Director of Finance informed the Committee the Extraordinary City Council meeting took place 25 September 2023. The Section 114 notice and Financial Recover Plan had been accepted.

The Emergency Budget would now be presented at a City Council meeting in late October.

Upon consideration, it was:

654

RESOLVED:-

The Audit Committee noted the updates from the Interim Director of Finance (Section 151 Officer) to the Section 114 Notice.

ASSURANCE SESSION – THE LEADER’S PORTFOLIO

The Chair informed the Committee as the meeting had run over, and significant behind schedule, he had received a letter from the Leader sending his apologies.

The Chair recommended for an extraordinary meeting to be arranged to allow the Leader Portfolio discussion to take place.

Councillor Tilsley suggested it would be useful if the Leader can come to the meeting with a timeline of his knowledge on areas, emails received and actions that had been taken of the areas of issues.

Upon consideration, it was:

655

RESOLVED:-

The Audit Committee deferred the Leader’s Portfolio Session. An extraordinary meeting to be arranged to cover areas associated with the Leader.

UPDATE FROM EXTERNAL AUDIT

A verbal update was provided by the External Auditors.

The following points were made:

2020-21 and 2021-22 Accounts (Jon Roberts - Lead)

- These must be completed. These were overdue and urgent to complete. Most of the work was undertaken in March 2023. The Equal Pay accounting model had to be rebuilt as the financial liability around Equal Pay were significantly understated.
- The team of specialist (financial modelling experts with Equal Pay experience) who were advising the auditors will have to have had sight of initial models.
- Once completed this will go to Audit Team to look at the data and assumptions.
- Accounting implications to be considered.
- Audit Committees role in significant estimates was highlighted by the External Auditors.
- Another outstanding issue was around the investment Properties. The External Auditors were comfortable with the Councils Accounting.

2022-23 Accounts (Mark Stocks - Lead)

- An outturn was expected in November and was a priority for the Council.
- Accounts would not be produced until 31st January 2024 followed by the Audit.
- Government was proposing to introduce a backstop (i.e., if accounts were not completed by a period of time, therefore a forced opinion would be disclaimed on the accounts). This would be either March 2024 or September 2024. The accounts were significantly at risk at present.

An update on the thematic reviews around Equal Pay, Oracle, and Financial Sustainability was shared with the Committee.

The External Auditors were significantly concerned the Council had failed to agree a Job Evaluation option. This was an urgent decision to be made by the Council.

In relation to Oracle, the Safe and Complaint phase was not complete. This was a concern for the Council.

Additional powers would be utilised by the auditors. The External Auditor would be issuing a set of draft statutory recommendations, these will be embargoed and released to the council by week ending 29 September 2023.

The Chair requested for the letter setting out the draft statutory recommendations to be shared with Audit Committee members. In addition, material related to the Audit Committee should be considered and shared.

Audit Committee – 27 September 2023

Members noted the previous Section 151 Officer suggested a Section 114 notice would be issued. It was questioned why this not happened and was this raised with External Audit.

The External Auditor confirmed this had not been discussed with them.

The External Auditors were non-political.

The Chair of the Committee, Councillors Jenkins, and Councillor Tilsley raised points during the discussions and the External auditors responded hereto.

Upon consideration, it was:

656

RESOLVED:-

The Audit Committee to note the verbal update from the External Auditors.

SUMMARY OF CURRENT REVIEWS INTO FINANCIAL SITUATION & GOVERNANCE

The City Solicitor and Monitoring Officer reminded members Dr Rob Milford was undertaking a Governance Review. This would be reported back to the Committee. Training would be provided to the Committee. In addition, the establishment of a robust work programme would be in place for the Committee. A Governance review was taking place.

Recommendations would be placed forward to City Council and Audit Committee may possibly require oversight in this.

Upon consideration, it was:

657

RESOLVED:-

The Audit Committee noted the update on the current reviews into the Financial Situation and Governance.

658

SCHEDULE OF OUTSTANDING MINUTES

Information for noting.

Minute 562 14/02/2023 – Additional action (iii) - A briefing note was emailed to Committee Members by the Assistant Director Audit and Risk Assessment on 27/06/2023. Completed & Discharged

Minute 575 28/03/2023 – Additional action (ii) – The Chair suggested as there were a number of briefing sessions that the Committee required, a schedule would need to be devised and incorporated alongside the training

Audit Committee – 27 September 2023

work Dr Milford was mapping. A timetable to be devised for the Committee. This was agreed by Dr Milford. This action was Completed & Discharged.

Minute 577 28/03/2023 – Additional action (vi) – The Chair noted the Committee had carried the work generally on these areas. On this basis completed and discharged.

Minute 603 28/06/2023 – Additional actions (ii) and (iii) - The Chair noted the Committee had carried the work generally on these areas. On this basis completed and discharged.

Actions arising from this meeting would be reflected into the schedule of outstanding minutes. The only outstanding actions to remain from the original set were around training and briefing sessions.

659

DATE OF THE NEXT MEETING

The next meeting is scheduled to take place on Wednesday, 18 October 2023 at 1400 hours in Committee Room 3 & 4, Council House.

An Extraordinary meeting would be arranged to cover a single item deferred from this meeting (Assurance Session of the Leader’s Portfolio).

AUTHORITY TO CHAIRMAN AND OFFICERS

660

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 1703 hours.

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CHAIR

BIRMINGHAM CITY COUNCIL

<p>AUDIT COMMITTEE 06 OCTOBER 2023</p>
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MINUTES OF A MEETING OF THE EXTRAORDINARY AUDIT COMMITTEE HELD ON FRIDAY, 06 OCTOBER 2023 AT 1400 HOURS IN COMMITTEE ROOM 3 & 4, COUNCIL HOUSE, VICTORIA SQUARE, BIRMINGHAM, B1 1BB

PRESENT:-

Councillor Fred Grindrod in the Chair;

Councillors Miranda Perks, and Paul Tilsley

NOTICE OF RECORDING/WEBCAST

661 The Chair advised and the Committee noted this meeting will be webcast for live or subsequent broadcast via the Council's Public-I microsite ([please click this link](#)) 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

662 Apologies were submitted on behalf of Councillors Shabrana Hussain, Meirion Jenkins and Shafique Shah for their inability to attend the meeting.

DECLARATIONS OF INTEREST

663 Councillor Tilsley declared his standing declaration. He was a Non-Executive Director for Birmingham Airport (Non-pecuniary).

EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

Upon consideration, it was:

664

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 27 SEPTEMBER 2023

665

It was noted the minutes from the meeting held on 27 September 2023 will be presented at the next meeting.

ASSURANCE SESSION – THE LEADER’S PORTFOLIO

The Chair informed the Committee, the Leader was unwell and unable to attend the meeting either online or in person, therefore submitted his apologies.

As this was the sole item on the agenda, the Chair proposed that the meeting was reconvened to take place before the next ordinary meeting which was scheduled to take place 18 October 2023.

Ideally, the reconvened meeting should take place before Wednesday, the 11th of October however, if this was not possible then meeting should take place immediately prior to the ordinary meeting scheduled of the 18th of October 2023.

It was moved by the Chair, seconded, and agreed by Councillors Tilsley and Councillor Perks.

Furthermore, the Chair raised his concerns that the Audit Committee had not been provided with enough information to consider the decision on the options for processing the Equal Pay (Job Evaluation) process. This was hoped to have been achieved via the Assurance Session from the Leader. The Council were due to vote on this decision next week and it was envisaged, Audit Committee Members could have raised questions related to this.

Upon consideration, it was:

666

RESOLVED:-

The Audit Committee agreed to reconvene the Leader’s Portfolio Session.

667 **DATE OF THE NEXT MEETING**

The next meeting was scheduled to take place on Wednesday, 18 October 2023 at 1400 hours in Committee Room 3 & 4, Council House.

The Extraordinary meeting to reconvene to cover the Leader's Portfolio.

AUTHORITY TO CHAIRMAN AND OFFICERS

668 **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 1410 hours.

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CHAIR

Birmingham City Council

Audit Committee

18 October 2023



Commissioner's Review

Commissioners have reviewed the documents presented to the Committee. In the time available we can only note the contents. In the next period, Commissioners intend to meet the AD Audit and fully understand the approach that is being followed in promoting an acceptable Audit programme to the Committee and the level of resources available to deliver it. In the first 6 months, it will be essential to review the Committees terms of reference to ensure that it meets CIPFA's best practice guidance, review the mandatory training requirements for Members to ensure they are equipped to undertake this essential role and ensure that, as of right, the Committee can require its reports and recommendations to be fully considered by Cabinet and Council as appropriate. It will be important to ensure that where High Priority audit recommendations are not actioned and implemented within the specified timetable, that the responsible Cabinet Member and officers attend the Committee in person to explain the position.

In the first period it will also be necessary to comprehensively review the approach to identifying and mitigating risk in a real time environment. It is already clear from the first cycle of reports that this is not presently the case across the Council as a whole.

Finally, it has been drawn to our attention that the Committee has had difficulty in ensuring all relevant documentation is available to it to enable the Committee to properly discharge its duty. If accurate, this position will need to be rectified as a matter of urgency. The Committee and its members collectively and individually, will play a crucial role in the road to improvement.

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	AUDIT COMMITTEE
Report of:	Assistant Director, Audit & Risk Management
Date of Meeting:	18th October 2023
Subject:	Internal Audit Update
Wards Affected:	All

1. PURPOSE OF REPORT

- 1.1 This report provides an update on the delivery of the internal audit work programme for 2023/24 together with a summary of the key findings from the work completed to date.

2. EXECUTIVE SUMMARY

- 2.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS).
- 2.2 The Statement of Accounts for the year ending 31st March 2021 and 31st March 2022 remain in draft, ongoing discussions are taking place with council's External Auditors. Due to the adverse impact of providing for Equal Pay claims, the Council's Interim Director of Finance, the nominated Section 151 officer, issued a report under section 114(3) of the Local Government Act 1988. As a result, non-essential spend has ceased, and strict financial controls have been introduced. The impact of these issues and additional controls that have been introduced are being considered and changes will be made to the Internal Audit Plan. This will include undertaking checks to ensure that the new financial controls are complied with.
- 2.3 Between 1st April and 30th September 2023 62 final reports have been issued and 31% of the current plan completed to draft audit report stage. The key findings from our work are summarised in the attached report.
- 2.4 The baseline audit plan for 2023/24, developed following the completion of a risk assessment, was agreed by the Audit Committee at the March meeting. The audit plan is dynamic and will be reviewed and updated throughout the year, based on discussions, feedback received, emerging issues, and changing risks. An update on the baseline plan together with the status of review activities is also included.

<p>2.5 The views of Audit Committee are important, any concerns flagged by Members will be fed into the planning process.</p>
<p>3. RECOMMENDATIONS</p> <p>3.1 Members note the update, progress in delivering the 2023/24 internal audit programme, and the key findings arising from the work completed.</p> <p>3.2 Members flag any emerging issues / risks for inclusion in the planning process.</p>
<p>4. LEGAL AND RESOURCE IMPLICATIONS</p> <p>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.</p> <p>4.2 The Internal Audit service has complied with the requirements laid out in the Public Sector Internal Audit Standards.</p> <p>4.3 The work is carried out within the approved budget.</p>
<p>5. RISK MANAGEMENT & EQUALITY ANALYSIS ISSUES</p> <p>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.</p> <p>5.2 Equality Analysis has been undertaken on all strategies, policies, functions, and services used within Birmingham Audit</p>
<p>6. COMPLIANCE ISSUES</p> <p>6.1 Council policies, plans, and strategies have been complied with.</p>

Sarah Dunlavy
Assistant Director, Audit & Risk Management

Contact officer: Sarah Dunlavy, Assistant Director, Audit & Risk Management
E-mail address: sarah_dunlavy@birmingham.gov.uk

Birmingham Audit Progress Report 1st April – 30th September 2023

18th October 2023

Contents

1. Background
2. Significant Issues Impacting upon the Organisation
3. Internal Audit – Process / Key Findings
4. Other Work.
5. 2023/24 Plan update

Appendix A: Summary of Significant Findings from Final Reports Issued to Date

Appendix B: Update on Baseline 2023/24 Internal Audit Plan

1. Background

- 1.1 Internal Audit provides independent and objective assurance and advice. It helps the Council to achieve its objectives through a systematic approach to the evaluation of the overall systems of internal control.
- 1.2 Internal Audit activity is governed by the Accounts and Audit Regulations and the Public Sector Internal Audit Standards. These standards seek to secure 'a professional, independent and objective internal audit' by setting out the Mission and definition of Internal Auditing, the core principles for professional practice, together with a Code of Ethics. Specific attribute and performance standards provide guidance on how internal auditing should be carried out and the function managed. Guidance on the interpretation of the Standards is set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Local Government Application Note.
- 1.3 The baseline audit plan for 2023/24, developed following the completion of a risk assessment, was agreed by the Audit Committee at the March meeting. The audit plan is dynamic and is reviewed and updated throughout the year, based on discussions, feedback received, emerging issues, and changing risks. Additionally the views of the Audit Committee are important, any concerns flagged by Members will be fed into the planning process.
- 1.4 This report provides an update to the Audit Committee on activity between 1st April to 31st August 2023. It summarises the key findings arising from the work to date and provides an update on the 2023/24 Internal Audit plan.

2. Significant Issues Impacting upon the Organisation

- 2.1 For 2022/23 I was only able to provide a limited assurance on the system of internal controls. Our review of financial processes was constrained by system access issues and incomplete financial records following the implementation of the new ERP system. The Council was aware of the issues and established a stabilisation task force, escalation process, and governance structure to address the issues. The work to strengthen the Oracle system is ongoing.
- 2.2 The Statement of Accounts for the year ending 31st March 2021 and 31st March 2022 are still in draft, ongoing discussions are taking place with the council's External Auditors on finalisation.

2.3 On 5th September 2023 the Council's Interim Director of Finance, the nominated Section 151 officer, issued a report under section 114(3) of the Local Government Act 1988 because:

- a) The Council is currently in a negative General Fund position. That is because of the cost of providing for Equal Pay claims, that the Council is now legally obligated to recognise, will result in exceeding the financial resources available to the Council. This means that spend due within that period exceeded the financial resources available to the Council in that same period.
- b) The Council has insufficient resources to meet that expenditure and the Council is not currently able to agree a solution that will allow suitable funding or financing to be obtained for this liability.

2.4 As the result of the issue of a Section 114 notice:

- a) Financial Controls have been established under a S151 Spend Control Board.
- b) The Council has held an Extraordinary Meeting of the Full Council and agreed the section 114 and recovery plan.

2.5 On the 21st September the Council's Interim Director of Finance issued a second section 114 notice. At the same time the City Solicitor and Monitoring Officer issued a section 5 notice under the Local Government and Housing Act 1989. The section 114 and section 5 notices were issued due the need to agree and implement a job evaluation programme.

2.6 The impact of these issues and additional controls that have been introduced are being considered and changes will be made to the Internal Audit Plan. This will include undertaking checks to ensure that the new financial controls are complied with.

3. Internal Audit – Process / Key Findings

3.1 Prior to the commencement of an Internal Audit review an Audit Planning Memorandum (APM) is agreed with the relevant manager, this will usually be the Director, Assistant Director, or nominated Head of Service. The APM outlines the relevant risks together with the objective and scope of the audit. On completion of an audit assignment a draft report will be produced containing our findings and recommendations. This draft report is discussed and agreed with the relevant manager. Once a response to our recommendations is received, including responsible officers and target dates, a final report is issued.

3.2 Audit reports are given risk and assurance ratings to assist in the identification of the level of corporate importance:

Risk Ratings

1. Low (Green) - Non-material issues
2. Medium (Amber) - High importance to the business area the report relates to, requiring prompt management attention. Not of corporate significance
4. High (Red) - Matters which in our view are of high corporate importance, high financial materiality, significant reputation risk, likelihood of generating adverse media attention or of potential of interest to Members etc.

Assurance Ratings

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

Level 2: Some control weaknesses noted. However, generally the controls evaluated are adequate, appropriate, and effective.

Level 3: Control weaknesses of a significant nature, or the number of minor weaknesses noted was high. Management of risks and achievement of objectives is compromised

Level 4: Controls not adequate, appropriate, or effective. Risks not adequately managed and achievement of objectives unlikely

Note: Follow up reports are only assigned a risk rating as the focus of the work is on the implementation of the agreed recommendations.

- 3.3 Whilst management is responsible for ensuring that the actions agreed in response to our recommendations are implemented, progress and follow up reviews are undertaken to gain assurance that the agreed actions have been taken and the risk successfully mitigated. All high risk, together with relevant medium risk, reports are subject to follow up work. Progress reports are usually undertaken when all the target dates for implementation have not yet elapsed to confirm that work is being undertaken to implement the agreed actions by the target date. Follow up reviews are usually completed once all the target dates have elapsed to provide assurance that the agreed actions have been implemented and are effective in mitigating the risks identified.
- 3.4 Between April and the end September 2023 62 final reports (26 Audit Reports, 5 Progress Reports, 6 Follow up Reports, and 25 Schools Reports) were issued. A summary of the key findings arising from these reports is contained within Appendix A. 2 Audit reviews and 1 Follow up review were assigned a high-risk rating:

- **Home To School Transport – Strategic Review.** Our review identified that the current service delivery model is both unsustainable and unaffordable. The service needs to find ways to address demand and more affordable modes of transport, that can still meet children’s needs. Management is aware of the issues with the current delivery model and are actively looking to address them through change programmes.

At the request of the Directorate, we undertook an early review to establish the level of progress being made in implementing the recommendations. This work has established that the service is making good progress and there is a real drive and commitment at all levels to deliver the changes required.

- **Equality and Cohesion Review of EIAs.** Although EIAs are being completed on an ongoing basis we do have concerns that over the completion timescales and pre-assessments. The challenge moving forward will be to bring about cultural change throughout to ensure that EIAs are ‘everyone’s business’, and to develop a framework to be used consistently across all directorates that supports equalities being considered at all times and not only when an EIA needs to be completed.
- **Commissioning and Monitoring Arrangements – Day Six Provision.** Our follow up review established that whilst the commissioning arrangements with the existing supplier had ceased, eliminate our initial concerns with the commissioning of day 6 provision for permanently excluded pupils. No alternative arrangements were in place. Arrangements were being made to rectify this with additional places being commissioned from the City of Birmingham School, with further places expected to become available as year 11 pupils leave.

4. Other work

4.1 In addition to the completion of audit review work is currently being undertaken to help and support management. Whilst this work does not ultimate result in the provision of assurance it is considered to key in supporting the organisation. A brief outline of this ongoing work is provided below:

- **Oracle:** At the request of the Assistant Director Digital and Technology Services / Chief Information Officer an examination of the processes supporting the go live decision making, across the areas encountering significant difficulties has been completed. An examination of the PAAS testing audit trail has also been completed on behalf of the Director Digital and Customer Services. We are continuing to attend silver and bronze task groups providing proactive advice and guidance. We are supporting the implementation of Oracle Risk Management Cloud Oracle to assist the ongoing review of segregation of duties and the implementation of proactive compliance testing
- **Pay compliance:** Providing ongoing support and data analysis to support the Council pay compliance group. Timesheet compliance testing is also being undertaken to ensure appropriate working practices are consistently adopted.
- **Grant Certification:** Grant certification certificates and fulfilling the First Level Controller role for a number of European Grants.
- **Data analysis:** Ongoing data analysis to support our work and directorate.

