

Appendix 2. Action plan

| Rec no. | Recommendation | Priority | Management response | Implementation date and responsibility |
|---------|--|----------|--|--|
| 1 | <p>Budget Delivery and Reserves Management</p> <p>The Council needs to deliver the identified mitigating actions to offset the undeliverable planned savings in 2017/18 and maximise the delivery of the remaining savings plans for 2017/18 to reduce the use of additional reserves to achieve a balanced budget position.</p> <p>The Council needs to develop realistic savings plans for future years which take full account of any delivery issues that are identified.</p> | High | <p>The delivery of the savings programme, including the identification of mitigations wherever possible, continues to be a key focus for the Corporate Leadership Team and Members of the Cabinet. This is achieved through a monthly monitoring process and reporting to the Budget Board and further consideration is being given to how this reporting can be improved and strengthened. Reports are presented to the Cabinet bi-monthly, and issues are also being considered by the Finance Overview & Scrutiny Sub-Committee.</p> <p>Specific plans are being developed for future years, including an appraisal of the timeline for and costs of implementation, and a realistic view is being taken of the phasing of savings delivery. Further due diligence processes will be built in for savings proposals to ensure increased confidence in delivery.</p> | <p>Corporate Leadership Team</p> <p>March 2018</p> |
| 2 | <p>Future Operating Model</p> <p>The Council needs to deliver management and support services changes following the redevelopment of the FOM on a timely basis to ensure that it delivers the required financial and operational outcomes.</p> | High | <p>The Future Operating Model is a way of describing a clear focus on the Council's priorities and a series of restructuring proposals and reduction in workforce numbers. There were some false assumptions in the original baseline calculations but management are nevertheless continuing their work on this to make the savings and good progress is being made in particular on new models and savings in support services. This is not yet complete.</p> | <p>Corporate Leadership Team</p> <p>March 2018</p> |

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| 3 | <p>Improvement Panel</p> <p>The Council needs to demonstrate that the pace of change and the impact of new political and corporate leadership arrangements are sufficient and sustained to address the concerns previously raised by the Panel.</p> | High | <p>The leadership of the Council and the management team have engaged constructively with the Panel and there has been significant progress in the running of the corporate management and decision – making of the Council despite setbacks related to the refuse dispute .There has been significant progress demonstrated in partnership working for example between social care and health as well as with OfSTED who have recognised progress in direct service delivery such as, children’s services.</p> <p>There are clear Vision and Priorities for the Council and developing improvement plans for Education, Adult Social Care, Waste and Corporate Governance as well as much greater clarity on the performance requirements of the Council. Appointment of a new Chief Executive and a stable management team will enable the Council to build from the current base which includes a number of high performing services, including Planning , Tackling Youth Offending and Regeneration.</p> | <p>Corporate Leadership Team</p> <p>March 2018</p> |
| 4 | <p>Services for Vulnerable Children</p> <p>The Council needs to continue to demonstrate measurable improvements in services for vulnerable children through successful implementation of the Children’s Trust.</p> | High | <p>CSC scorecard presented to the Improvement Quartet shows steady improvement in all outputs. The OfSTED monitoring visit in September 2017 reported good progress.</p> <p>Plans for migration to the Children’s Trust for April 2018 are on track.</p> | <p>Corporate Director, Children and Young People</p> <p>March 2018</p> |

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| 5 | Management of Schools The Council needs to continue to increase the pace of improvement in schools governance arrangements to ensure that it can demonstrate to Ofsted that it has addressed the issues that it raised. | High | Clear improvements are already in place in the quality of governors in maintained schools. Capacity has been boosted in response to OfSTED critique in School and Governor Support. Greater and improved training is offered for governors. All Trojan Horse risks on governance have been removed and none have been reported by OfSTED since 2014 in individual school reports. | Corporate Director, Children and Young People Already implemented |
| 6 | Cut-off of operating expenditure in Schools We tested a sample of payments made in April and May 2017 to identify whether there were items relating to goods/services received in 2016/17 which had not been appropriately accrued for (whether via system/manual accruals or the forecast accrual process). Two out of the seven schools invoice payments selected within our sample related to services received prior to 31/3/17, but processed for payment after year-end. We are satisfied there cannot be a material risk of under-accrual of schools invoices. However, we recommend that the Council review their processes for ensuring schools expenditure includes appropriate accruals. | Medium | The Council provides guidance to schools on the appropriate accounting treatment for expenditure relating to specific financial years. The guidance will be reviewed to ensure that the information provided to schools is clear. Information will also be provided in relevant schools forums to ensure that as many people as possible are contacted. | Head of City Finance – Children & Young People February 2018 |
| 7 | HRA Assets under construction We identified that all spend on HRA additions is fully settled in year, with nothing being retained in AUC at year-end. While for spend relating to renewals to existing properties any AUC element is unlikely to be material at year-end, in recent years the Council has undertaken significant construction of new properties, and where construction spans year-end the spend should properly be included in AUC until brought into use. We are satisfied that the estimated potential impact would be trivial due to the need to impair the spend to reflect the social housing factors, and any impact on depreciation would also be trivial. We recommend that this is reviewed in future years if the Council continues to expand its house building programme, to ensure there is no material misstatement. | Medium | Agreed. The extent to which new homes are partially constructed at the financial year-end will be evaluated and if material accounted for as Assets under Construction. | Head of City Finance - Place March 2018 |