5. Internal Audit Plan

5.1 An update on the baseline audit plan for 2023/24 is given in Appendix B, this includes details of any changes that have been made and the status of review activities.

5.2 The plan is based around key assurance areas to support the end of year opinion:

- Financial Core Systems
- Corporate Systems
- Strategic Risks
- Governance
- Regularity / Compliance
- Operational
- Schools
- Technical – IT / Information Governance
- Corporate Fraud
- Follow ups
- Ad-hoc / Contingency
- Risk Facilitation
- External Work
- Other Assurance

These areas represent aspects of the Council systems of Internal control that contribute to the opinion.

- 5.3 The focus of our work at the beginning of the year was in completing the reviews and finalising the reports brought forward from the 2022/23 audit plan and in planning the scope of new assignments. Ongoing discussions are taking place with Directorate contacts to agree the timings for each assignment. In planning our work, we remain vigilant to key risks and emerging issues. We work closely with Directorates to deliver work which aligns with their on-going priorities to ensure added value.
- 5.4 As at the end of September 2023 31% of the 2023/24 plan has been completed to draft report stage, this is just slightly below our 40% target.
- 5.5 The plan remains dynamic and under reviewed. The contingency / ad-hoc time but into the plan is being used to cover emerging issues and risks, see Appendix, any significant changes to the plan will be reported to the Committee.

Summary of Key Issued from Report Finalised 1st April to 31st August 2023
62 Final Audit Reports (26 Audit Reports, 5 Progress Reports, 6 Follow up Reports, and 25 Schools Reports)
Audit Reviews

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
Apr-23	Home To School Transport – Strategic Review	High	Level 4	The current service delivery model is both unsustainable and unaffordable. The service needs to find ways to address demand and more affordable modes of transport, that can still meet children’s needs. Management is aware of the issues with the current delivery model and are actively looking to address them through change programmes.
July-23	Equality and Cohesion Detailed Review of EIAs	High	Level 3	Although EIAs are being completed on an ongoing basis we do have concerns that over the quality, completion timescales and pre-assessments. The challenge moving forward will be to bring about cultural change throughout to ensure that EIAs are ‘everyone’s business’, and to develop a framework to be used consistently across all directorates that supports equalities being considered at all times and not only when an EIA needs to be completed. Only one out of our sample could be considered best practice.
Apr-23	The Wellbeing Service	Medium	Level 3	Our testing identified that appropriate management arrangements have been established to monitor and manage those leisure facilities being operated by the Council’s Wellbeing Service. However, the fundamental issues with the Council’s Oracle finance system have significantly impacted on the ability of senior management to monitor the Service’s budget during the current financial year.
Apr-23	Accounts Payable - One Time Payments	Medium	Level 2	The Oracle workflow for One Time Payments (OTP) was not working as intended. This issue was resolved during our audit. During this period payments were not routed to the designated Accounts Payable officers for compliance checking as they should have been. We are undertaking a data analysis exercise to provide assurance that this vulnerability has not been exploited.

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
May-23	Homelessness - Accommodation Finding Team	Medium	Level 3	The Accommodation Finding Team (AFT) has now been functioning for 12 months, several areas have been identified where the effectiveness of processes, and accuracy of financial analysis can be strengthened. To date, there has not been a sufficient level of properties for the AFT to utilise, and secure lettings for families stuck in long term Temporary Accommodation. There is a need to document targets to assess performance against.
May-23	Grounds Maintenance - Performance Reporting	Medium	Level 3	Our review has identified that there are a number of issues with the adequacy of current performance reporting processes for Grounds Maintenance, and a lack of assurance to confirm that recorded data fully reflects actual performance.
May-23	Acivico - Reactive Maintenance	Medium	Level 3	Our audit has identified contract and service delivery management improvement areas. Key Performance Indicators (KPIs) and priority levels have not been reviewed.
May-23	Direct Payments - Effectiveness of Qualitative Measures	Medium	Level 2	Sample testing of Direct Payment reviews identified improvement and more consistency in the completion of assessments and the recording of information on Eclipse. However, we still identified the need to demonstrate that the Direct Payment funded package of care is still meeting the citizens assessed outcomes.
Jul-23	Carer Support Pathway	Medium	Level 3	The testing completed indicates that the requirements of the CQC draft framework considered during this audit would be partially met. Reasons for this evaluation include that, whilst legal and best practice guidelines are embedded in processes and procedures, we cannot provide assurance that these are being consistently adhered to.
Jul-23	Disabled Facilities Grant (DFG) - Stage Report	Medium	Level 3	Whilst we identified that the current processes and procedures for discretionary "Discharge Assistance"- "Independent and Safe Assistance" are complied with, these need to be updated as the current arrangements do not reflect that discretionary assistance funding should be progressed to achieve the required aim/impact.
Jul-23	Assessment and Support Planning - Consistency of Decision Making	Medium	Level 2	Whilst we identified differences in processes across teams/services there was little evidence to demonstrate that these differences are negatively impacting on the citizen. Although they would limit resource flexibility and operability between teams. Overall teams/services were found to be compliant with the processes and all are completing the Eclipse Commissioning of Care Budget Application (request) and Approval (decisions) forms.

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
Aug-23	Transitions and Preparation for Adulthood Service	Medium	Level 3	We identified delays in the progression of packages of care/provision of support for young people. Whilst overall, the Transitions and Preparation for Adulthood Service procedures and social care assessment processes are being followed, there was a need to strengthen cases progression monitoring.
Aug-23	Manned Security Services - Contract Management	Medium	Level 3	A number of areas of improvement around governance, contract performance and financial monitoring were identified. Framework Agreements are more administratively complex than contracts for services, with specific legal requirements to be considered in how they are managed. However, the Security Services Manager is not an experienced contract manager/procurement officer and was not aware of these requirements.
Sept-23	Directorate Compliance - Corporate DBS Processes	Medium	Level 3	The Children & Families Directorate is working hard to become fully compliant with the corporate DBS policy. Both staff and managers are aware of the importance of the DBS checking processes and have been pro-active as part of this review, to constructively challenge processes to help improve them. There is a drive within the directorate, particularly within the senior leadership team (SLT) to become fully compliant but also be "best in class" in this area. There is a need to continue this progress and ensure that all staff register for the update service.
Apr-23	Capital Project - Tame Valley Viaduct Strengthening Works	Low	Level 2	Appropriate project governance arrangements are in place. There is a Project Board that meets on a monthly basis, and regular progress reports are produced. The Highways Services Manager produces a monthly Highlight Report for the Council's Capital Board. Corporate Procurement Service (CPS) are working to resolve the contract issue and ensure that invoices are raised on a prompt basis. Overall, the arrangements for managing risk are appropriate, but mitigating measures were not detailed in the current project risk register.
May-23	Resilience	Low	Level 2	The overarching management of Emergency Planning and Business Continuity are being well managed. However, we did identify some issues relating to the completeness of the priority service list (included within the Corporate Business Continuity Plan), and consistent recording of review, approval and issue dates on individual corporate policies and procedures.
May-23	Highbury Hall	Low	Level 2	Although a decision was made to make Highbury Hall a cashless venue wherever possible, due to the nature of the site cash income does continue to be taken. Whilst

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
				the income received has been in the main adequately recorded, and banked, there was a need to improve reconciliations.
May-23	Logotech - Treasury Management	Low	Level 2	Logotech is a hosted solution operated as a 'Shadow IT' service whereby the application is managed by the Treasury Management Team, with support from the supplier via a support and maintenance agreement. The system has been in operation for several years with no significant concerns or issues; however, improvements could be made to the management controls to increase security and better prepare for any incidents.
May-23	Air Quality	Low	Level 2	Testing confirmed that the Council is fulfilling its statutory requirements for monitoring and reporting on air quality in Birmingham. The Environmental Protection Officer obtains an annual update on the key actions contained within the AQAP from the various responsible officers across the Council, which are then included in the ASR submitted to DEFRA. However, no further in year monitoring is undertaken by the Environmental Protection Team to help ensure that the AQAP's key actions are being appropriately progressed / achieved.
Jun-23	Environmental Health	Low	Level 3	We were able to confirm that the expected processes are being delivered by Environmental Health, including statutory responsibilities in relation to food hygiene inspections. However, there were also areas where there is a need to strengthen oversight and planning.
Aug-23	Schools HR/Payroll - Starters and Leavers	Low	Level 2	Our testing identified that new starters and leavers for school employees had all the required documents and checks carried out to support the recruitment and leaving process. School employees had been enrolled into the appropriate pension scheme, on the correct grade and spinal point. However, we found that some of the required documentation was not available in the employee Document of Records (DoR) at the time of the review. These documents have since been located and obtained from the schools and filed
Aug-23	Payroll - Corporate and Schools Overpayments	Low	Level 2	The Oracle reporting process for capturing payroll overpayments has only been in place since January 2023. From April 2022 to December 2022 the reports were not available. During this period overpayments were only captured as they were identified via pre payroll reports or when notified by the employee. Payroll

Month issued	Final Report	Risk Rating for Council	Assurance Level	Issues Identified
				overpayments for current employees (including school's) are now being captured and investigated via the monthly reports, with recovery arrangements being put in place. There is a need for the checks to be completed for the period when the Oracle reporting was not available. Corporate payroll have recently acquired an additional resource to assist with the completion of this task.
Aug-23	NEC RBIS - IT Audit	Low	Level 2	We identified that RBIS continues to be managed and maintained within its established management framework. There are however areas where improvements can be made particularly to strengthen access security and to achieve compliance with the DWP's Baseline Personnel Security Standard (BPSS). Consequently, this limits the level of assurance that we can provide.
Sept-23	Accounts Receivable - Creation of Customer Records	Low	Level 2	Sales Order Processors within Directorates are responsible for the creation of new Business Partners (BP) / Customers. In order, to ensure efficient debt recovery can take place it is important that customer details e.g. email address, telephone number etc, are captured fully and correctly. Our analysis identified that the data held for 78.20% (17,316) of customers is missing key fields. These inaccuracy could have a detrimental impact on debt recovery and the ability to make contact with customers.
Sept-23	Third Party Framework Agreements	Low	Level 2	When planning the procurement of goods, services or works, one of the options for consideration is to award a contract using another organisation's compliant framework agreement. Compliant framework agreements are established in line with Public Contracts Regulations (PCR) 2015 through competitive tender. Our audit has identified that overall, third party framework agreements are used appropriately, in line with procurement legislation and Council rules.
Sept-23	Civica Pay	Low	Level 2	Civica Pay is a cloud-based payments and income management solution and offers a wide range of payment options allowing customers to self-service and set up reoccurring payments. Management of the application, access controls, resources and maintenance are effective but there could be improvements to the Oracle reconciliations, user reviews, and business continuity arrangements.

Month issued	Final Report	Original Report Risk Rating	Status	Issues Identified
Apr-23	Day Centre Progress Review	High	Progressing Recommendations	Actions are being undertaken to progress the implementation of the recommendations in our report. Whilst there has been some progress, there is more work to complete, particularly in relation to Team Manager checks, Financial Handover forms and Comforts Funds.
Jun-23	Home To School Transport – Strategic Review, Early Progress Review	High	Progressing Recommendations	The Directorate requested we undertake this early review to establish the level of progress being made in implementing the recommendations. Our work has established that the service is making good progress and there is a real drive and commitment at all levels to deliver the changes required. The service has introduced a number of strategic changes, which when fully implemented will deliver a more child centric and sustainable service but even at this early stage, these are improving and strengthening the service.
Apr-23	Assessment and Support Planning EICT	Medium	Progressing Recommendations	Progress has been made towards implementing our recommendations. It is acknowledged that progression of many of the recommendations, including application of the ‘3 conversations’ process, is complicated by the need to ensure the multi-disciplinary approach is providing the most appropriate long-term service to the citizen.
Apr-23	Placements -Supported Living	Medium	Progressing Recommendations	Good progress has been made towards implementing our recommendations. There are several ongoing actions which once completed will assist with the implementation. These include completing the review of Supported Living cases, implementing planned changes to Eclipse forms and finalising, approving, and issuing the draft procedures.
May-23	IT Applications - JADU Progress Review	Medium	Progressing Recommendations	There have been improvements, with several recommendations implemented. A feature request has been raised with JADU to implement the Council’s Corporate Retention Schedule, but this remains outstanding.

Follow-up Reports

Month issued	Final Report	Original Risk Rating	Revised Risk Rating	Issues Identified
Apr-23	Commissioning and Monitoring Arrangements – Day Six Provision	High	High	The primary concern from the previous audit was that there were significant weaknesses in the arrangements for commissioning day 6 provision for permanently excluded pupils. These arrangements have now been ceased. As such, the majority of recommendations are no longer applicable. However, no alternative arrangements were in place. Arrangements were being made to rectify this with additional places being commissioned from the City of Birmingham School, and with further places expected to become available as year 11 pupils leave.
Jun-23	One Time payments and Request for Payments	Medium	Low	Our recommendations have been implemented strengthening the process of OTPs and RFPs. Further detailed audit analysis work is taking place to provide assurance that the weakness has not been exploited. This will be reported upon separately.
Jun-23	NNDR Charity Relief - Mandatory and Discretionary	Medium	Low	Our recommendations have been implemented as agreed. Mandatory and Discretionary reliefs awarded now have a review date set. The Mandatory procedure has been reviewed and updated, and a Discretionary procedure devised. Both procedures are available in the Revenues and Benefits Procedures Guide in their SharePoint repository.
Aug-23	DM 360	Medium	Low	The document management 360 Housing system is now live, with the second phase of the project closing in April 2023.
Aug-23	Information Governance	Medium	Medium	Progress has been made towards implementing the recommendations made in our previous Information Governance reports. However, a number of actions remain outstanding, notably progress in strengthening Information Asset Registers have been limited due to the iServer project being abandoned and a new solution using Microsoft Purview being explored.
Sept-23	Engagement of Consultants and Interims	High	Low	In our previous follow-up audit we reported that a Task and Finish Group had been established to review, streamline, and improve the process for engaging consultants and interims, and this would include ensuring that the previous recommendations were implemented. Since that audit, there has been considerable progress. Revised guidance on engaging consultants and interims has been published on the intranet, and the new process is part automated through the completion of an online request form.

Internal Audit Plan 2023/24 - Status

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	Financial Assurance					
	Accounts Payable/Payment Activities (Oracle Processes)	50	10	60		Robust controls are in place for all payment activities
	- One Time Payments and Request for Payments				Final Report Issued	B/F 2022/23 plan
	- CHAPS Payments				In Progress	
	- Data Analysis - One Time Payments				Complete	
	- Key Reporting				In Progress	
	- Statutory Requirements / Submissions				In Progress	
	- Supplier master Data Management				Work Programme produced	
	- Capture - forensic tool				Planning	
	- Proactive Data Analysis - Key Controls				Draft Report	
Financial Core System	Accounts Receivable (Oracle Processes)	50	(10)	40		Monies owed for services rendered are received promptly and debts appropriately and timely progressed.
	- Creation of Customer records				Final Report Issued	B/F 2022/23 plan
	- Non-Invoiced Income Highbury Hall				Final Report Issued	B/F 2022/23 plan
	- Management of Adult Social Care Debts				Draft Report Issued	
	- Raising Invoices - Quality and Accuracy (inc. Interface Files)				In Progress	
	- Debt Recovery				Planning	
Financial Core System	Annual Audit Letter	5		5	Planning	Issues raised within the External Auditors Annual Audit Letter are monitored and actioned.

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
Financial Core System	Asset Management - Fixed Assets	50		50		Fixed assets are accounted for correctly.
	- Capital Receipts – Pooling				Draft Report Issued	B/F 2022/23 plan
	- Commercial Portfolio – Income Generation				Planning	
	- Non-Treasury Investments				In Progress	
Financial Core System	Benefits Service	50		50		Applications are validated in a timely manner and paid accordingly. Accounts are subject to regular review.
	- Atlas Changes - CTS Claims				Planning	
	- Management of Non-Dependants				In Progress	
	- Overpayments				Planning	
	- Documented Procedures				Planning	
Financial Core System	Corporate Payroll (Oracle Processes)	20		20		Pay is accurately calculated, accounted for, and received by staff on timely basis.
	- Starters and Leavers Non Schools				In Progress	B/F 2022/23 plan
	- Starters and Leavers Schools				Final Report issued	B/F 2022/23 plan
	- Overpayments				Final Report Issued	B/F 2022/23 plan
	- Payroll Data Entry and Calculation Reconciliations				Work Programme Produced	
Corporate / Financial Core System	Compliance with HR Policies (including Oracle Processes)	30		30		Human Resources policies and procedures are complied with and correctly reflected on payroll where appropriate.
	- Injury Allowance				In Progress	
	- Hays Pre employment Checks Compliance				APM Issued	
	- Acting Up Pay				Draft Report Issued	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
Financial Core System	Council Tax	30		30		Council Tax payments, less valid deductions, are paid in a timely manner and prompt recovery of outstanding debts take place. All accounts are subject to regular review and monitoring.
	- Recovery and Enforcement Levels				Planning	
	- Exemptions and Discounts				Planning	
Financial Core System	NNDR	30		30		Business Rate payments, less valid deductions, are paid in a timely manner and prompt recovery of outstanding debts takes place. All accounts are subject to regular review and monitoring
	- Recovery and Enforcement Levels				Planning	
	- Suppressions				Planning	
Financial Core System	Financial Management – Control (Oracle Processes)	50		50		Robust financial controls are in place.
	- Financial Controls Review				Planning	
	- Cash Management				Planning	
	- Savings Plans				Planning	
Financial Core system	Treasury Management	20		20	In Progress	The Treasury Management Strategy and Policy is complied with, and treasury processes appropriately controlled.
Financial Core System	Procurement and Contracts	140		140		Procurement and contract requirements are complied with.
	- Capital project – Tame Valley Viaduct Strengthening Works				Final Report Issued	B/F 2022/23 plan
	- Ladywood Regeneration Project (Competitive Dialogue)				In Progress	
	- Third Party Framework Agreements				Final Report Issued	
	- Waivers Procedure				In Progress	
	- Breach Procedure				In Progress	
	- Combined Heating and Power Scheme				In Progress	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	- Manned Security – Contract Management				Final Issued	
	- Capital Contract – Open Book Arrangements				Planning	
Financial Core System	Rent Collection & Charges	25		25		Rent monies owed are collected and early intervention takes place for the recovery of debts.
	- Overall Debt Management				Planning	
	- Management of Credits Balances and Refund requests				Planning	
Financial Core System	Direct Payments	20		20		Direct payments are correctly assessed and paid.
	- Effectiveness of qualitative measures				Final Report Issued	B/F 2022/23 plan
	- Direct Payments				Planning	
Financial Core System	Oracle IT - Controls / Security (Oracle Processes)	30	53	83		Adequate arrangements in place to ensure the effective and secure management of the Oracle Fusion system. Provision of ongoing support.
	- Customisations PaaS				Complete	
	- General IT Controls				Planning	
	- BCC Stabilisation Planning Workshop				In Progress	
	- Go Live Testing - Commercial Support				In Progress	
	- Segregation of Duties				Planning	
	- Oracle Education Workshop				In progress	
	- Commercial Support				In Progress	
	- Oracle Risk Management Cloud				In Progress	
	Subtotal	600	53	653		
	Adults Social Care					
Operational / Regularity / Strategic Risk	Commissioning	15		15		Adequate arrangements are in place in respect of the care providers contract framework.

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	- Commissioning				Final Report	B/F 2022/23 plan
	- Regulated Care				APM Issued	
Operational / Regularity / Strategic Risk	Discharge to Assess	20	(4)	16		Effectiveness of discharge and assessment arrangements to support citizens when they leave hospital.
	- Stage 3: Non-Front Runner Procedures				Cancelled	Following discussions with Assistant Director Adults Social Care identified that Hospital processes being independently reviewed as part of Health lead review. Cancelled to avoid duplication, assurance to be sought from independent review.
	- Compliance with Process and Procedures				Planning	
Operational / Regularity / Corporate	Day Centres	15		15	Planning	Robust procedures are in place and have been implemented to ensure appropriate governance arrangements are in place for the management of Day Centres.
Operational / Regularity	Disabled Facilities Grant (DFG)	20		20		Disabled Facilities Grants are correctly awarded and robust arrangements in place to manage the completion of adaptations.
	- Compliance with procedures for discretionary "Discharge Assistance"				Final Issued	B/F 2022/23 plan
	- Procurement				Planning	
	- Compliance with New Procedures				Planning	
Corporate	Refugee and migration	20		20	Planning	Commissioning of services and contract management arrangements are robust.
Operational / Regularity / Strategic Risk	Transition to Adulthood	20		20	Final Issued	Effective arrangements are in place to support the transition of young people transitioning to adulthood.
Corporate / Strategic Risk	Liberty Protection Standard/Deprivation of Liberty Safeguards	15		15	Planning	Referrals for and assessments of Deprivation of Liberty Safeguards are being robustly and effectively completed.
Operational / Regularity	Funeral Service and Property Service	15		15	In Progress	Management and financial arrangements in place for the Funeral Service and the Property Service are adequate and effective.

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
Strategic Risk	Assessment & Support Planning/Placements	20	4	24		Robust procedures and arrangements are in place for the assessment of packages of care.
	- Consistency of Decision Making				Final Report	B/F 2022/23 plan
	- Shared Lives				In Progress	
	Subtotal	160	0	160		
	Children and Families					
Corporate	Home to School Transport	25		25		Robust controls are in place to manage the Home to School Service.
	- Strategic Review				Final Report Issued	B/F 2022/23 plan
	- Home to School Transport				Planning	
Corporate	SEND Ofsted Improvement Plan	10		10	Planning	The SEND Ofsted Improvement Plan is robustly monitored and managed.
Operational / Regularity	Admissions and Appeals	15		15	Planning	Admissions and appeals are carried out in accordance the Government Code of Practice.
Operational / Regularity / Strategic Risk	Directorate Transformation Programme - Governance controls and delivery	25		25	Planning	Strong governance controls are in place to manage, monitor and deliver the Directorate's Transformation Programme.
Operational / Regularity	Responding to the Challenge of Improving Financial Management in Schools	15	(5)	10	Planning	Local Authority controlled schools are robustly managing their budgets, and the Local Authority has controls assurance in place.
Strategic Risk	Safeguarding	30		30		Robust corporate safeguarding processes are in place.
	- Directorate Compliance - Corporate DBS Process				Final Report Issued	B/F 2022/23 plan
	- Corporate Overview				Planning	
Corporate	SEND - Sufficiency Strategy	15		15		There is a robust strategy to provide sustainable SEND services.
	- Sufficiency Strategy Early Progress Review				Planning	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	- Sufficiency Strategy Assessment				Planning	
Operational / Regularity	Elective Home Education	10		10	Planning	Home Educated Children are safe and receive an appropriate education.
Operational / Regularity	Directorate Commissioning & Contract Management	20		20	Planning	Contract management within the Directorate is effective.
Operational / Regularity	Family Hubs	15		15	Planning	Robust controls over the management and delivery of the programme's expectations.
Operational / Regularity	Contract Monitoring - Birmingham Children's Trust (BCT)	20		20	In Progress	Provide assurance that sufficient controls are in place to monitor and control the work of the BCT.
Operational / Regularity	Early Years Health & Well-being	15	(4)	11	Planning	The EYH&WB Contract is being robustly managed and delivering the services intended.
Operational / Regularity	Children not in Education	20		20	Planning	Children not in education are safe, accounted for and receive an education.
Operational / Regularity	Directorate Complaint Processes	15		15	APM Issued	Robust complaints processes are in place.
Operational / Regularity	School Exclusions	20		20	Planning	The Local Authority monitor school exclusions.
Operational / Regularity	Directorate Business Intelligence Function	15		15	Planning	The Business Intelligence function is delivering its service objectives.
Corporate	Safeguarding & Development - BCSB	20		20		Support the work of the BCSB and provide assurance over safeguarding arrangements.
	- Regional Section 11 Review				In Progress	
	- Right Help Right Time				Final Issued	
Schools	School Visits	540		540		Undertake a programme of school visits to provide assurance on finance and governance arrangements.
	Subtotal	845	(9)	836		
	City Housing					
Operational / Regularity	Tenancy Management Services	20		20	In Progress	Tenant Management arrangements are effective.

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
Strategic Risk	Homelessness	35		35		Focus will be on Temporary Accommodation Finance Management and the arrangements for responding to Ombudsman Homelessness cases.
	- Accommodation Finding Team				Final Report Issued	B/F 2022/23 plan
	- Temporary Accommodation Finance				Draft Report	
	- Local Government Ombudsman - Homelessness Cases				In Progress	
Strategic Risk	Stock Condition Data	20		20	Planning	Appropriate arrangements have been established to assess the condition of the City's housing stock.
Operational / Regularity	Response to City Housing Self-Assessment	15		15	Planning	Self-assessment has been robustly completed, and for issues identified, appropriate action has been taken.
Operational / Regularity / Strategic Risk (funded by HRA)	Repairs	150		150		Support for ongoing Whistleblowing allegations and provide assurance over service delivery processes and procedures
	- Responsive Repairs - Voids - Gas R&M				In progress	
	- Job bookings and planning				Planning	
	- Ongoing response				Ongoing	
	Subtotal	240	0	240		
	City Operations					
Corporate	Waste Management	25	-10	15	Planning	Arrangements and procedures for delivering an effective waste management service.
Operational / Regularity	Enforcement - Litter and Fly Tipping	10	10	20	APM Issued	Effectiveness of litter and fly tipping enforcement procedures.
Corporate	Resilience				Final Report issued	B/F 2022/23 plan
Operational / Regularity	Environmental Health				Final Report issued	B/F 2022/23 plan

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
Operational / Regularity	Grounds Maintenance - Performance Reporting				Final Report Issued	B/F 2022/23 plan
Operational / Regularity	The Wellbeing Service				Final Report Issued	B/F 2022/23 plan
	Subtotal	35	0	35		
	Council Management					
Operational / Regularity	Acivico Contract Monitoring	20		20	Planning	Contract monitoring is robust.
	- Reactive Maintenance				Final Report Issued	B/F 2022/23 plan
	- Contract Monitoring				Planning	
Operational / Regularity	Accountable Body	30		30	Planning	Discharge of accountable body responsibilities.
Governance	Ethics	10		10	Planning	Robust of ethical arrangements to support an honest and fair organisation.
Governance	Risk Management	10		10	Planning	Verify that the risk management framework is appropriate and being implemented across the organisation.
Governance	Governance	20		20	Planning	Robustness of governance arrangements.
Governance	Self-Assessment – Annual Good Governance Statement (AGS) Process	10		10	Planning	Appropriate arrangements are in place to produce a supportable AGS.
Technical	IT Policies	20		20	APM Issued	The Council's IT policy framework is adequate and there is suitable programme in place to review and updated policies and monitor compliance.
Technical	IT Project Governance	15		15	Planning	Robust IT project governance is in place to ensure that projects are delivered on time, within budget and to the required standards.
Technical / Strategic Risk	Information Governance	20		20	Planning	Adequate security and controls are in place to ensure compliance with The General Data Protection Regulations (GDPR) obligations.

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
Technical	Digital Strategy	20		20	Planning	The key themes of the strategy are being delivered in line with the stated outcomes of the ICTD Strategy implementation plan, and key milestones are being achieved.
Technical	IT Applications	30		30		Adequate arrangements in place to ensure the effective and secure management of the applications.
	- Treasury Management				Final Report Issued	B/F 2022/23 plan
	- CIVICA Pay				Final Report Issued	B/F 2022/23 plan
	- RBIS				In Progress	B/F 2022/23 plan
	- PCI				Draft Report Issued	B/F 2022/23 plan
Technical / Strategic Risk	Cyber Risks	20		20		Adequate security and cyber security controls are in place.
	- Ongoing Engagement				Ongoing	
	- Schools Cyber Security				APM Issued	
Technical	IT / Digital Projects	40	(40)	0		Effective project governance and management arrangements are in place to support the implementation of individual projects.
	Subtotal	265	(40)	225		
	Place, Prosperity and Sustainability					
	Enterprise Zones	20		20	Planning	Adequate management arrangements in place for the EZ programme.
Strategic Risk	Clean Air	10	2	12		Adequate arrangements / strategies are in place to ensure the council / city will achieve net zero carbon by 2030.
	- Air Quality - Climate				Final Report Issued	B/F 2022/23 plan
	- Clean Air Zone				In Progress	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
Strategic Risk	Housing Development	15		15	APM Issued	Verify that effective arrangements have been established to develop and improve housing across the city.
Operational / Regularity	Planning Applications	20		20	Planning	Planning applications are controlled and processes in line with statutory guidelines.
	Subtotal	65	2	67		
	Strategy, Equalities and Partnerships					
Corporate	Cost of Living programme	15		15	Work Programme	Effective support arrangements are being implemented.
Strategic Risk	Public Health	30		30		Delivery of NICE requirements. Effectiveness of finance and operations.
	- Adherence to NICE guidelines NG44				In Progress	
	- Financial Management of grant allocations for non-recurrent external funding				In Progress	
	- Recruitment Practice – Compliance with Corporate Requirements and Processes				Work Programme	
Strategic Risk	Equality and Cohesion - Detailed Review of EINAs				Final Issued	B/F 2022/23 plan
	Subtotal	45	0	45		
	Fraud / Irregularities					
Counter Fraud	Investigations	350		350		Reactive fraud investigation
Counter Fraud	Awareness	150		150		Targeted training and anti-fraud awareness
Counter Fraud	Proactive / compliance	200		200		Proactive antifraud / compliance reviews
	Subtotal	700	0	700		
	Chargeable					
External	Work for Acivico	40		40		External work.
External	Grant Certification / chargeable work	80		80		External work.
	- GBSLEP Growth Hub Grant Certification				Complete	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	- Troubled Families April 2023 PBR Claim				In progress	
	- Bordesley Green East				Complete	
	- Family Funds Grant				Complete	
	- Troubled Families June 2023 PBR Claim				Complete	
	- Regional Investigations Team Grant Certification				In Progress	
	- Operation Beorma Grant Certification				In Progress	
	Subtotal	120	0	120		
Risk Facilitation	Risk Management Facilitation	50		50		Facilitation of risk management and the strategic risk register.
Ad-hoc / contingency / Other Assurance	Partnering / Insight / Contingency	470	(8)	462		Partnering / insight / contingency. 8 days moved to Oracle.
	- Ad-hoc Work - Clean Air Zone Management of Charges - Decision Making Process				Complete	
	- DBS Checks: Assisting with Implementation of KPMG Recommendations				In Progress	
	- HTST Safeguarding Steering Group				In Progress	
	- SEND Ofsted Improvement Plan On-going Monitoring				In Progress	
	- Early Intervention Community Team - Stage Two Review				In Progress	
	- Public Health - COMF Funding 22-23				Complete	
	- Public Health - COMF Funding 23-24				Planning	
	- Ad-hoc Work Queries Advice to Client - Queries Taking Under Half a Day				Ongoing	
	- Ad-hoc Work - ENAs				Complete	
	- Youth Service Recruitment Processes				APM Issued	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	- Family Group Conferencing Team				In Progress	
	- WMS Service Delivery Monitoring				Ongoing	
	- Ad-hoc Work - Banking Briefing Note				Draft Issued	
	- Ad-hoc - City Housing: Procuring Temporary Accommodation Project				In Progress	
	- Children and Families - Developing Local Provision					
	- Leadership Forum					
	- Recruitment Agencies and 3rd Party Suppliers					
Follow up	Follow up work	175		175		Follow ups – verify progress and implementation of agreed recommendations
	- Assessment & Support Planning				Final Report Issued	B/F 2022/23 plan
	- Day Centres				Final Report Issued	B/F 2022/23 plan
	- IT Applications JADU				Final Report Issued	B/F 2022/23 plan
	- Placements - Supported Living				Final Report Issued	B/F 2022/23 plan
	- Commissioning and Monitoring Arrangements – Day Six Provision				Final Report Issued	B/F 2022/23 plan
	- Accounts Payable - One Time Payments and Request for Payments				Final Report Issued.	
	- Waste Management – Performance Reporting				Work Programme Produced	
	- NNDR Charity Relief – Mandatory & Discretionary				Final Report Issued	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	- Engagement of Consultants-Interims				Final Report Issued	
	- Placements – Discharge to Assess				Work Programme Produced	
	- Fleet Services – External Review				Work Programme Produced	
	- Enablement and Home Care				Work Programme Produced	
	- HTST - Early Progress Review				Final Report Issued	
	- Day Centres				Planning	
	- BACS				Planning	
	- Document Management 360				Final Report Issued	
	- Information Governance				Final Report Issued	
	- General Data Protection Regulation (GDPR) Compliance E&S				In Progress	
	- General Data Protection Regulation (GDPR) Compliance City Operations				In Progress	
	- Data Breach Travel Assist				In Progress	
	- General Data Protection Regulation (GDPR) Compliance City Housing				Draft Report	
	- GDPR compliance - Adult Social Care				Work Programme	
	- IT Asset and Configuration Management				Planning	
	- IT procurement				In Progress	

Category	Activity	Original Plan	Adj	Current Days	Status	Scope of Planned Work / Assurance Sought
	- Logotech - Treasury Management				Planning	
	- IT Governance				Planning	
	- Impulse				In Progress	
	- MAPPS				Planning	
	- IT Operations				In Progress	
	- IT Projects - Home to School Transport 365				Planning	
	- IT Applications JADU				Planning	
	- Carers Support Pathway First Progress Review				Work Programme	
	- Implementation of Corporate DBS Policy				Work Programme	
	- Transitions and Preparation for Adulthood Service First Progress Review				Work Programme	
	- Non School Properties on Education Land				Work Programme	
Other Assurance	Data Analysis	200		200		Data analysis / data driven assurance
	City Initiatives / Information Requests	20		20		Corporate initiative / responding to information requests
	Subtotal	915	(6)	909		
	Grand total	3990	0	3990		

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: Audit Committee

Report of: Assistant Director, Audit & Risk Management

Date of Meeting: 18th October 2023

Subject: Risk Management Update

Wards Affected: All

1. Purpose of Report

- 1.1 To update Members on the management of strategic risks and implementation of the Risk Management Framework.

2. Recommendation

Audit Committee Members:

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

3. Risk Management Framework

- 3.1 The Risk Management Framework sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all organisational levels.
- 3.2 The framework is implemented through a network of Directorate Risk Representatives. Risk representatives assist directorate management teams in producing and maintaining up-to-date risk registers and supporting action plans.
- 3.3 Strategic risks are reviewed and challenged through the Corporate Leadership Team.

4. Strategic Risk Register

4.1 The Strategic Risk Register is reviewed monthly. CLT have proposed:

- Removing risk 7.6 – Supply Chain Disruption.
- Reinstating risk 7.3 around Workforce with more emphasis on the retention and recruitment of talent This had been raised in a number of annual assurance certificates as a key issue.

4.2 The register will be reviewed in the context of recent events e.g. Section 114 impact.

4.3 The revised strategic risks have been plotted on a heat map within Appendix A and are summarised within Appendix B. The profile of the strategic risks, against each 'PESTLE' category is given below:

Residual Risk Exposure	Severe	Material	Tolerable	Total
SR1 - Political				
SR2 - Economical	2			2
SR3 - Social		4	1	5
SR4 - Technological	1	2		3
SR5 - Legal	5		1	6
SR6 - Environmental	3	1		4
SR7 - Cross Cutting	1	3	1	5
totals	12	10	3	25

4.4 Seven risks remain with a High / High residual likelihood and impact score including the Oracle Implementation and Equal pay risks added earlier this year.

4.5 Assurance on the management of these risks has been provided, or is scheduled on the Committee's work programme, via the Cabinet Member Assurance Sessions.

4.6 Risks are assigned weightings according to the definitions set out in the Strategic Risk Management Framework as follows:

Measures of likelihood:

Description	Example Detail Description
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.
Medium	Possible, might occur at some time. 20% - 50% chance.
Low	Unlikely, but could occur at some time. Less than 20% chance.

Measures of impact:

Description	Example Detail Description
High	Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs

	and/or reputation. Very difficult to recover from and possibly requiring a long-term recovery period.
Significant	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Serious impact on output and/or quality and reputation. Medium to long term effect and expensive to recover from.
Medium	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
Low	Minor loss, delay, inconvenience or interruption. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.

5. Directorate Risks

- 5.1 Each Directorate maintains their own risk registers. These Directorate risk registers contain the operational risks facing the Council and are managed at a local level.
- 5.2 The top operational risks are being captured as part of the ongoing corporate business planning process and will be subject to a similar level of scrutiny as Strategic Risks. This will include reporting all significant operational risks to the Audit Committee.
- 5.3 One operational risk has been escalated relating to the need to strengthen financial controls and appoint a Financial Controller.

6. Role of the Audit Committee

- 6.1 Members have a key role within the risk management and internal control processes.
- 6.2 The Audit Committee terms of reference, sets out its responsibilities and in relation to risk management these are:
- providing independent assurance to the Council on the effectiveness of the risk management framework and the associated control environment;
 - whether there is an appropriate culture of risk management and related control throughout the Council;
 - to review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management; and
 - to give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.

7. Legal and Resource Implications
7.1 The work carried out is within approved budgets.
8. Equality Impact Assessment Issues
8.1 Risk management forms an important part of the internal control framework within the Council.
8.2 The Council's risk management framework has been Equality Impact Assessed and was found to have no adverse impacts.
9. Compliance Issues
9.1 Decisions are consistent with relevant Council Policies, Plans and Strategies.