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| 8 | <p>Housing Benefits</p> <p>There have been two instances in the year where potential control weaknesses regarding the housing benefit system have been identified.</p> <p>The first related to a duplicate payment run which the Authority manually prevented from being paid. However, it still continued to be recorded as duplicated within the RBIS and therefore subsidy.</p> <p>The second related to two high value payments made in error, where on both occasions, an incorrect weekly rent figure had been manually entered in to the rent field of RBIS. These payments were manually stopped by the Council as they were identified as unusually large from the >£3k checks which are performed by the housing benefits team.</p> <p>However, we recommend that the Council continues to strengthen its internal controls with regards to Housing Benefit payments in order to reduce the risk of incorrect payments being made and not being identified manually prior to payment.</p> | Medium | <p>In relation to both of these issues the controls in place within the Housing Benefit and payments system worked as intended to prevent incorrect high value and duplicate payments from being dispatched to citizens and landlords. Therefore, preventing both overpaid benefit and loss of housing benefit subsidy due to Local Authority error. Both instances did create substantial additional work for officers within the Council as manual adjustments to the Housing Benefit subsidy claim had to be made and reconciliation between the housing benefit system and payment system had to be manually adjusted. In order to further strengthen the controls the following measures have been put in place:</p> <ul style="list-style-type: none"> • Within the Housing Benefit system the payment field has now been restricted from an unlimited size to a maximum of 6 digits including 2 decimal points; • The duplicate payment issue was generated through an inappropriate batch parameter error and Service Birmingham have strengthened their controls around batch processing in order to reduce the instance of this occurring in the future. | <p>Service Director – Customer Services</p> <p>Already Implemented</p> |

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| 9 | <p>Capitalisation of expenditure in Schools</p> <p>We identified a number of issues relating to capital spend recorded by schools:</p> <ul style="list-style-type: none"> - 1 item selected in our sample which had been capitalised related to IT support for April 2016 – March 2017 which had been funded by DFC. This was capitalised as spend on buildings which is incorrect as this appears to be a revenue cost. - All DFC is capitalised as buildings spend, but 1 item selected related to playground equipment which would be better classified as equipment. This is a misclassification issue only with no impact on the total value of PPE. <p>Although we are satisfied there is no risk to material misstatement for the above noted issues, we recommend that the Council continues to review the procedures for ensuring capital expenditure by schools is recorded completely and accurately in the accounts.</p> | Medium | <p>Guidance on the appropriate accounting arrangements for capital expenditure will be reviewed to ensure that it is clear on the correct treatment.</p> <p>Guidance will also be provided in appropriate school forums to ensure that relevant staff have access to the information.</p> <p>The Capital Team within the Council's Finance & Governance Directorate will continue, where possible, to review detailed expenditure within school accounting records to ensure the correct accounting treatment for capital expenditure.</p> | <p>Head of City Finance – Children & Young People</p> <p>February 2018</p> |

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| 10 | Group Accounts Group accounts are drafted using unaudited financial information provided by group entities. In future the Audit Committee need assurance that group entities provide sufficient information by the end of April to ensure materially accurate group accounts can be produced and that audited accounts are received before the completion of the Council's audit. | Medium | <p>Discussions are held with Group entities before the year end so that contacts are aware of the Council's timetable for completion of the financial statements. The timetable includes the dates for provision of draft and audited financial statements. Information is also sought from companies in December, prior to the end of the financial year, so that any potential issues can be identified.</p> <p>Companies have a longer statutory timeframe for the completion and audit of their financial statements than the Council. The Council can influence companies to accelerate the completion and audit of their financial statements and companies will be encouraged to see the benefits of early completion. This is more difficult where the Council has only a minority shareholding in a company as external influences will have more power.</p> | Head of City Finance – Final Accounts December 2017 |
| 11 | Exit Packages We recommend that the Council reflects on the advice given by the Department of Communities and Local government in relation to member consideration of exit packages. This advice suggests that authorities should report all exit payments over £100k to Full Council. Whilst Birmingham City Council is not alone in not following the advice, it may wish to consider whether this could be a useful enhancement to strengthen the transparency of its arrangements | Low | <p>The Council has previously considered the advice provided by the Department of Communities and Local Government in relation to member consideration of exit packages, which is provided as guidance only.</p> <p>As part of our considerations on this matter, the Council set up its own internal governance in 2016 for exit payments, which for chief officers exits includes sign off from a cross party elected member JNC panel.</p> <p>The Council does plan to further review the guidance from Department of Communities and Local Government during the next 6 months, as part of the elected member JNC panel.</p> | City Solicitor & Monitoring Officer and Director of Human Resources March 2018 |

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