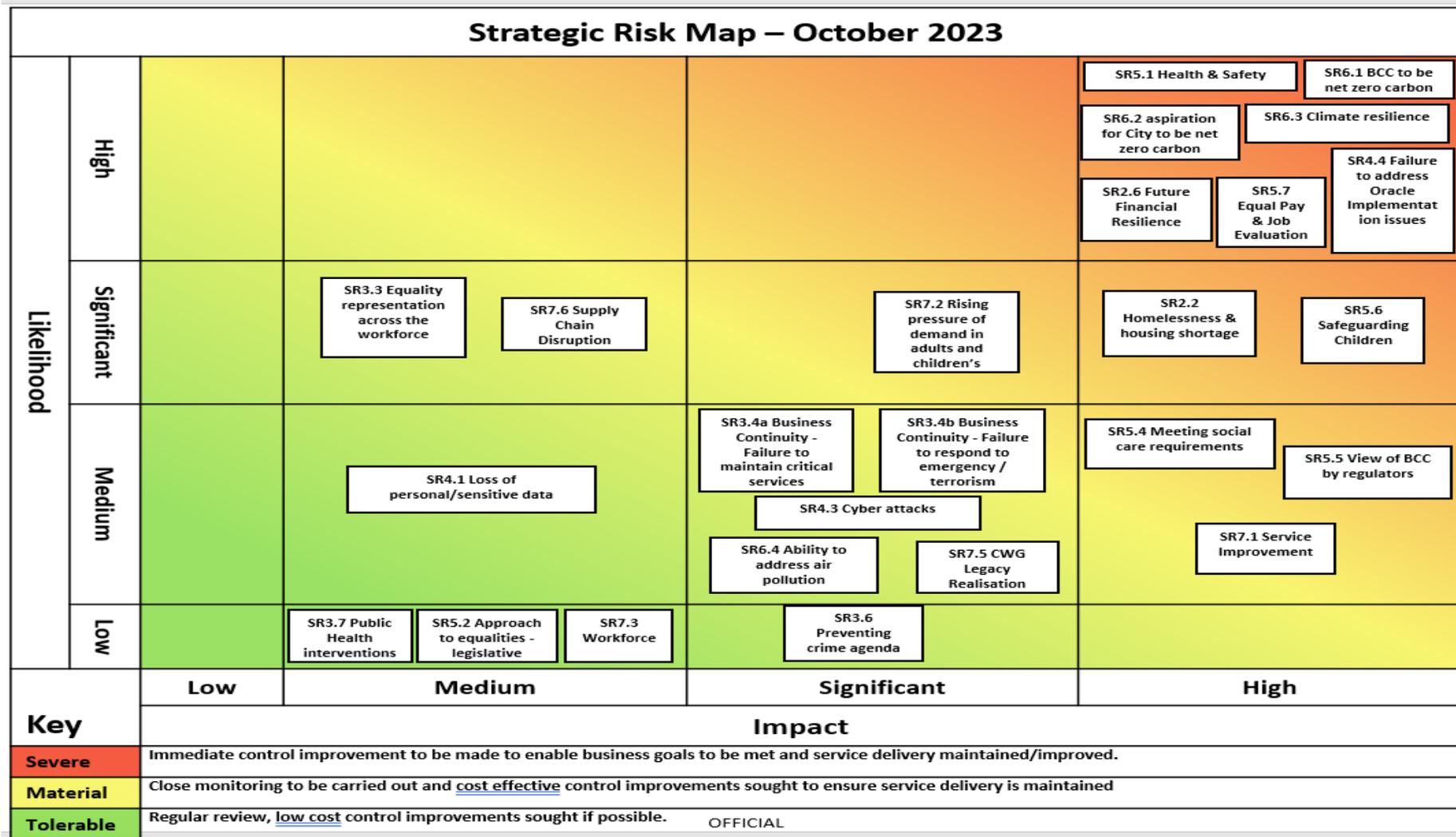
Sarah Dunlavey

Assistant Director, Audit & Risk Management

Telephone No: 0121 675 8714

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

Risk Heat Map



Strategic Risk Register Summaries

Strategic Risk 2.2

Risk Title: Increase in housing demand due to homelessness and reduction in affordable housing delivery

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				<u>Total</u>
				Red	Amber	Green	Not Rated	
Severe	Severe	Material	↔	0	6	1	0	7

Risk Description: The Right to Buy, the demolition of low-quality homes, and limits on replacing them with new, affordable homes at the same rate have all contributed to the reduction of council housing stock over time, resulting in an overall net year-on-year decrease. The demand for affordable housing is continually rising due to an increase in homeless presentations, affordability, and limited alternative housing options. The Council's statutory requirement to keep a housing register currently has around 20,700 households in need of housing. Rising private sector rents and housing costs make affordability a pressing issue, placing pressure on the limited supply of affordable housing. The gap between affordable housing availability and demand is increasing the need for Temporary Accommodation, which will house people until permanent homes can be found, at a significant cost to the Council.

Strategic Risk 2.3

Risk Title: Future Financial Resilience

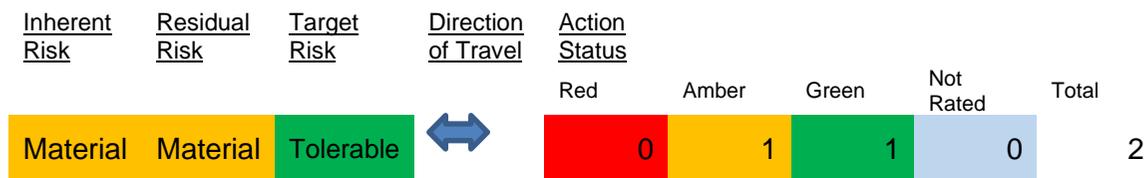
<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				<u>Total</u>
				Red	Amber	Green	Not Rated	



Risk Description: Economic factors affect the ability of the Council to deliver its objectives, including economic drag post-pandemic, supply chain issues, demand for gas and oil and the war in the Ukraine, with the resulting cost of living crisis causing an increase in those requiring our support and services. Brexit scenarios, property market, treasury management risks, contractor collapse etc. The nature of Government funding results in uncertainty of future income streams e.g. fair funding review and business rates retention; school funding including special education needs, medium term funding for the Public Sector is being squeezed as central Government attempts to bring down the cost of borrowing.

Strategic Risk 3.3

Risk Title: Council services are detrimentally impacted by a representation gap across the workforce



Risk Description: The staffing within the council does not reflect the demographic make up of the city which can impact on services received by citizens.

Strategic Risk 3.4a

Risk Title: Risk of significant disruption to Communities and failure to effectively manage and respond to emergencies, including acts of terrorism.

<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>	Total
			Red Amber Green Not Rated	

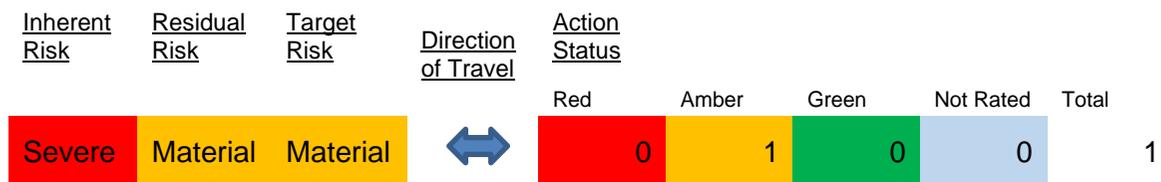


Risk Description: Risk of significant disruption and impact on our communities from an Emergency and the Councils inability to respond proactively and effectively to an incident and emergency, including acts of terrorism.

BCC is a Statutory responder and provides a range of statutory services many of which directly impact the life and wellbeing of people in Birmingham. As an equal responder, with significant duties and resources, it is critical that BCC is able to deliver a response to all types of incidents.

Strategic Risk 3.4b

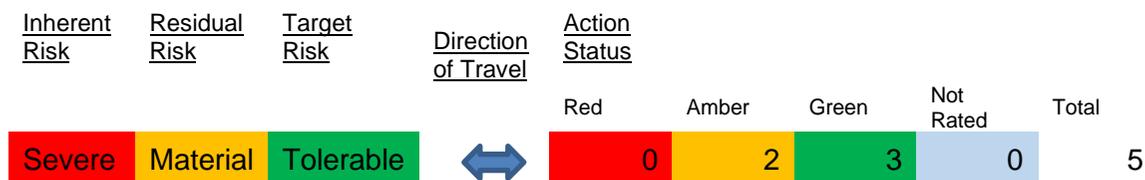
Risk Title: Risk of significant disruption to Council services (Business continuity) and failure to effectively manage and respond to emergency incidents, including acts of terrorism.



Risk Description: Risk of significant disruption to Council services and failure to effectively manage and respond to emergency incidents, including acts of terrorism. BCC is a Statutory responder and provides a range of statutory services many of which directly impact the life and wellbeing of people in Birmingham. Identifying and continuing to deliver our priority activities is both essential and a legal requirement.

Strategic Risk 3.6

Risk Title: Inability to effectively influence the preventing crime agenda



Risk Description: The Crime and Disorder Act 1998 gave local authorities and Police services duties to work together to develop crime and disorder audits and implement reduction strategies and work in partnership with other agencies, to set up a Community Safety Partnership (CSP) – to tackle the identified problems.

Risk - Failure to comply with statutory obligations in relation to as set out in section 5 -7 of the Crime and Disorder Act 1998. These being:

- Work together to form and implement strategies to prevent and reduce crime and anti-social behaviour, and the harm caused by drug and alcohol misuse. This will include producing an annual plan.
- Produce plans to reduce reoffending by adults and young people
- Manage the Community Trigger process
- Commission Domestic Homicide Reviews
- Engage and consult with the community and identify their priorities.
- Serious Violence – this is a new duty which will sit with Community Safety Partnership

Strategic Risk 3.7

Risk Title: Public Health approach to early interventions ineffective

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				<u>Total</u>
				Red	Amber	Green	Not Rated	
Severe	Material	Tolerable	↔	0	1	4	0	5

Risk Description: There is strong evidence that public health interventions do have sustained and long term impacts in reducing the burden of ill health and demands on both health and social care services, however the recurrent national cuts to the ring-fenced public health grant, tensions around the use of the grant resources, reduction in specialist public health capacity within the Council and the instability in the public health leadership within the Council presents a risk that these impacts will not be achieved and ultimately the inequalities in the city will continue to expand and compound leading to higher costs and unsustainable public services.

Strategic Risk 4.1

Risk Title: Loss of personal and sensitive data

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				<u>Total</u>
				Red	Amber	Green	Not Rated	
Material	Material	Tolerable	↔	0	0	4	0	4

Risk Description: There is a risk that the loss of significant personal or other sensitive data may put the City Council in breach of its statutory responsibilities and incur a fine up to £20million or 4% of our global turnover (£120 million) (whichever is higher) from the Information Commissioner Office (ICO).

Strategic Risk 4.2

Risk Title: Risk of Cyber Attacks

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				<u>Total</u>
				Red	Amber	Green	Not Rated	
Material	Material	Material	↔	0	0	3	0	3

Risk Description: There is a risk that our services to customers are disrupted by malicious attacks (Ransomware, Malware, Phishing, DDoS, Advance Persistent Threat (APT), Hacking, lack of resources to protect BCC) on our computer systems and/or web services.

Strategic Risk 4.2

Risk Title: Failure to resolve issues associated with Oracle implementation is damaging the Council’s reputation and relationships

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>
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Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status	Total			
				Red	Amber	Green	Not Rated	
Severe	Severe	Tolerable	NEW	0	4	1	0	5

Risk Description: The implementation of a new ERP system has resulted in numerous key processes not working as expected. This is impacting on schools and external audit as well as internal teams and resulting in distrust across officers, partners and Members. The Council’s annual accounts are impacted and schools are unable to finalise their accounts. Manual workarounds are resulting in increased operational costs.

Strategic Risk 5.1

Risk Title: The significant Health and Safety Factors associated to the property & asset portfolio and in relation to the activities that we undertake whilst delivering the services BCC provide

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status	Total			
				Red	Amber	Green	Not Rated	
Severe	Severe	Material	↔	3	6	3	0	12

Risk Description: BCC Employees and those others for which we owe a duty of care (members of the public, contractors, tenants etc.) could suffer serious injury, illness or fatality arising from a lack of compliance with health and safety regulations and / or poor risk management. The consequence of such could also lead to litigation and enforcement action for the organisation, individual directors, managers or other officers and could also lead to considerable reputational damage. This section of the register therefore considers how we respond to changes in legislation, our continued ability to manage an ageing property and asset portfolio, how local expectations are communicated, duties are discharged, and the necessary competencies necessary to reduce risk to tolerable levels.

Strategic Risk 5.2

Risk Title: Ineffective approach to Equalities and Cohesion work

Inherent Risk	Residual Risk	Target Risk	Direction of Travel	Action Status	Total			
				Red	Amber	Green	Not Rated	
Severe	Tolerable	Tolerable	↔	0	2	1	0	3

Risk Description: Failure to comply with all the requirements of the Equality Act 2010 and the Public Sector Equality Duty. Consequences leading to Equal Pay claims.

Strategic Risk 5.4

Risk Title: Inability to fully meet social care requirements

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				Total
				Red	Amber	Green	Not Rated	
Severe	Severe	Tolerable	↔	0	2	0	0	2

Risk Description: To include Safeguarding Adults

Strategic Risk 5.5

Risk Title: View of BCC by Regulators

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				Total
				Red	Amber	Green	Not Rated	
Severe	Severe	Tolerable	↔	0	5	2	0	7

Risk Description: The Care Quality Commission (CQC) regulated Adult Social Care services, run by BCC, are the three care centres and the home care enablement services. DfE and Ofsted assessment of children services. There is a further risk that following the BCC Ofsted CQC SEND re-visit, BCC is found to be ineffective in the delivery of SEND services, which could result in another directive from the DfE for the services being removed from the control of the local authority. SEND Commissioner report now published, expressing conditional confidence in BCC delivering the SEND Services without the move to a trust. The programme is progressing well, in December the 12 months evaluation of the programme will be conducted by DfE and NHS.

Strategic Risk 5.6

Risk Title: Safeguarding Children

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				<u>Total</u>
				Red	Amber	Green	Not Rated	
Severe	Severe	Tolerable	↔	0	1	0	0	1

Risk Description: Not responding fully and effectively to the improvement agenda for Children. Failure to improve children’s safeguarding and children’s social care.

Strategic Risk 5.7

Risk Title: Equal Pay and Job Evaluation

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				<u>Total</u>
				Red	Amber	Green	Not Rated	
Severe	Severe	Tolerable	NEW					

Risk Description

There is a risk that Equal Pay liabilities materialise at an estimated £650m - £760m and that the Council is unable to mitigate this level. Job Evaluation needs to be completed by April 2025 to prevent further liability accruing.

Strategic Risk 6.1

Risk Title: Birmingham City Council to be net zero carbon by 2030

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>	Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	↔		0	0	0	4	4

Risk Description: The Council fails to lead by example and does not achieve net zero carbon by 2030.

Strategic Risk 6.2

Risk Title: Council aspiration for the City to be net zero carbon by 2030

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>	Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	↔		0	4	0	0	4

Risk Description: The Council fails to support city wide decarbonisation.

Strategic Risk 6.3

Risk Title: A climate resilient and adapted Council and city

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>	Red	Amber	Green	Not Rated	Total
Severe	Severe	Material	↔		0	4	3	0	7

Risk Description: Failure to assess and prepare the Council for risks posed by climate change and City wide resilience and adaptation measures.

Strategic Risk 6.4

Risk Title: Non-compliance with statutory obligations relating to the enforcement of legal limits for air pollutants.

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				Total
				Red	Amber	Green	Not Rated	
Material	Material	Material	↔	0	3	1	0	4

Risk Description: A risk of legal action for failing to comply with two ministerial directions (Dec 2017 and March 2019) which compel the Council to address the levels of roadside nitrogen dioxide (NO2) which have persistently been above the legal limit at a significant number of locations across the city. The ministerial directions require the Council to implement plans that achieve compliance in the shortest possible time. The impact of any successful legal action taken against the Council for failing to comply with the directions could be material.

Strategic Risk 7.1

Risk Title: Service Improvement

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				Total
				Red	Amber	Green	Not Rated	
Severe	Material	Tolerable	↔	0	3	1	0	4

Risk Description: Continuous improvements to council services are required in order to deliver the best outcomes for our residents and communities while delivering against the commitments set out in our Corporate Plan and Medium-Term Financial Plan. Failure to deliver these improvements could result in unacceptable outcomes for residents, financial implications for the Council and the return of adverse inspection findings and /or potential interventions in the Birmingham system from central government.

Strategic Risk 7.2

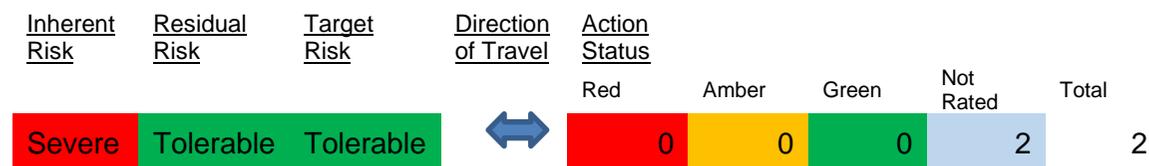
Risk Title: Rising pressure of demand



Risk Description: Rising demand for services negatively impacts on the Council’s priority outcomes.

Strategic Risk 7.3

Risk Title: Workforce



Risk Description: There is a risk that BCC fails to attract, recruit, retain and develop a suitably skilled, experienced and talented workforce to deliver our services to communities and continue to develop and improve the organisation.

Strategic Risk 7.5

Risk Title: Birmingham 2022 Commonwealth Games Legacy Realisation

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				Total
				Red	Amber	Green	Not Rated	
Material	Material	Tolerable	↔	1	2	2	0	5

Risk Description: Failure to meet BCC’s Legacy Strategy objective to ensure a long lasting and sustainable, positive benefit for the City, its citizens and communities as a result of hosting the Birmingham 2022 Commonwealth Games, caused by:

- Misalignment of the Legacy strategy with BCC’s longer-term vision for the City.
- A poor strategic narrative.
- Failure to identify and capitalise on legacy opportunities arising from the CWG.
- Failure to stimulate economic growth through investment in social and economic infrastructure.
- Low uptake of community participation.
- Lack of influence over Games Partner legacy programmes and development of the Integrated Legacy Plan.
- Inadequate evaluation criteria and delivery frameworks for legacy benefits capture and realisation.
- Lack of ownership of legacy outcomes and sustained performance in the years after the Commonwealth Games.

This may lead to BCC incurring a low economic and social return on investments, as well reputational damage.

Strategic Risk 7.5

Risk Title: Supply Chain Disruption – **Nominated for deletion**

<u>Inherent Risk</u>	<u>Residual Risk</u>	<u>Target Risk</u>	<u>Direction of Travel</u>	<u>Action Status</u>				Total
				Red	Amber	Green	Not Rated	
Severe	Material	Tolerable	↔	0	4	1	0	5

Risk Description: Global supply chain disruption impacting on delivery, performance and increased costs.

Escalated Operational Risks

Risk Title: Financial Controls

High

Risk Description: Historically (pre Oracle) financial control has not been strong, and there was no dedicated financial controller in the finance operating model. In the legacy SAP system financial control weaknesses were mitigated by customisations. In Oracle these risks were not mitigated by the new systems and have been compounded by the failing customisations in Oracle. The risks include lack of monthly assurance of key controls, poor quality of data production, backlogs, and potential fraud controls

Public Report

Birmingham City Council

Report to Audit Committee

18 October 2023



Subject: Response to Statutory Recommendations from External Auditors Grant Thornton

Report of: Fiona Greenway, Interim Director of Finance and Section 151 Officer

Relevant Cabinet Member: Councillor John Cotton

Relevant O &S Chair(s): Councillor Sir Albert Bore – Co-ordinating

Report author: Mohammed Sajid, Head of Financial Strategy

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

- 1.1 On Friday 29th September 2023, the Council's External Auditors Grant Thornton issued Statutory Recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act 2014. These recommendations are contained with the report titled 'Birmingham City Council External Audit 2020-21 to 2023-24' and can be found within Appendix 1.
- 1.2 The report presented for discussion at Full Council on 12th October 2023 is attached as Appendix 2

1.3 That report addresses the twelve statutory recommendations contained within the External Auditors report. Within this paper the Council outlines the steps that will be taken against each of the recommendations, identifies accountable owners for delivery of these steps both from an Officer and Member perspective, and then provides an overarching recommendation to accept and acknowledge the recommendations issued by the External Auditors.

1.4 Delivery against these recommendations is crucial for financial sustainability and effective governance for Birmingham City Council. The issues raised within the External Auditor's report are significant enough to have caused them to use their statutory powers. Addressing these recommendations will re-affirm a basis for sound financial management and effective governance within the Council and provide a platform from which we can address the broader challenges facing the Council and City as a whole.

2 Recommendations

2.1 Members are asked to note and consider the paper being presented for Full Council. The following recommendations are being considered at Full Council:

2.2 Full Council is recommended to:

- a) Note the contents of the report presented to Full Council on 12 October 2023
- b) as agreed by Full Council, that that the Audit Committee receives updates on progress against the recommendations and actions within this report on a regular basis.

A. Background – Statutory Recommendations

3.1 Statutory Recommendations under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 refer to formal advice issued by the External Auditor. These recommendations require the Council to discuss and respond publicly to the report.

3.2 Appendix 2 is the report presented to Full Council on 12 October 2023.

4 Consultation

- 4.1 Relevant officers and Members across the Council have been consulted in preparation of the attached report.

5 Risk Management

- 5.1 Financial and legal risks are considered within this report, with all relevant considerations included within the content itself.

6 Compliance Issues:

6.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 6.1.1 Sound financial management, governance underpins all the Council's priorities, plans and strategies.

6.2 Legal Implications

- 6.2.1 The Council will comply with all relevant legal requirements and obligations in implementing the recommendations, including conducting independent reviews and ensuring transparency in decision-making processes.

6.3 Financial Implications

- 6.3.1 The Council will allocate the necessary resources and budgets to execute the recommended actions effectively. The cost implications will be detailed in the updated budget for 2023/24 and future years.

6.4 Procurement Implications

- 6.4.1 There are no procurement implications directly arising from this report or its recommendations.

6.5 Human Resources Implications

- 6.5.1 There are no human resources implications directly arising from this report or its recommendations.

6.6 Public Sector Equality Duty

6.6.1 The Council will ensure that all actions taken in response to these recommendations are in line with the Public Sector Equality Duty, promoting fairness and equality for all residents and employees.

7 Appendices –

Appendix 1: Birmingham City Council External Audit 2020-21 to 2023-24 – External Audit report dated Friday 29th September 2023.

Appendix 2: Report presented to Full Council 12 October 2023.

Birmingham City Council External Audit 2020-21 to 2023-24

Statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014

Introduction

Birmingham City Council is currently facing a number of issues, each one of them significant enough to have caused any other council significant financial challenge. The fact that all of these issues are impacting upon the Council at the same time is of such significance that in our view it has destabilised the Council's financial position. Following a period of dialogue, we challenged the Council with regard to these matters in our email to the Council dated 1 September 2023. The extent of these issues prompted its Interim Director of Finance (Section 151 Officer) to issue a Report under Section 114(3) of the Local Government Finance Act 1988 (the s114 report) on 5 September 2023.

The use of the s114 power is relatively rare to local government. The use of this power was required as the Section 151 Officer has assessed that the Council is in a negative General Fund position when the full liabilities arising from its Equal Pay agenda are recognised. The Section 151 Officer considers that the Council has insufficient resources to meet these liabilities and other known future financial pressures, set out later in this report, and that it is not currently able to agree measures to address this position. An extraordinary meeting of the Council held on 25 September 2023 confirmed the Section 151 Officer's opinion.

As the Council's external auditor, we have been closely engaged with senior officers and leading members as the Council has sought to respond to the issues it is facing. Due to outstanding enquiries on equal pay and other matters we delayed the completion of our 2020/21 and 2021/22 financial statements audits and have yet to issue our audit opinions. We have yet to receive financial statements for 2022/23 due to issues with the Oracle ledger system implementation.

As part of our audits, we have made regular requests to officers to confirm the equal pay liability. On each occasion up to March 2023 we were provided with assurances, documentation and supporting information by officers which confirmed their view that the provisions in the draft 2020/21 and 2021/22 financial statements (of £150 million and £121 million respectively) were adequate. In attempting to conclude our audit of these financial years we continued to make enquiries into the Council's equal pay liabilities and were informed in March 2023 that the Council may have an additional equal pay liability but that the Council was not able to fully quantify the amount. Officers confirmed to us in May 2023 that the Council had further equal pay liabilities that were substantially in excess of these provisions and accumulated to an estimated current liability of up to c£760 million.

Once the level of the equal pay liability was confirmed we liaised closely with the Council to ensure that it put in place an appropriate job evaluation process and responded to the future financial pressures. We note that the choice of a job evaluation process has been a difficult and prolonged process. In our view however this process has taken longer than needed. We will report separately on this matter, along with our review of the Council's decision-making process since 2017 that has led to the equal pay liability.

We welcome publication of the s114 report on 5 September 2023 and the subsequent s114 and s5 reports on 21 September 2023. Equally, we welcome the announcement on 19 September 2023 of the Secretary of State (Department of Levelling Up, Housing and Communities) that he is considering exercising the powers of direction available to him under sections 15(5) and (6) of the Local Government Act 1999 in relation to the Council's compliance with the Best Value duty. Notwithstanding the actions that the Council must now take in response to the recent s114 and s5 reports and the possible intervention of the Secretary of State, we consider that some matters are of such urgency that they require immediate consideration and response from the Council in order to ensure that its financial position is safeguarded and that appropriate governance is applied to the Council's affairs. These matters are of such significance that they require us to make 'statutory recommendations' under Schedule 7 of the Local Audit and Accountability Act 2014 (the Act).

This report therefore sets out a number of statutory recommendations across a wide range of areas where we consider urgent action is needed by the Council. Due to the significance of the matters referred to in the s114

and s5 reports, in the announcement of the Secretary of State, and in the following paragraphs of this report, we consider that further application of our formal audit powers may be warranted if the Council does not deliver an appropriate job evaluation process, does not secure its financial stability, does not ensure its financial reporting system is adequate for its needs, does not ensure appropriate governance arrangements, or if its response to the statutory recommendations in this report are not adequate.

We note that the City Council, in large part, has acknowledged its acceptance of our recommendations [as provided in draft form to the Council] and commented that it wishes to continue to work in partnership with the external auditor and the proposed Commissioner to drive the changes needed to place the City Council on a firmer financial footing and to improve both governance and performance.

Statutory recommendations under Schedule 7

Statutory recommendations are a power available to external auditors of local authorities, who act under the Local Audit and Accountability Act 2014 and the National Audit Office (NAO's) Code of Audit Practice. They are reserved for more significant audit matters, as they are required to be sent to the Secretary of State for Levelling Up, Housing and Communities and must be considered at a public meeting of the Council within one month of the recommendations being sent to the Council.

At the public meeting, the Council must decide:

- whether the recommendations are to be accepted, and
- what, if any, action to take in response to the recommendations.

The Council must subsequently notify us of its decisions and publish a notice containing a summary of its decisions which has been approved by us.

Background to the statutory recommendations

The following paragraphs set out succinctly why we consider such recommendations are required at this time. The issues behind the recommendations are significant and complex and hence, for expediency are set out in summary in this report. We anticipate further, more detailed external auditor reporting of the matters to follow, when the situation for us to report is less urgent.

Equal Pay

The Council's current Equal Pay (EP) agenda is one of the most significant challenges that any council in England has ever faced. Previous historical EP payments at the Council have been significant (exceeding £1 billion) and, over the last six months, we have become aware of factors that arose between 2017 to today, that have driven further claims, with a value currently estimated by officers of up to £760 million. We note that this is an estimate by officers and consider that the actual liability may be in excess of this value (see later in this report).

Officers have identified that, putting in place an effective Job Evaluation (JE) methodology and implementing subsequent collective agreement with the Trade Unions by 1 April 2025 is essential if the Council is to be financially sustainable. They have also identified that the matter is highly time-sensitive, as the liability is estimated to grow by up to c£14 million for every month until JE is implemented. The estimated value of up to £760 million takes account of this increase to April 2025.

The Council's Business Management Committee (CBMC) of 1 September 2023 made a key decision as to the JE option the Council would now pursue, resolving to accept 'Option 2' as the way forward, which was an adapted version of the National Joint Committee (NJC) Gauge+ methodology. This decision was subject to the agreement by the Trade Unions of an Addendum to the Principles of Collective Agreement.

Option 2 was considered to take more time to implement than the alternative outsourced option available to members but was also felt more likely to avoid industrial unrest at the Council. The additional time required to pursue this option over its alternative was forecast as 3 months, which officers have estimated as creating further EP liabilities of some £42 million. The decision to progress Option 2 was a difficult one and officers had worked on developing suitable proposals for members' acceptance for over 6 months. Given the extent of the liability, the time required to arrive at this position, and uncertainties over the time that the final JE model will need for full implementation (collective agreement), which would increase the overall liability, it is critical to the Council's financial sustainability that a JE process is completed and implemented on or before 1 April 2025.

A key safeguard within the report to CBMC was:

“To note that Option 2 ... is conditional on: a signed Addendum to the Principles Collective Agreement between the recognised trade unions and BCC ... and, if the Addendum is not signed by 09:00am Monday 11 September 2023, that then means Option 2 is not practical to implement and the Council reserves the right to choose an alternative Pay Equity System.”

We are aware that the Unions are not supportive of the decision to take Option 2. The Addendum (that the CBMC decision required) had a deadline of 11 September 2023 for an agreement between the Council and the Unions to work in “*positive partnership*” over the JE process and for all parties to do all within their powers to maintain satisfactory progress and provide the relevant resources at all stages. The Council received correspondence from the Unions between the date of the CBMC meeting and the 11 September 2023 deadline confirming that they would not support the Addendum.

Since the CBMC on 1 September 2023 and the s114 report on 5 September 2023 the Council has received communication from ACAS offering to broker a meeting between the Council and its Unions. Whilst any attempts to mitigate the current tensions between the Council and the Unions are welcome, we also note that there has been over 6 months of consultation between officers and the Unions, which was ultimately ineffective in avoiding the current impasse. We also consider that the CBMC decision was clear on timescales and set a clear safeguard date of 11 September for the Unions signing the Addendum.

In our view, and based on what we have been told of the legal advice received by the Council to date and our knowledge of how engagement with the Unions has been conducted, the option that CBMC supported (Option 2) enabled Union involvement in the JE process whilst ensuring that the Council met its legal responsibilities for providing the most economically advantageous outcome for the taxpayer.

Statutory recommendation 1: The commencement of the job evaluation process should not be further delayed (as this would further undermine the Council’s financial sustainability). As the Addendum was not signed by 11 September 2023, the Council should apply the safeguard within the CBMC report and should determine the job evaluation option it intends to follow at the earliest opportunity.

Since June 2023, officers have been clear that the costs of EP to the Council, if addressed by April 2025, will amount to up to £760 million, with an accrual rate of up to £14 million as per elapsed month. Given the risks to effective delivery of the JE process set out above, we consider that this initial estimate is now likely to be understated and the final liability the Council would have to settle in the future could well exceed £1 billion. This is in addition to the amounts already settled on past claims – over £1 billion.

Statutory recommendation 2: It is important that the Council reviews its previous equal pay estimates and regularly updates its estimate of the potential future liability (at least on a quarterly basis). This updated position should be reported to members on a quarterly basis.

Key drivers of the current EP liability have been identified by the Council as:

- Alleged enrichment – the fact that certain (mainly male) members of the workforce may have been graded at a higher level than their previous JE scores would suggest, which may have created a pay differential with other (mainly female) members of the workforce that were graded in line with their JE scores; and
- Alleged task and finish – whereby certain (mainly male) members of the workforce may have worked shorter working days than their contract of employment required if they felt they had completed the tasks that their daily work duties required (thus impacting their comparable pay) – to the extent that this occurred, this flexibility was not afforded to many (mainly female) members of the workforce in other areas of the Council’s operations.

The costs of both ‘enrichment’ and ‘task and finish’ have only been reported insofar as they impact on the EP liability. The impact on the operations of the Council and the cost of the enriched roles and task and finish has not been reported. We note that the potentially enriched roles can only be proven and subsequently resolved through the JE process and that the Council has been working over the last few months to identify and stop task and finish work.

We consider that the reporting of these matters is relevant to the Council’s ability to demonstrate its compliance with the Best Value duty. A best value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and

effectiveness. This duty is a requirement on councils to ensure they provide value for money (best value) in all of their arrangements – the factors that have created the EP liability are, in our view, relevant considerations in relation to this duty.

Statutory recommendation 3: the Council should separately report the financial impact of potentially enriched roles to members as a matter of urgency and should prioritise their assessment as part of the job evaluation process. This should include a consideration of the Council's Best Value duty. Similarly, officers should provide monthly updates to members on the Council's identification of roles where task and finish has been in operation and the financial impact of this practice and confirm at the earliest opportunity that these practices are no longer operated. The Council should undertake a review of all working practices within the Council and ensure that all employees comply with their terms and conditions, including working their full contractual hours.

We have become increasingly concerned over the last few months with regard to the governance process for choosing the JE option. We have set out below the key areas where we have concerns.

Delays in the process – we consider that the process to choose a JE option has taken significantly longer than necessary. We have formed this view on the following basis.

We note that there was a change of political leadership in May 2023 and that the current political leadership team wished to take time to consider the various issues with regard to equal pay. Whilst acknowledging this point, it is clear that the current and previous Council Leader and some cabinet members were aware of this matter from as far back as 3 February 2023. We consider that the political leadership team has had sufficient time to make a choice on which JE process to follow.

We recommended to officers in March 2023 that the process should be completed by no later than June 2023. Officers stated that this was not possible but confirmed that this could be completed by July 2023. The process was then further delayed. The delays included procedural delays as the Council considered that its constitution required the Council's Business Management Committee to make the decision on the JE option, and additional delays to allow further debate and for further legal advice to be obtained. While there were legitimate reasons for some delay, in our view the Council did not seek to expedite the process sufficiently.

More recently we have noted a lack of direction of officers by the political leadership as to how choice of the JE option was to be made. This issue is of such significance that on 21 September 2023 the Section 151 Officer issued a second s114 report and the Monitoring Officer, who is the City Solicitor, issued a s5 report under Local Government and Housing Act 1989. Section 5(2) provides for the Monitoring Officer to prepare a report where they consider that a proposal, decision or omission is or would likely contravene the law. The s114 report cites that *'the omission of a decision by the Council Business Management Committee [to agree an appropriate JE process] has resulted in a decision which involves the authority incurring additional expenditure which is unlawful and the course of action if pursued to a conclusion would be unlawful and cause a loss or deficiency on the authority.'*

We note the following sequence of events that led up to the issuing of the s114 and s5 reports. On 15 September 2023 the Council Leader issued an email to the Council's three statutory officers (Chief Executive [Head of Paid Service], Section 151 officer, and Monitoring Officer) stating that a meeting should be arranged as soon as practicable for CBMC to approve JE option 4 as the only remaining option. [Option 4 is the outsourcing of the JE process to a third party firm without TU involvement.] In response, officers made preparations for a report to be presented to CBMC. Following the announcement of the Secretary of State on 19 September 2023 regarding possible intervention, the Council Leader informed officers [on the same day] that, due to the Secretary of State's announcement, he did not feel comfortable making such a major decision without the involvement of Commissioners. He has told us that he was subsequently advised by officers that, Commissioners not yet being in place, the Council could proceed with its decision making. Officers however, after taking legal advice that the Council's failure to come to a decision on the JE option, constituted an act of omission leading to a likelihood of illegality, unlawful expenditure and a loss or deficiency, proceeded to issue their statutory reports. The Leader has further told us that CBMC cannot now make a decision because of the statutory officers' reports, thus causing further delay.

Whatever the position on this, while it is understandable that the Council Leader wished to await the likely appointment of Commissioners and now the debate as to the statutory officer reports, it is also the case that any delay in choosing a JE process continues to increase the Council's EP liability. While the Secretary of State has set out his proposals for intervention, this matter is subject to consultation and a date for the appointment of Commissioners has not been agreed. We also note, should the Secretary of State decide to intervene, that:

- the Commissioners will need some time to understand these matters (as did the current political leadership)
- the Council will continue to make decisions as normal unless the Commissioners consider it necessary to direct the Council on certain matters
- any resulting Inquiry, insofar as its findings will be useful to the Council, will take time to be established.

It is therefore critical to the Council's financial sustainability that it now chooses a JE process.

We understand that the Council could have debated the second s114 and s5 report on 25 September 2023 (along with the s114 report issued on 5 September 2023). It could also have debated and agreed the JE option at the same meeting. This option was not taken by the Council. We understand that certain officers considered that this date would not have allowed sufficient time for members to have been briefed on the s114 and s5 report issued on 21 September 2023. The Council will therefore need to call a further extraordinary meeting of the Council to discuss the s114 report and s5 notice issued on 21 September 2023. This requires five working days' notice. The Council has the option of choosing a JE option at this extraordinary council meeting or holding a CBMC soon after to agree the JE option. We understand that the former is now the Council's preferred position.

We note that as at 28 September 2023 the Council did not have an agreed JE option (as Option 2 was no longer viable as the TUs had not signed the Addendum to the Principles Collective Agreement). Based on Officers' modelling of the rate of increase for the EP liability for every month that JE is delayed, we estimate that the delays from our recommended date of 30 June 2023 to choose a JE process has increased the Council's EP liability by up to £42 million.

Communication and relationships – in our view the process has not been collaborative. We would normally expect that the three statutory officers and the People and Corporate Services Director would be involved throughout the decision-making process. In response to audit queries, we have been informed that some of these officers have been excluded from certain meetings with members. We note that the relationship between senior officers and some key members has become strained during the process and has undermined the process to choose a JE option. We return to the relationships between officers and senior politicians later in this report.

Involvement of Trade Unions – the Council has attempted to work closely with its Trade Unions throughout this process. We note that the Trade Unions have expressed a preference for the NJC Gauge+ JE process. The involvement of the Trade Unions has been significant throughout the process. This has involved a number of meetings with the Trade Unions but also the involvement of Labour Party and Industrial Relationship advisors in the process for choosing the JE option. We would expect that the Council would engage with the Trade Unions but note that this has significantly extended the process for setting out the JE options available and that the Council has not secured Trade Union agreement to its preferred JE option. The report to CBMC on 1 September 2023 sets out a number of 'red lines' set by the Trade Unions with regards to the potential options and continuing risks regarding industrial relations. The suggested Addendum for the Option 2 JE process has not been agreed by the Trade Unions and the risk of an industrial dispute remains.

Legal advice – we understand that the advice of the Monitoring Officer (referred to in this report as "MO", but acting sometimes in their role as Monitoring Officer and on occasion further to their role as City Solicitor) regarding the JE options was not initially followed and additional external legal advice has been needed to move matters forward. The MO has told us that they have been frustrated in their ability to carry out their roles on a number of occasions. In particular, we note that:

- As part of their ongoing support for the Council, the Local Government Association (LGA) was asked to facilitate a process of mediation between the Statutory Officers (CEO, MO, S.151) and the political leadership with a view to identifying the different options available and to explore the areas for potential compromise as regards the most effective way of delivering a successful job evaluation process for BCC. We understand from the LGA that they were clear that they were not providing advice and that it was for officers at the Council to provide advice for councillors and that councillors need to have regard to that advice in any decision they then ultimately make. We also understand from the LGA that it made it clear to a senior officer on the 18 August 2023 that it would only recommend the NJC Gauge+ JE scheme and that, in their view, it was possible to have TU involvement and maintain the integrity of the process. We note that the Chief Executive was aware of the involvement of the LGA but was not consulted on and was not aware of the involvement of the peer legal officer that the LGA had appointed, until the day before the peer started. The commentary offered by the LGA followed its stated view that NJC Gauge+ should be implemented and, as such, was not fully supportive of the MOs position that other JE options should also be considered.

- In providing advice to the Council, we understand, the MO was supported by opinions from different King's Counsel (KC) (to ensure her advice was appropriate). The MO's advice was not accepted until an additional KC opinion was received by the Council. We further understand that all KC opinions supported the MO's initial advice.

We note that concern has been expressed by the Council Leader and Deputy Leader that the advice of the Council's MO has gone beyond legal matters, has not always been appropriately balanced and that challenge to the advice has not been accepted. Whilst appreciating that the Executive commissions legal advice and is entitled to disagree with and indeed challenge any legal advice received, it would nevertheless be expected to give appropriate weight to the advice of its most senior lawyer and counsel which they have engaged on the authority's behalf. We note that the advice of the MO has now been accepted. In our view, the matters above indicate a breakdown in officer and member relationships and have prevented the timely agreement of a JE process.

Legally privileged information – it is important that the Council's political leadership and officers have appropriate access to legal advice. It is equally important that the MO (in their role as City Solicitor) is able to ensure that the confidentiality of this information is safeguarded. During the JE process there has been some debate as to how best to share this information while also safeguarding the confidentiality/privilege in this information. We understand that full access has been given to the Council Leader and Deputy Leader and to statutory officers.

A number of matters have been raised with us indicating that legally privileged information may have been provided by individuals within the Council to third parties in circumstances which, in our view, called for the oversight or agreement of the MO (acting as City Solicitor and further to the Scheme of Delegation). We note that, if this is the case and absent justification, that this would be a significant failure in the Council's governance.

We consider that the process to choose a JE evaluation option has been inadequate for the reasons set out above. We will return to these matters as part of our audit. However, we consider that it is urgent that the Council investigates whether due process was followed in receiving and considering legal advice as part of this process, and in particular, whether legally privileged information was provided to third parties and, if it was, that it considers any implications for the Council.

The Department for Levelling-Up, Homes and Communities have confirmed (via letter dated 19 September 2023 to BCC) that a local inquiry may be undertaken into the circumstances surrounding Equal Pay. Both ourselves and the Council consider that the delivery of the following recommendation (#4) should be folded into this inquiry, if and when it takes place.

Statutory recommendation 4: The Council should commission an independent review of the process for receiving and considering legal advice, including consideration of whether the Monitoring Officer's advice was appropriately taken into account and followed, and whether access to legally privileged information was appropriately safeguarded. If the local inquiry outlined by the Secretary of State does proceed this should be part of the wider inquiry.

Oracle implementation

The Council has experienced significant problems during and resulting from the implementation of its new Enterprise Resource Planning (ERP) IT system, Oracle Cloud, leading to anticipated additional costs (total costs of £100 million compared to an initial budget of £38.7 million as approved by Cabinet in March 2021). This has significantly impacted on the Council's ability to operate business-as usual activities, due to the workarounds and manual interventions needed to operate the system. Due to these issues the Council has been unable to produce an outturn position for 2022/23 or a set of financial statements for 2022/23. It is also unable to provide an up to date financial position for the current year (2023/24). This has impacted on payments to suppliers and also on financial reporting for schools and other organisations that use the Council's financial services.

We are currently assessing the issues associated with the Oracle Fusion implementation, the Council's plans for resolving these issues, and the further investment required for this programme's completion. We note the following:

- Implementation - the Oracle system implementation was rated as 'red' before going live and included a significant number of items requiring a solution. The finance system had several adaptations that did not subsequently operate effectively. As such, the system is not able to fully meet the financial reporting needs of the Council including finance, human resources, and schools.

- Information Technology (IT) Security – some IT security systems were not implemented and there is an inadequate segregation of duties in the system.
- Finance system - the financial system has not operated as planned and financial reporting is still not fully operational. Financial system integrations were not in place in April 2022 but some were integrated during the 2022/23 year. Data was held in feeder systems until this integration occurred. Where financial system integrations had not taken place the financial information has been transferred via journal. The Council has asserted that controls were in place to ensure data was appropriately transferred. We have not yet been able to verify that controls were in place.

The programme is currently going through a process of re-engineering including a 'safe and compliant phase' which will then lead to a full re-implementation of the Oracle system. We note the following:

- The Council has not set a target date for the completion of the 'safe and compliant phase'. We understand that the completion of this phase is imminent. The Council considers that the short-term workarounds developed by the Council to identify and correct errors should enable 2022/23 accounts to be prepared and a basic functionality of transactional processing, reporting and monitoring restored (albeit with a high reliance on inefficient manual processes)
- There appears to be a coherent programme governance structure in place but we are looking at the proposed transition from crisis management to more conventional programme management structure
- We are considering whether all of the basic foundations for the Oracle re-implementation design phase are in place
- We are also looking at whether the emerging proposals for the Oracle re-implementation have properly considered all the options and whether they have a good enough understanding of the costs/ implications
- The capacity of senior staff to deal with Oracle and other issues within the same time-frame remains a major risk to the Council
- The Oracle implementation has significantly impacted the Council's ability to focus and manage savings delivery and budgetary control. The initial projections are for major overspends in 2022/23 and 2023/24 putting severe pressures on reserves. This excludes Oracle implementation and Equal Pay costs.

The Council's management arrangements for the implementation of the Oracle system were inadequate. The Council is working to resolve these but at present the lack of an appropriate financial reporting system presents a significant weakness and risk to its financial sustainability.

Statutory recommendation 5: The Council should set a target date for the completion of the 'safe and compliant' phase. We consider that this should be completed by 30 November 2023.

Statutory recommendation 6: The Council should report its outturn for 2022/23 and its current financial position by 30 November 2023. It should provide financial statements for 2022/23 for audit by 31 January 2024.

Statutory recommendation 7: The Council should consider the capacity of its senior staff to deal with the Oracle 'safe and compliant' and 're-implementation' phases alongside the other competing pressures. Additional resources should be provided to ensure that this critical project is completed at the earliest opportunity. This may include additional internal or external IT capacity and capability. In the longer term, the Council will need to ensure that it rebuilds its own IT capacity and capability.

Savings and other financial pressures

In addition to the key financial pressures set out above, the Council is also subject to other pressures, many of which would in themselves be considered significant challenges on their own right. These include the costs of demand pressures in social care (both adults and children's services), the impact of inflation on pay and non-pay costs, and other potential impairments of regular income streams such as Non Domestic Rates and Council Tax income.

These pressures were reported by the Section 151 Officer to Cabinet on 25 July 2023 as amounting to an £87 million budget shortfall in 2023/24, with other financial risks still to be quantified, including the finalisation of the Council's Highways PFI contract. Given the magnitude of the EP and Oracle issues, there is a risk that the Council's focus will only be on those issues.

Statutory recommendation 8: The Council should provide an updated budget for 2023/24 that takes account of the 2022/23 outturn, its current financial position for 2023/24, its progress on delivering savings plans in 2023/24, and the other financial pressures impacting on the Council.

Financial sustainability

The s114 report is of fundamental importance to the future of Birmingham City Council. In it the Section 151 Officer clearly sets out the magnitude of the challenges facing the Council and the essential mitigations that will need to be adopted to mitigate the impact of the financial pressures on the Council. The Council must now collectively and individually get behind the measures included in the report and not seek to dilute their implementation in any way.

In our view, it needs to be understood that the Council will be a very different organisation in future, with stringent spending controls and the development of a robust savings and recovery plan meaning that non-essential services will need to be significantly scaled down or even withdrawn.

Notwithstanding whether these actions are effective, the Council's finances are still not secure for the future, as they will depend on a level of asset sales to generate capital receipts and subsequently on support from the Government. If the Council needs to undertake further borrowing to fund the Equal Pay liability (and a Government Direction is made to allow this) it will need to assess the impact of its borrowing costs on its financial sustainability.

Statutory recommendation 9: The Council must now, as a matter of urgency fully support the Section 151 Officer in effectively responding to the s114 report and, specifically:

- *give full support to the development of the mandatory spending controls and savings and recovery plan;*
- *identify and implement a suitable asset disposal plan; and*
- *continue to work with the Department for Levelling Up, Housing and Communities over the extent and timing of support that will then be required to secure the ongoing financial viability of the Council.*

Statutory recommendation 10: Officers should put in place a formal and detailed cashflow model that focusses on when the payment of the Council's liabilities will fall due against the timing of its other cash outgoings and inflows (including the estimated funds produced from asset sales). This cashflow model should predict at what point, without Government support, the Council will exhaust its usable reserves and will no longer have sufficient finances to be able to continue to operate or would be unable to meet its financial obligations when they become due.

Governance and management capacity

The process to identify the JE option has significantly impacted the relationship between ourselves and the Council and between senior officers and leading members. We are also concerned about how best the Council should manage the relationship with the Trade Unions, in that leading members and senior officers are rightly concerned to ensure Trade Union involvement and if possible support for the JE option, but ultimately the decision as to which JE option is chosen must be driven by the interests of local residents of the City Council area.

We note the following governance concerns:

- The emerging risks in September 2022 relating to equal pay were not shared with us until March 2023.
- To enable us to conduct our audit we made a formal request for information from the Council. It is a legal requirement for the Council to respond to our request and we note that the Council repeatedly missed the deadline set.
- Interviews of senior officers have indicated that they have not always felt supported in their roles by senior politicians.
- There is evidence of a growing mistrust between certain officers and members. This, in turn, appears to be causing mistrust between officers.

- Interviews of certain senior officers have indicated that they feel that they have been subject to unwarranted professional criticism.
- The MO is subject, at the request of some senior politicians, to investigation in relation to the provision of legal advice. As far as we are aware, the Council had not at that point commissioned or received legal advice that indicated that the Monitoring Officer had provided incorrect legal advice (noting in particular that the LGA was not commissioned to give legal advice to the Council but was rather offering a mediation and support role).
- Certain senior politicians have requested that statutory officers are subject to investigation for making notes of meetings, and for providing a record of some meetings to external audit. We note that we would expect officers to make notes of internal meetings and that the Council was legally obliged to provide information to us insofar as we had made a request under Section 22 of the Local Audit and Accountability Act 2014 and that section applied.
- As set out earlier (Equal Pay, Communications and Relationships), there is evidence that certain senior officers have been excluded from key discussions with members and that the advice of the MO (acting as City Solicitor and further to the Scheme of Delegation) has not been promptly followed. We are not yet aware of any good reason for this.
- Interviews with officers indicate that unrealistic timescales have been set for the issue of reports.
- There is uncertainty as to whether the contract for the People and Corporate Services Director will be renewed beyond October 2023. No explanation has been provided to us for this decision. We note that the Director has been subject to significant criticism from Unison and that the Council has not responded to the criticism.
- It is alleged that a senior politician has commented that that they have lost confidence in the three statutory officers and another senior officer.

The last year has been exceptional in terms of the issues that senior officers and leading members have been contending with. Given the investment that, particularly senior officers have made into the highly complex and significant issues, it is important that the Council's secures continuity of personnel and that individuals are fully supported in delivering their professional responsibilities. We are becoming aware that certain officers consider that there is a breakdown in the confidence of their relationship with members and have stated to us that they believe they are now being restricted in their functions or at least facing a degree of personal criticism that is leaving them fearful for their future at the Council. We note that leading members have commented to us that the Council does have confidence in its senior management team and that the political leadership recognises that the necessary improvement journey requires that officers and members work closely together, learn how to work more collaboratively and do things differently.

In recent years the Council has experienced a high degree of turnover on its senior management. In our opinion, the high turnover of such officers has significantly diluted the 'corporate memory' within this key group. In addition, the relatively short tenure that these and other senior officers have had, has meant that they have not fully been able to add the value to the business of the Council that would otherwise have been the case.

The underlying issues behind this level of turnover will be more fully considered in future audit reports.

It is essential that the Council has appropriate governance arrangements in place to ensure that officers are able to fulfil their functions without concern as to their position. The Council has confirmed to us that it has appropriate processes in place to safeguard its staff and that these processes will, if Commissioners are appointed, be overseen by Secretary of State and Commissioners as part of the statutory intervention. Given the reassurance provided to us by the Council we have not made a recommendation on this matter but will continue to monitor whether officers are treated fairly.

Statutory recommendation 11: Given the significant risks facing the Council it should ensure that it cooperates with external audit in a timely and appropriate manner, and in accordance with legal requirements.

Statutory accounts 2020/21, 2021/22, and 2022/23

As set out earlier we have not yet received the accounts for 2022/23. We have not repeated our commentary or recommendation on this matter.

The Council's accounts for 2020/21 and 2021/22 are still unsigned – primarily due to the need to ensure that the provisions for EP liabilities are not materially misstated. Officers have been working on a new accounting model to estimate these liabilities at the various year-ends subject to audit. Officers have recently informed us that whilst the model is nearing completion, various parameters would still need to be updated following the decision of the CBMC.

Whilst we still await finalisation of this position, based on statements already made by the Council that the liability is likely to go up to £760 million by 2025 and the various assessments incorporated into the CBMC report and s114 report, we can now be confident that the provisions set out in the 2020/21 and 2021/22 draft accounts of £150m and £121m respectively are materially understated.

We are in discussion with officers as to whether the accounts will now be amended. If the accounts are not amended we will need to issue a qualification on the financial statements. We understand that the Council are likely to amend their financial statements.

Statutory recommendation 12: The EP liability model should be completed and the 2020/21 and 2021/22 accounts should be closed by 30 November 2023.

Next steps – further potential application of our auditor's additional powers

We have reported to the Council's Audit Committee that we have a number of other workstreams in place at this stage.

Our assessment of the governance arrangements surrounding the EP agenda will include:

- a high-level understanding of the historical context of the Council's approach to single status job evaluations and the management of equal pay claims, including how the Council's workforce strategy may have created the conditions for the subsequent level of equal pay claims.
- understanding how the Council has modelled the impact and financial exposure of the equal pay claims, the arrangements put in place to protect the Council's financial sustainability, and how this has been updated and monitored as circumstances have evolved.
- a review of the arrangements in place from 2017 to the present. This will include actions taken at the time of industrial action taken by the refuse service in 2017, the agreement of the Memorandum of Understanding with trade unions in 2021, and how the Council has managed the job evaluation options available over this period up to the end of August 2023.
- establishing the governance arrangements in place when decisions have been made since 2017 including following the onset of the COVID-19 pandemic, to change the waste services operational model, and how these changes have impacted on equal pay claims.
- a clear understanding of the Council's current plans for resolving outstanding equal pay claims, their forecast financial impact, and how this is being managed.
- consideration of the interactions between senior officers and members, and the role of trade unions and other third-party organisations who were involved in determining the job evaluation process.

Our assessment of the Oracle project will focus on the following:

- the Programme to date - a review of the full programme life cycle, and related governance arrangements and decision-making processes, from inception of the original programme through to the end of the Financial Year 2022/23 and then to 30 June 2023.
- programme remediation and issue resolution – an assessment of the Council's plans for remediation and stabilisation of the delivered solution, through to an agreed steady state for the programme.

Our detailed assessment of the Council's financial sustainability will consider:

- the likely effectiveness of the Council's proposals for cost control and for securing additional funding (including asset sales and capitalisation direction from the Government) in meeting the financial gap created by the identified additional cost pressures.
- the impact on future spending requirements of the decisions currently being sought for JE.
- the role of statutory officers at this time.

We anticipate that some or all of these matters will require consideration for further action under the statutory auditors' additional powers and duties set out in the Act and the NAO Code of Audit Practice and will continue to keep the Council apprised as this work progresses.

M C Stocks

Mark Stocks

J Roberts

Jon Roberts

Grant Thornton UK LLP

Birmingham

29 September 2023

Annex 1 - Statutory recommendations

Our statutory recommendations are set out in the body of this report and have set out below for ease of consideration:

Statutory recommendation 1: The commencement of the job evaluation process should not be further delayed (as this would further undermine the Council's financial sustainability). As the Addendum was not signed by 11 September 2023 the Council should apply the safeguard within the CBMC report and should determine the job evaluation option it intends to follow at the earliest opportunity.

Statutory recommendation 2: It is important that the Council reviews its previous equal pay estimates and regularly updates its estimate of the potential future liability (at least on a quarterly basis). This updated position should be reported to members on a quarterly basis.

Statutory recommendation 3: the Council should separately report the financial impact of potentially enriched roles to members as a matter of urgency and should prioritise their assessment as part of the job evaluation process. This should include a consideration of the Council's Best Value duty. Similarly, officers should provide monthly updates to members on the Council's identification of roles where task and finish has been in operation and the financial impact of this practice and confirm at the earliest opportunity that these practices are no longer operated. The Council should undertake a review of all working practices within the Council and ensure that all employees comply with their terms and conditions, including working their full contractual hours.

Statutory recommendation 4: The Council should commission an independent review of the process for receiving and considering legal advice, including consideration of whether the Monitoring Officer's advice was appropriately taken into account and followed, and whether access to legally privileged information was appropriately safeguarded. If the local inquiry outlined by the Secretary of State does proceed this should be part of the wider inquiry.

Statutory recommendation 5: The Council should set a target date for the completion of the 'safe and compliant' phase. We consider that this should be completed by 30 November 2023.

Statutory recommendation 6: The Council should report its outturn for 2022/23 and its current financial position by 30 November 2023. It should provide financial statements for 2022/23 for audit by 31 January 2024.

Statutory recommendation 7: The Council should consider the capacity of its senior staff to deal with the Oracle 'safe and complaint' and 're-implementation' phases alongside the other competing pressures. Additional resources should be provided to ensure that this critical project is completed at the earliest opportunity. This may include additional internal or external IT capacity and capability. In the longer term, the Council will need to ensure that it rebuilds its own IT capacity and capability.

Statutory recommendation 8: The Council should provide an updated budget for 2023/24 that takes account of the 2022/23 outturn, its current financial position for 2023/24, its progress on delivering savings plans in 2023/24, and the other financial pressures impacting on the Council.

Statutory recommendation 9: The Council must now, as a matter of urgency fully support the Section 151 Officer in effectively responding to the s114 report and, specifically:

- *give full support to the development of the mandatory spending controls and savings and recovery plan;*
- *identify and implement a suitable asset disposal plan; and*
- *continue to work with the Department for Levelling Up, Housing and Communities over the extent and timing of support that will then be required to secure the ongoing financial viability of the Council.*

Statutory recommendation 10: Officers should put in place a formal and detailed cashflow model that focusses on when the payment of the Council's liabilities will fall due against the timing of its other cash outgoings and inflows (including the estimated funds produced from asset sales). This cashflow model should predict at what point, without Government support, the Council will exhaust its usable reserves and will no longer have sufficient finances to be able to continue to operate or would be unable to meet its financial obligations when they become due.

Statutory recommendation 11: Given the significant risks facing the Council it should ensure that it cooperates with external audit in a timely and appropriate manner, and in accordance with legal requirements.

Statutory recommendation 12: The EP liability model should be completed and the 2020/21 and 2021/22 accounts should be closed by 30 November 2023.

Birmingham City Council

City Council

12th October 2023



Subject: **Response to Statutory Recommendations from External Auditors Grant Thornton**

Report of: **Councillor John Cotton, Leader of the Council, and Deborah Cadman, Chief Executive**

Report author: **Fiona Greenway, Interim Director of Finance and Section 151 Officer**

Does the report contain confidential or exempt information? Yes No

1 Executive Summary

- 1.1 On Friday 29th September 2023, the Council's External Auditors Grant Thornton issued Statutory Recommendations to the Council under Schedule 7 of the Local Audit and Accountability Act 2014. These recommendations are contained with the report titled 'Birmingham City Council External Audit 2020-21 to 2023-24' and can be found within Appendix 1.
- 1.2 This report addresses the twelve statutory recommendations contained within the External Auditors report. Within this paper the Council outlines the steps that will be taken against each of the recommendations, identifies accountable owners for delivery of these steps both from an Officer and Member perspective, and then

provides an overarching recommendation to accept and acknowledge the recommendations issued by the External Auditors.

- 1.3 Delivery against these recommendations is crucial for financial sustainability and effective governance for Birmingham City Council. The issues raised within the External Auditor's report are significant enough to have caused them to use their statutory powers. Addressing these recommendations will re-affirm a basis for sound financial management and effective governance within the Council and provide a platform from which we can address the broader challenges facing the Council and City as a whole.

2 Recommendations

- 2.1 Full Council is recommended to:

- 2.1.1 Acknowledge and accept the statutory recommendations presented by External Auditors Grant Thornton;

- 2.1.2 Commit to the implementation of these recommendations to safeguard the City's financial sustainability and governance;

- 2.1.3 Accept the proposed action plan, with responsible Officer and Responsible Members, and track delivery of the action plan in line with the deadlines for each recommendation;

- 2.1.4 Consolidate the actions from this report into the improvement plan, as detailed in the Secretary of State's directions;

- 2.1.5 Propose that the Chief Executive responds to the External Auditor with the contents of this report and the proposed action plan as a formal response to the issued recommendations; and,

- 2.1.6 Agree that the Audit Committee receives updates on progress against the recommendations and actions within this report on a regular basis.

3 Background, considerations and proposals

A. Background – Statutory Recommendations

- 3.1 Statutory Recommendations under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 refer to formal advice issued by the External Auditor. These recommendations require the Council to discuss and respond publicly to the report.
- 3.2 Recommendations are aimed at improving financial management, governance, or operational practices within a Council. Statutory Recommendations carry significant

weight, promote transparency and accountability for the Council, and advocate for best practice in local government.

3.3 Upon receipt of Statutory Recommendations, a Council must complete the following actions:

3.3.1 **Acknowledge Receipt and Respond for Factual Accuracy** – Draft statutory recommendations were received by the Council on Friday 15th September 2023. A period of consultation until Wednesday the 25th of September was granted to all parties in receipt of the draft recommendations to respond based on factual accuracy. This period has now closed, and consultation has completed.

3.3.2 **Consideration and Evaluation** – Following receipt of the published recommendations on Friday 29th September 2023, the Council needed to consider fully the content of the recommendations, reviewing the issues raised, and develop an appropriate proposed course of action as a response. The outcome of this is within this report.

3.3.3 **Response** – The Council must respond formally in writing to the External Auditors who issued the recommendation. The basis of this response will be this report, and recommendation 2.1.4 provides the basis on which the Council will respond to the auditors.

3.3.4 **Publication** – The Council's response, alongside the original recommendations, should be made public and published on the Council's website. The recommendations have been published on our Council website, alongside this report on CMIS. If agreed, this report as well as the proposed action plan will be published alongside the statutory recommendations.

3.3.5 **Follow-Up** – If the Council agrees to implement the recommendations and supporting action plan, delivery of these actions should be tracked to completion. Formal updates should be provided to the External Auditors, as well as published on the Council website.

B. Background – Context to the Statutory Recommendations

3.4 The receipt of these Statutory Recommendations comes against a backdrop of challenges faced by the Council. The substance of these challenges is contained within other Council reports, as well as the External Auditor's Statutory Recommendations themselves. Within this paper we will outline the issues at a high level, with a reference to the External Auditor Statutory Recommendation number.

3.5 **Equal Pay** – The Council is facing a significant Equal Pay (EP) challenge, with a potential liability of between £650m-£760m. The Council must agree a Job

Evaluation (JE) methodology which closes off this liability by 1st April 2025, alongside finding an appropriate mechanism for funding the overall potential liability. This process has been ongoing for a number of months, resulting in the Section 151 Officer issuing a Section 114 report on the 5th September 2023 in relation to the historic liabilities, and the Monitoring Officer issuing a Section 5 notice in relation to indecision and the Section 151 Officer issuing a supplemental Section 114 notice on the 21st September 2023 in relation to the future liabilities. *Equal Pay is considered within Statutory Recommendations 1, 2, 3, and 4.*

- 3.6 **Oracle Implementation** – The Council went live with a new Oracle Enterprise Resource Planning (ERP) system in April 2022. The costs of this implementation have increased from the original budget of £38.7m agreed in March 2021, and there continues to be concern around the completion of the Safe and Compliant phase of the implementation to enable effective Financial Management across the Council. *Oracle Implementation is considered within Statutory Recommendations 5, 6, and 7.*
- 3.7 **Savings and Other Financial Pressures** – The Council has a in-year budget challenge of £87.4m for 2023/24, against which the Council is developing a Financial Recovery Plan to address the in-year savings and future year savings gap. This financial challenge, alongside the potential Equal Pay liability, poses a significant challenge to the financial stability of the Council. *Savings and Other Financial Pressures is considered within Statutory Recommendation 8.*
- 3.8 **Financial Sustainability** – In light of the challenges outlined within 3.5-3.7, the External Auditor has expressed concern around the financial sustainability of the Council. *Financial Sustainability is considered within Statutory Recommendations 9 and 10.*
- 3.9 **Governance and Management Capacity** – Following the External Auditor's engagement with the Council, observations have been made around the governance arrangements in relation to decision making, the interactions between Officers and Members, and the challenges Leadership of the Council are facing. *Governance and Management Capacity is considered within Statutory Recommendation 11.*
- 3.10 **Statutory Accounts 2020/21, 2021/22, and 2022/23** – The External Auditor has not yet been able to sign off prior year accounts for 2020/21 and 2021/22 due to

outstanding issues. The External Auditor has also not yet received draft accounts for the 2022/23 financial year, due to ongoing challenges with the Oracle ERP system. *Statutory Accounts 2020/21, 2021/22, and 2022/23 is considered within Statutory Recommendation 12.*

3.11 The External Auditor also raised subsequent pieces of work which will be completed as part of their ongoing audit arrangements with the Council. This will cover governance, Oracle, and financial sustainability.

C. Statutory Recommendations and Actions

3.12 The statutory recommendations from Grant Thornton are outlined below, along with the proposed actions to address them and owners for delivery of these recommendations. A consolidated action plan can be found in Appendix 2. It is recommended that Audit Committee receive regular updates and monitor progress against the following actions.

3.13 Statutory Recommendation 1:

3.13.1 "The commencement of the job evaluation process should not be further delayed (as this would further undermine the Council's financial sustainability). As the Addendum was not signed by 11 September 2023 the Council should apply the safeguard within the CBMC report and should determine the job evaluation option it intends to follow at the earliest opportunity."

3.13.2 Council Response:

3.13.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.13.3.1. *Commencement of Job Evaluation:* The Council will initiate the job evaluation process without further delay.

3.13.3.2. *Safeguard Application:* As the Addendum was not signed by 11 September 2023, the Council will apply suitable safeguards within future CBMC reports to address any further delay.

3.13.3.3. *Determination of Job Evaluation Option:* The Council will promptly determine the job evaluation option to follow, considering the best

interests of the organisation and its employees. The next steps for this will be decided at Full Council on 12th October 2023.

3.13.4 Responsible Officer: Director of People Services, Katy Fox

3.13.5 Responsible Member: Leader of the Council, Councillor John Cotton

3.14 **Statutory Recommendation 2:**

3.14.1 *"It is important that the Council reviews its previous equal pay estimates and regularly updates its estimate of the potential future liability (at least on a quarterly basis). This updated position should be reported to members on a quarterly basis."*

3.14.2 Council Response:

3.14.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.14.3.1. *Quarterly Review:* The Council will establish a quarterly review process for equal pay liability estimates.

3.14.3.2. *Reporting to Members:* Regular updates on the updated equal pay liability estimates will be provided to members on a quarterly basis. This aligns to resolutions agreed by City Council on 11th July 2023.

3.14.4 Responsible Officer: Interim Director of Finance Section 151 Officer, Fiona Greenway

3.14.5 Responsible Member: Cabinet Member for Finance and Resources, Councillor Brigid Jones

3.15 **Statutory Recommendation 3:**

3.15.1 *"The Council should separately report the financial impact of potentially enriched roles to members as a matter of urgency and should prioritise their assessment as part of the job evaluation process. This should include a consideration of the Council's Best Value duty. Similarly, officers should provide monthly updates to members on the Council's identification of roles where task and finish has been in operation and the financial impact of this practice and confirm at the earliest opportunity that these practices are no longer operated. The Council should undertake a review of all working practices within the Council and ensure that all employees comply with their terms and conditions, including working their full contractual hours."*

3.15.2 Council Response:

3.15.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.15.3.1. *Reporting Financial Impact:* The Council will separately report the financial impact of potentially enriched roles to members as a matter of urgency.

3.15.3.2. *Job Evaluation Priority:* The assessment of potentially enriched roles will be prioritised as part of the job evaluation process.

3.15.3.3. *Monthly Updates:* Officers will provide monthly updates to members on the identification of roles operating under 'task and finish,' including the financial impact.

3.15.3.4. *Review of Working Practices:* A comprehensive review of all working practices within the Council will be conducted to ensure compliance with terms and conditions and full contractual hours.

3.15.4 Responsible Officer: Director of People Services, Katy Fox

3.15.5 Responsible Member: Leader of the Council, Councillor John Cotton

3.16 **Statutory Recommendation 4:**

3.16.1 *"The Council should commission an independent review of the process for receiving and considering legal advice, including consideration of whether the Monitoring Officer's advice was appropriately taken into account and followed, and whether access to legally privileged information was appropriately safeguarded. If the local inquiry outlined by the Secretary of State does proceed this should be part of the wider inquiry."*

3.16.2 Council Response:

3.16.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.16.3.1. *Commission Independent Review:* The Council will commission an independent review of the process for receiving and considering legal advice. It is acknowledged that if the local inquiry outlined by the Secretary of State does proceed, this should be part of the wider inquiry.

3.16.3.2. *Monitoring Officer's Advice:* The review will specifically assess whether the Monitoring Officer's advice was appropriately considered and followed.

3.16.3.3. *Safeguarding Legal Privilege:* The review will also ensure that access to legally privileged information was appropriately safeguarded.

3.16.4 Responsible Officer: Monitoring Officer, Janie Berry

3.16.5 Responsible Member: Leader of the Council, Councillor John Cotton

3.17 **Statutory Recommendation 5:**

3.17.1 *"The Council should set a target date for the completion of the 'safe and compliant' phase. We consider that this should be completed by 30 November 2023."*

3.17.2 Council Response:

3.17.3 We accept and are fully committed to concluding the 'safe and compliant' phase of the Oracle recovery programme at the earliest appropriate time, so that we can focus our efforts and resources on the longer-term optimisation of our enterprise resource planning systems. However, at this stage we cannot be confident of concluding all necessary 'safe and compliant' work by the 30 November. These actions outline the steps through which we will respond to this recommendation:

3.17.3.1. *Readiness review:* The Council will undertake a review of the safe and compliant phase of Oracle recovery against specific criteria, in partnership with the Commissioner with responsibilities for Oracle and the External Auditor, and agree a target date to conclude this stage of the work.

3.17.3.2. *Transition to optimisation phase:* In this review of the scope of the 'safe and compliant' phase, the Council will aim to accelerate work on 'optimisation'.

3.17.4 Responsible Officer: Interim Director of Transformation, Meena Kishinani

3.17.5 Responsible Member: Cabinet Member for Digital, Culture, Heritage & Tourism, Councillor Saima Suleman

3.18 **Statutory Recommendation 6:**

3.18.1 *"The Council should report its outturn for 2022/23 and its current financial position by 30 November 2023. It should provide financial statements for 2022/23 for audit by 31 January 2024."*

3.18.2 Council Response:

3.18.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.18.3.1. *Reporting Deadlines:* The Council will report its 2022/23 outturn and current financial position by 30 November 2023.

3.18.3.2. *Audit Financial Statements:* Financial statements for 2022/23 will be prepared for audit by 31 January 2024.

3.18.4 Responsible Officer: Interim Director of Finance Section 151 Officer, Fiona Greenway

3.18.5 Responsible Member: Cabinet Member for Finance and Resources, Councillor Brigid Jones

3.19 **Statutory Recommendation 7:**

3.19.1 *"The Council should consider the capacity of its senior staff to deal with the Oracle 'safe and compliant' and 're-implementation' phases alongside the other competing pressures. Additional resources should be provided to ensure that this critical project is completed at the earliest opportunity. This may include additional internal or external IT capacity and capability. In the longer term, the Council will need to ensure that it rebuilds its own IT capacity and capability."*

3.19.2 Council Response:

3.19.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.19.3.1. *Capacity Assessment:* The Council will assess the capacity of its senior staff to manage the Oracle 'safe and compliant' and 're-implementation' phases alongside other competing pressures.

3.19.3.2. *Additional Resources:* Additional internal or external IT capacity and capability will be provided to ensure the critical project's timely completion.

3.19.3.3. *Long-Term IT Capacity:* The Council will develop plans for rebuilding its own IT capacity and capability in the long term.

3.19.4 Responsible Officer: Interim Director of Transformation, Meena Kishinani

3.19.5 Responsible Member: Cabinet Member for Digital, Culture, Heritage & Tourism, Councillor Saima Suleman

3.20 **Statutory Recommendation 8:**

3.20.1 *"The Council should provide an updated budget for 2023/24 that takes account of the 2022/23 outturn, its current financial position for 2023/24, its progress on delivering savings plans in 2023/24, and the other financial pressures impacting on the Council."*

3.20.2 Council Response:

3.20.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.20.3.1. *Budget Revision:* The Council will provide an updated budget for 2023/24, which will include progress on savings plans in 2023/24, and other financial pressures by the end of October 2023. The final 2022/23 outturn will be presented in November 2023 with a final reserve position for the 2022/23 financial year. The updated budget in October 2023 will include appropriate caveats, as needed, due to the need for additional time to present outturn in November 2023 as a result of ongoing Oracle challenges.

3.20.4 Responsible Officer: Interim Director of Finance Section 151 Officer, Fiona Greenway

3.20.5 Responsible Member: Cabinet Member for Finance and Resources, Councillor Brigid Jones

3.21 **Statutory Recommendation 9:**

3.21.1 *"The Council must now, as a matter of urgency fully support the Section 151 Officer in effectively responding to the s114 report and, specifically:*

give full support to the development of the mandatory spending controls and savings and recovery plan.

*identify and implement a suitable asset disposal plan; and
continue to work with the Department for Levelling Up, Housing and Communities over the extent and timing of support that will then be required to secure the ongoing financial viability of the Council."*

3.21.2 Council Response:

3.21.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.21.3.1. *Mandatory Spending Controls and Savings Plan:* The Council will provide full support to the Section 151 Officer in developing mandatory spending controls and a savings and recovery plan.

3.21.3.2. *Asset Disposal Plan:* An appropriate asset disposal plan will be identified and implemented.

3.21.3.3. *Collaboration with the Department:* The Council will continue to collaborate with the Department for Levelling Up, Housing, and Communities to secure ongoing financial viability.

3.21.4 Responsible Officer: Interim Director of Finance Section 151 Officer, Fiona Greenway

3.21.5 Responsible Member: Cabinet Member for Finance and Resources, Councillor Brigid Jones

3.22 **Statutory Recommendation 10:**

3.22.1 *"Officers should put in place a formal and detailed cashflow model that focusses on when the payment of the Council's liabilities will fall due against the timing of its other cash outgoings and inflows (including the estimated funds produced from asset sales). This cashflow model should predict at what point, without Government support, the Council will exhaust its usable reserves and will no longer have sufficient finances to be able to continue to operate or would be unable to meet its financial obligations when they become due."*

3.22.2 Council Response:

3.22.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.22.3.1. *Establish Cashflow Model:* Officers will establish a detailed cashflow model focusing on when the payment of the Council's liabilities will fall due against the timing of its other cash outgoings and inflows, including estimated funds from asset sales. This will be based on legal advice on the timing of potential liabilities falling due. This model will predict the point at which, without Government support, the Council will exhaust its usable reserves and be unable to meet its financial obligations.

3.22.4 Responsible Officer: Interim Director of Finance Section 151 Officer, Fiona Greenway

3.22.5 Responsible Member: Cabinet Member for Finance and Resources, Councillor Brigid Jones

3.23 **Statutory Recommendation 11:**

3.23.1 *"Given the significant risks facing the Council it should ensure that it cooperates with external audit in a timely and appropriate manner, and in accordance with legal requirements."*

3.23.2 Council Response:

3.23.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.23.3.1. *Timely Cooperation:* The Council will ensure timely and appropriate cooperation with external audit, in strict accordance with legal requirements.

3.23.4 Responsible Officer: Chief Executive, Deborah Cadman

3.23.5 Responsible Member: Leader of the Council, Councillor John Cotton

3.24 **Statutory Recommendation 12:**

3.24.1 *"The EP liability model should be completed, and the 2020/21 and 2021/22 accounts should be closed by 30 November 2023."*

3.24.2 Council Response:

3.24.3 We accept and are fully committed to implementing this recommendation to ensure the Council's financial sustainability and governance. These actions outline the steps through which we will effectively deliver and fulfil this recommendation:

3.24.3.1. *Completion of EP Liability Model:* The Council will prioritise the completion of the EP liability model.

3.24.3.2. *Accounts Closure:* The accounts for 2020/21 and 2021/22 will be closed by 30 November 2023, pending agreement of models presented to the External Auditors and coordination of an agreed funding strategy for the potential Equal Pay liability (which may involve discussions with DLUHC).

3.24.4 Responsible Officer: Interim Director of Finance Section 151 Officer, Fiona Greenway

3.24.5 Responsible Member: Cabinet Member for Finance and Resources, Councillor Brigid Jones

4 **Legal Implications**

4.1 The Council will comply with all relevant legal requirements and obligations in implementing the recommendations, including conducting independent reviews and ensuring transparency in decision-making processes.

5 Financial Implications

- 5.1 The Council will allocate the necessary resources and budgets to execute the recommended actions effectively. The cost implications will be detailed in the updated budget for 2023/24.

6 Public Sector Equality Duty

- 6.1 The Council will ensure that all actions taken in response to these recommendations are in line with the Public Sector Equality Duty, promoting fairness and equality for all residents and employees.

7 Background Papers / Appendices

Appendix 1: Birmingham City Council External Audit 2020-21 to 2023-24 – External Audit report dated Friday 29th September 2023.

Appendix 2: Consolidated Action Plan in response to the External Audit report dated Friday 29th September 2023 – Table.

Appendix 2: Consolidated Action Plan in response to the External Audit report dated Friday 29th September 2023

No.	Statutory Recommendation	Council Response	Officer	Member
1	<p>The commencement of the job evaluation process should not be further delayed (as this would further undermine the Council’s financial sustainability). As the Addendum was not signed by 11 September 2023 the Council should apply the safeguard within the CBMC report and should determine the job evaluation option it intends to follow at the earliest opportunity.</p>	<p><i>Commencement of Job Evaluation:</i> The Council will initiate the job evaluation process without further delay.</p> <p><i>Safeguard Application:</i> As the Addendum was not signed by 11 September 2023, the Council will apply suitable safeguards within future CBMC reports to address any further delay.</p> <p><i>Determination of Job Evaluation Option:</i> The Council will promptly determine the job evaluation option to follow, considering the best interests of the organisation and its employees. The next steps for this will be decided at Full Council on 12th October 2023.</p>	<p>Director of People Services, Katy Fox</p>	<p>Leader of the Council, Councillor John Cotton</p>
2	<p>It is important that the Council reviews its previous equal pay estimates and regularly updates its estimate of the potential future liability (at least on a quarterly basis). This updated position should be reported to members on a quarterly basis.</p>	<p><i>Quarterly Review:</i> The Council will establish a quarterly review process for equal pay liability estimates.</p> <p><i>Reporting to Members:</i> Regular updates on the updated equal pay liability estimates will be provided to members on a quarterly basis.</p>	<p>Interim Director of Finance Section 151 Officer, Fiona Greenway</p>	<p>Cabinet Member for Finance and Resources, Councillor Brigid Jones</p>
3	<p>The Council should separately report the financial impact of potentially enriched roles to members as a matter of urgency and should prioritise their assessment as part of</p>	<p><i>Reporting Financial Impact:</i> The Council will separately report the financial impact of potentially enriched roles to members as a matter of urgency.</p>	<p>Director of People Services, Katy Fox</p>	<p>Leader of the Council, Councillor</p>

No.	Statutory Recommendation	Council Response	Officer	Member
	<p>the job evaluation process. This should include a consideration of the Council's Best Value duty. Similarly, officers should provide monthly updates to members on the Council's identification of roles where task and finish has been in operation and the financial impact of this practice and confirm at the earliest opportunity that these practices are no longer operated. The Council should undertake a review of all working practices within the Council and ensure that all employees comply with their terms and conditions, including working their full contractual hours.</p>	<p><i>Job Evaluation Priority:</i> The assessment of potentially enriched roles will be prioritised as part of the job evaluation process.</p> <p><i>Monthly Updates:</i> Officers will provide monthly updates to members on the identification of roles operating under 'task and finish,' including the financial impact.</p> <p><i>Review of Working Practices:</i> A comprehensive review of all working practices within the Council will be conducted to ensure compliance with terms and conditions and full contractual hours.</p>		John Cotton
4	<p>The Council should commission an independent review of the process for receiving and considering legal advice, including consideration of whether the Monitoring Officer's advice was appropriately taken into account and followed, and whether access to legally privileged information was appropriately safeguarded. If the local inquiry outlined by the Secretary of State does proceed this should be part of the wider inquiry.</p>	<p><i>Commission Independent Review:</i> The Council will commission an independent review of the process for receiving and considering legal advice. It is acknowledged that if the local inquiry outlined by the Secretary of State does proceed, this should be part of the wider inquiry.</p> <p><i>Monitoring Officer's Advice:</i> The review will specifically assess whether the Monitoring Officer's advice was appropriately considered and followed.</p>	Monitoring Officer, Janie Berry	Leader of the Council, Councillor John Cotton

No.	Statutory Recommendation	Council Response	Officer	Member
		<i>Safeguarding Legal Privilege:</i> The review will also ensure that access to legally privileged information was appropriately safeguarded.		
5	The Council should set a target date for the completion of the ‘safe and compliant’ phase. We consider that this should be completed by 30 November 2023.	<i>Readiness review:</i> The Council will undertake a review of the safe and compliant phase of Oracle recovery against specific criteria, in partnership with the Commissioner with responsibilities for Oracle and the External Auditor, and agree a target date to conclude this stage of the work. <i>Transition to optimisation phase:</i> In this review of the scope of the ‘safe and compliant’ phase, the Council will aim to accelerate work on ‘optimisation’.	Interim Director of Transformation, Meena Kishinani	Cabinet Member for Digital, Culture, Heritage & Tourism, Councillor Saima Suleman
6	The Council should report its outturn for 2022/23 and its current financial position by 30 November 2023. It should provide financial statements for 2022/23 for audit by 31 January 2024.	<i>Reporting Deadlines:</i> The Council will report its 2022/23 outturn and current financial position by 30 November 2023. <i>Audit Financial Statements:</i> Financial statements for 2022/23 will be prepared for audit by 31 January 2024.	Interim Director of Finance Section 151 Officer, Fiona Greenway	Cabinet Member for Finance and Resources, Councillor Brigid Jones
7	The Council should consider the capacity of its senior staff to deal with the Oracle ‘safe and compliant’ and ‘re-implementation’ phases alongside the other competing pressures. Additional resources should be provided to ensure that this critical project is	<i>Capacity Assessment:</i> The Council will assess the capacity of its senior staff to manage the Oracle ‘safe and compliant’ and ‘re-implementation’ phases alongside other competing pressures.	Interim Director of Transformation, Meena Kishinani	Cabinet Member for Digital, Culture, Heritage & Tourism,

No.	Statutory Recommendation	Council Response	Officer	Member
	<p>completed at the earliest opportunity. This may include additional internal or external IT capacity and capability. In the longer term, the Council will need to ensure that it rebuilds its own IT capacity and capability.</p>	<p><i>Additional Resources:</i> Additional internal or external IT capacity and capability will be provided to ensure the critical project's timely completion.</p> <p><i>Long-Term IT Capacity:</i> The Council will develop plans for rebuilding its own IT capacity and capability in the long term.</p>		<p>Councillor Saima Suleman</p>
8	<p>The Council should provide an updated budget for 2023/24 that takes account of the 2022/23 outturn, its current financial position for 2023/24, its progress on delivering savings plans in 2023/24, and the other financial pressures impacting on the Council.</p>	<p><i>Budget Revision:</i> The Council will provide an updated budget for 2023/24, which will include progress on savings plans in 2023/24, and other financial pressures by the end of October 2023. The final 2022/23 outturn will be presented in November 2023 with a final reserve position for the 2022/23 financial year. The updated budget in October 2023 will include appropriate caveats, as needed, due to the need for additional time to present outturn in November 2023 as a result of ongoing Oracle challenges.</p>	<p>Interim Director of Finance Section 151 Officer, Fiona Greenway</p>	<p>Cabinet Member for Finance and Resources, Councillor Brigid Jones</p>
9	<p>The Council must now, as a matter of urgency fully support the Section 151 Officer in effectively responding to the s114 report and, specifically: give full support to the development of the mandatory spending controls and savings and recovery plan.</p>	<p><i>Mandatory Spending Controls and Savings Plan:</i> The Council will provide full support to the Section 151 Officer in developing mandatory spending controls and a savings and recovery plan.</p>	<p>Interim Director of Finance Section 151 Officer, Fiona Greenway</p>	<p>Cabinet Member for Finance and Resources, Councillor</p>

No.	Statutory Recommendation	Council Response	Officer	Member
	<p>identify and implement a suitable asset disposal plan; and</p> <p>continue to work with the Department for Levelling Up, Housing and Communities over the extent and timing of support that will then be required to secure the ongoing financial viability of the Council.</p>	<p><i>Asset Disposal Plan:</i> An appropriate asset disposal plan will be identified and implemented.</p> <p><i>Collaboration with the Department:</i> The Council will continue to collaborate with the Department for Levelling Up, Housing, and Communities to secure ongoing financial viability.</p>		Brigid Jones
10	<p>Officers should put in place a formal and detailed cashflow model that focusses on when the payment of the Council's liabilities will fall due against the timing of its other cash outgoings and inflows (including the estimated funds produced from asset sales). This cashflow model should predict at what point, without Government support, the Council will exhaust its usable reserves and will no longer have sufficient finances to be able to continue to operate or would be unable to meet its financial obligations when they become due.</p>	<p><i>Establish Cashflow Model:</i> Officers will establish a detailed cashflow model focusing on when the payment of the Council's liabilities will fall due against the timing of its other cash outgoings and inflows, including estimated funds from asset sales. This will be based on legal advice on the timing of potential liabilities falling due. This model will predict the point at which, without Government support, the Council will exhaust its usable reserves and be unable to meet its financial obligations.</p>	Interim Director of Finance Section 151 Officer, Fiona Greenway	Cabinet Member for Finance and Resources, Councillor Brigid Jones
11	<p>Given the significant risks facing the Council it should ensure that it cooperates with external audit in a timely and appropriate manner, and in accordance with legal requirements.</p>	<p><i>Timely Cooperation:</i> The Council will ensure timely and appropriate cooperation with external audit, in strict accordance with legal requirements.</p>	Chief Executive, Deborah Cadman	Leader of the Council, Councillor John Cotton

No.	Statutory Recommendation	Council Response	Officer	Member
12	<p>The EP liability model should be completed, and the 2020/21 and 2021/22 accounts should be closed by 30 November 2023.</p>	<p><i>Completion of EP Liability Model:</i> The Council will prioritise the completion of the EP liability model.</p> <p><i>Accounts Closure:</i> The accounts for 2020/21 and 2021/22 will be closed by 30 November 2023, pending agreement of models presented to the External Auditors and coordination of an agreed funding strategy for the potential Equal Pay liability (which may involve discussions with DLUHC).</p>	<p>Interim Director of Finance Section 151 Officer, Fiona Greenway</p>	<p>Cabinet Member for Finance and Resources, Councillor Brigid Jones</p>

Public Report

Birmingham City Council

Report to Audit Committee

18 October 2023



Subject: Assurance Session – Cabinet Member Children, Young People and Families

Report of: Councillor Karen McCarthy, Cabinet Member Children, Young People and Families

Relevant O &S Chair(s): Councillor Kerry Jenkins, Education, Children and Young People

Report author: Becky Shergill, Cabinet Support Officer

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

1.1 This cover report and related verbal update at the Audit Committee on 18th October will provide assurance regarding Children and Young People's Travel Service and risk management within the Children and Families Directorate.

2 Recommendations

2.1 That the Audit Committee:

- Notes the report and verbal update regarding the Children and Young People's Travel Service.
- Notes the information provided on the Children and Families Directorate risk management.

3 Children and Young People's Travel Service

- 3.1 Significant historic issues relating to the service led to a loss of trust with parents, providers and other stakeholders which the service has been working hard to rebuild, ensuring that children, young people, and families are kept at the centre of decision-making, and services are provided in accordance with the council's travel assistance policy and relevant statutory guidance.
- 3.2 The service currently supports 5,177 children and young people with transport each day, with a further 200 students supported with Personal Transport Budgets
- 3.3 A transformation programme has led to significant improvements and is moving activity into business as usual. This to include the implementation of a new Application and Eligibility Review Panel to ensure that robust and correct decisions are made in line with BCC policy, with an appeal process set up to support parents who seek to challenge decisions.
- 3.4 With the current DPS due to expire on 31st October 2023, Cabinet approved a new Strategy for a Framework in March 2023 and the internal Procurement Strategy was signed off on 22nd May 2023.
- 3.5 Key procurement documentation has been finalised, we expect that this will bring greater competition to the existing market and anticipate that prices will reduce as a result.
- 3.6 The Children and Young People's Travel Service continues to be supported by Procurement who have significant oversight of the tendering processes.
- 3.7 All the service's processes are clear and robust and have been extensively audited following a whistleblowing complaint which found no evidence of fraudulent practices or "wilful" wrongdoing.
- 3.8 All contract opportunities are tendered through fair, transparent, and compliant processes.
- 3.9 Robust performance management is in place and regular compliance checks are undertaken by the service with action taken where appropriate.
- 3.10 The service's current performance is good and thorough planning for the start of term led to a very strong mobilisation again in September 2023.
- 3.11 This service has been extensively audited by Internal Audit and valuable lessons have been learned: HTST Progress Review (0615/002, final issued 12/05/2022), HTST Review (0162/003, final issued 06/04/2023), HTST Follow Up (0901/016, final issued 28/04/2022) and HTST Early Progress Review (0901/020, final issued 07/06/2023). During these audits no fault has been found, nor recommendation made, regarding favourable conditions for any provider.
- 3.12 Prior to the start of the September 2023 school term, solid progress was made to strengthen our mobilisation plan. This resulted in over 99% of children with allocated routes being taken to school on their first day of term.

4 Children and Families Directorate Risk Management

- 4.1 The Directorate has a Risk Register in place, and it is regularly reported on through the Directorate's Senior Leadership Team Meeting.
- 4.2 The Directorate Risk Register demonstrates alignment with the Corporate Risk Register and regular updates are provided to ensure that the Corporate Risk Register reflects the Directorate's position.
- 4.3 The Improving Services for Children and Families Plan sets out multiple objectives/actions designed to strengthen the Directorate's ability to test and assure arrangements.
- 4.4 The Children and Families Directorate Redesign will continue to secure permanent staffing across fundamental functions and will help to stabilise teams, functions, and outputs. This will achieve a service with the right capacity to provide a compliant service.
- 4.5 The redesign includes a dedicated team to manage risk across the directorate to ensure a robust systematic approach to risk assessment, risk reduction and action planning.
- 4.6 The new permanent Head of Strategic Governance and Planning is now in post and is leading a review of the directorate's current arrangements and the development of a Directorate Risk Management Framework that will be designed to complement and strengthen the commitment and arrangements set out within the Council's Risk Management Framework.

5 Consultation

- 5.1 No consultation was required for this report.

6 Risk Management

- 6.1 The Children and Families Directorate has a Risk Register in place, and it is regularly reported on through the Directorate's Senior Leadership Team Meeting.
- 6.2 The Directorate Risk Register demonstrates alignment with the Corporate Risk Register and regular updates are provided to ensure that the Corporate Risk Register reflects the Directorate's position.

7 Compliance Issues:

- 7.1 **How are the recommended decisions consistent with the City Council's priorities, plans and strategies?**
 - a) Sound financial management and governance underpins all the Council's priorities, plans and strategies.

8 Legal Implications

8.1 There are no legal implications directly arising from this assurance session.

9 Financial Implications

9.1 The financial position of the service will be reported as part of the Council wide quarter 2 budget monitoring process. Detailed forecasting work is being undertaken to include the data for the new academic year, as well as the impact the new framework will have. Whilst it is expected there will be some financial pressure facing the service for the financial year 2023/24, it is planned that this will be mitigated within the wider Children and Families directorate.

10 Procurement Implications

10.1 The Children and Young People's Travel Service is supported by Procurement who have significant oversight of the tendering processes.

11 Human Resources Implications

11.1 There are no human resources implications directly arising from this assurance session.

12 Public Sector Equality Duty

12.1 The Council will ensure that all actions taken in response to these recommendations are in line with the Public Sector Equality Duty, promoting fairness and equality for all residents and employees.

BIRMINGHAM CITY COUNCIL**AUDIT COMMITTEE****18 OCTOBER 2023****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
562 14/02/2023	<p><u>RISK MANAGEMENT UPDATE</u></p> <p><u>Additional Action:</u></p> <p>(iii) A report to be discussed at the next meeting on an audit investigation in the media that resulted in a custodial sentence.</p>	<p>Email circulated by Sarah on 27/06/2023 with a briefing note.</p> <p>Sarah Dunlavey COMPLETED & DISCHARGED</p>
575 28/03/2023	<p><u>GROUP COMPNY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT</u></p> <p><u>Additional Action:</u></p> <p>(ii) An offline briefing session to be arranged for Committee Members to understand the work undertaken by Cabinet Committee Group Company Governance.</p>	<p>Alison Jarrett/ Mohammed Sajid/ Committee Services</p> <p>Dr Rob Milford to programme briefing sessions into the training timetable for the Committee.</p>
577 28/03/2023	<p><u>APPROVAL OF THE STATEMENT OF ACCOUNTS 2020/21 AND 2021/22</u></p> <p><u>Additional Action:</u></p> <p>(vi) Officers to arrange an offline briefing via the Treasury Advisor for committee members to gain a better understanding on affordable borrowing.</p>	<p>Contact made to David Green on 08.06.2023. Dates to be explored before sharing with Committee Members.</p> <p>Mohammed Sajid/ Committee Services</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
		<p>Dr Rob Milford to programme briefing sessions into the training timetable for the Committee.</p>
<p>603 28/06/2023</p>	<p><u>UPDATE FROM THE EXTERNAL AUDITORS</u></p> <p><u>Additional Action:</u></p> <p>(ii) Agreed for a report on Equal Pay to be provided at the next meeting 19 July 2023.</p> <p>(iii) Noted a briefing session to be delivered by the External Auditors on Equal Pay and Oracle.</p>	<p>Committee Services This item was presented to the 19 July meeting</p> <p>External Auditors Dr Rob Milford to programme briefing sessions into the training timetable for the Committee.</p>
<p>617 19/07/2023</p>	<p><u>UPDATE REPORT ON ORACLE SINCE THE LAST MEETING 28 JUNE 2023</u></p> <p><u>Additional Actions:</u></p> <p>(ii) Noted an update on the Management Review would be reported back to the Committee.</p> <p>(iii) Noted the new Head of Compliance and Vetting would attend the next meeting and provide assurances on the work he was undertaking around Oracle.</p> <p>(iv) Agreed for the updated timetable 2022-23 accounts to be shared with the Committee.</p>	<p>Nic Fell/ Meena Kishinani</p> <p>Jeremy Holt</p> <p>Fiona Greenway/ Finance Team</p> <p>At the 27 September meeting, the Chair noted the Committee had carried the work generally on these areas. On this basis these actions were COMPLETED & DISCHARGED</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
638 15/09/2023	<p><u>REPORT ON EQUAL PAY & FINANCIAL PLAN</u></p> <p><u>Additional Action:</u></p> <p>(ii) A written response to be provided by the City Solicitor & Monitoring Officer as to why Council Business Management Committee were making certain decisions rather than Cabinet.</p>	<p>Janie Berry</p> <p>Email circulated on behalf of Janie Berry on 27/09/2023 with a briefing note.</p> <p>COMPLETED & DISCHARGED</p>
642 15/09/2023	<p><u>REPORT ON ORACLE</u></p> <p><u>Additional Action:</u></p> <p>(ii) A list of ongoing reviews to be logged and shared with the Committee</p>	<p>Janie Berry/ Fiona Greenway</p>
653 27/09/2023	<p><u>RESPONSE FROM THE INTERIM DIRECTOR OF FINANCE (SECTION 151 OFFICER) TO THE EXTERNAL AUDITORS REPORT</u></p> <p><u>Additional Action:</u></p> <p>(ii) Noted officers would provide a response to outstanding queries raised by the Committee on;</p> <ul style="list-style-type: none"> - Issues around the 4am start for staff. - Security - an update on Oracle Risk Management Cloud - Risks and calculated timescales associated with the four options of the job evaluation process. - A written update would be provided to the Committee around Schools budgets and their current position. 	<p>Fiona Greenway and Finance Team</p>
655 27/09/2023	<p><u>ASSURANCE SESSION – THE LEADER’S PORTFOLIO</u></p> <p>The Audit Committee deferred the Leader’s Portfolio Session. An extraordinary meeting to be arranged to cover areas associated with the Leader.</p>	<p>An Extraordinary meeting was arranged for 06 October 2023.</p>

MINUTE NO./DATE	SUBJECT MATTER	COMMENTS
666 06/10/2023	<p data-bbox="368 197 1002 264"><u>ASSURANCE SESSION – THE LEADER’S PORTFOLIO</u></p> <p data-bbox="368 304 1034 371">The Audit Committee agreed to reconvene the Leader’s Portfolio Session.</p>	TBC