

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 26 JANUARY 2021
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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 26 JANUARY 2021 AT 1400 HOURS - ONLINE MEETING

PRESENT:-

Councillor Grindrod in the Chair;

Councillors Akhtar, Bridle, Jenkins, Morrall and Tilsley

NOTICE OF RECORDING/WEBCAST

- 266 The Chair advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and members of the press/public could record and take photographs except where there were 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.

DECLARATIONS OF INTEREST

- 267 Members were reminded that they must declare all relevant pecuniary and non-pecuniary interests relating to any items of business to be discussed at this meeting. If a pecuniary interest was declared a Member must not speak or take part in that agenda item. Any declarations would be recorded in the minutes of the meeting.
- Councillor Tilsley declared he was a Non-Executive Director for Birmingham Airport and a Trustee of Millennium Point (Non-pecuniary interest).
 - Councillor Akhtar declared she was an advisor to Councillor Chatfield, Cabinet Member for Finance and Resources Portfolio (for HR area).
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APOLOGIES

- 268 Apologies were submitted on behalf of Councillor Hendrina Quinnen for her inability to attend the meeting.
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EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

The Chair notified the Committee, the minutes of the 25 November 2020 contained a private set of minutes to approve. Item 5, Private minutes of the Audit Committee, 25 November 2020 would be taken in a private session under exempt paragraph 3 if there were any matters that Members would want to raise. If there were no issues or clarifications to be made, then the minutes would be agreed in public as a full set.

Members raised no issues or clarifications on the private set of minutes therefore these were agreed in public.

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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 – 25 NOVEMBER 2020

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RESOLVED:-

That the public and private minutes of the last meeting were agreed.

It was noted Councillor Akhtar had to leave the private meeting early and there were no other matters arising.

USE OF DELEGATED AUTHORITY

The Chair informed the Committee there was an outstanding item from the 25 November 2020 meeting. Members of the Audit Committee requested for a briefing to take place on the Statement of Accounts 2019/20 prior to the use of delegated authority for the S151 Officer and the Chair to act between meetings.

The Chair reported the briefing took place and this satisfied the requirements raised by Members. Members of the Audit Committee were fully informed of the use of the delegated authority and this was applied with Members consent. Following the briefing, the S151 Officer and the Chair of the Audit Committee signed off the Statement of Accounts 2019/20.

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RESOLVED:-

That the Committee agreed the S151 Officer and the Chair of the Audit Committee used the delegated authority to sign off the Statement of Accounts 2019-2020.

ASSURANCE SESSION – CABINET MEMBER FOR FINANCE AND RESOURCES PORTFOLIO

The Chair welcomed the Cabinet Member for Finance and Resources to the Assurance Session of the Committee.

At this juncture, Councillor Akhtar declared she was an advisor to Councillor Chatfield, Cabinet Member for Finance and Resources (HR perspective).

The Chair indicated this was part of the Council's business and not a pecuniary or non-pecuniary interest to declare.

Councillor Jenkins sought clarity to Councillor Akhtar's role as an advisor to the Cabinet Member. The Chair notified Members that Councillor Akhtar acted as an advisor to the Cabinet Member for Finance and Resources as part of the roles Councillors had. This was not a remunerated role and only provided advice of specific issues.

Part 1: Human Resources

The Cabinet Member for Finance and Resources noted a huge amount of work had taken place within HR of Birmingham. Previously, Birmingham had challenges around Industrial relations. This had been worked through jointly with Officers, Leadership Team and the Corporate Consultative Committee. It was noted the Cabinet Member for Finance and Resources regularly met with Trade Unions representatives to discuss any issues that may arise. The Corporate Consultative Committee was a helpful sounding out place to deal with issues before they reached a more serious stage.

The Cabinet Member for Finance and Resources highlighted positive outcomes in HR. These were;

- Sickness levels across the organisation had decreased
- Transition of staff moving to agile working (working from home) had been exceptional
- Work-life balance – Due to Covid-19 there had been an incredibly swift move towards agile working and noted a remarkable diligence by staff.
- Productivity – no reduction in productivity and noticed in some areas, productivity had improved
- Progress on the Culture Change agenda
- Equalities - Everyone's Business Report, published end of 2020 which set out improving the Council's general approach to equalities. A great deal was related to the HR function, recruitment and retention challenges. Important to develop and nurture talent across the City.

Part 2: Finance

The Cabinet Member for Finance and Resources noted Councillor Jenkins and Councillor Tilsley were also Members of the Resources Overview and Scrutiny Committee in which monthly exception reports were presented. The Revenue

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Budget was monitored in an open and transparent way alongside some focus on Capital.

He was pleased to report the revenue spend for the authority had been successfully controlled and currently projecting an overall small underspend. This was including allowing the impact of Covid-19 which had been dependant on grant funding from Central Government. Nonetheless, underlying this, the Departments and Directorates within the City Council had done great work managing the revenue budgets.

Savings delivery remained a challenge however this had improved and was now getting closer to the position where most of the savings were being delivered. Currently, this was not at the place where it was expected to be mainly because of the impact of Covid-19, however the position of delivery savings had improved which had been previously flagged by the Audit Committee.

Part 3: Other issues related to the Portfolio

The Cabinet Member for Finance and Resources noted there were developments around;

Procurement

The Green Paper on Procurement (post-EU / post-Brexit) had been published by the Government and was currently out for consultation. Birmingham City Council would be responding to consultation and prepare a combined substantive response with Regional Partners, other local agencies. It was felt a combined response would influence Governments thinking around what procurement in post-Brexit should look like. This would have serious implications for the City Council. The objective of the Green Paper was to simplify procurement and it was interesting to see if this manifests into the legislation. He was very optimistic to influence this.

Social value

Currently working towards a public report on Social Value and contracts gained rather than individual contracts. Also, to modernise and improve on Social Value Statement and Social Value Policies over the next few months. This would be reporting the current position as well as the direction of travel in the future.

Members response

The Committee then asked questions of the Cabinet Member for Finance and Resources and the following points were noted:

- The Chair was interested to know more around the Culture Change agenda within HR and how to ensure staff throughout the organisation would deliver the best for its residents. In addition, he wanted to know how we would ensure the positive environment was in place and worked across all partners including Trade Unions. The Cabinet Member for Finance and Resources agreed with the Chair that this was an important agenda and part of this could be around

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policy and strategy. However, most of this was around culture and the way people behave and conduct themselves. He noted officers that engage with the public were generally exemplary and excellent however, there was always room for improvement. This was an ongoing journey for change of culture. It was highlighted, residents' expectations changed over time especially in relation to customer services. Residents expect the Council's response to be more reactive and responsive to individual needs. As part of this, the behaviour and culture of the organisation had to change.

The Assistant Director for Organisational Development (HR) notified Members, a Culture Change Framework had been in place for around 18 months. This included the four values at the centre of the organisation and six behaviours which sat outside of this. Over the last 6-12 months, focus was given around how to bring the behaviours to life.

Last year, 600 staff and trades union reps were consulted upon in order to develop a Behaviour Framework. This overlaid with the Development Programme and Future Leaders Development Programme which supported and embedded the six behaviours across the organisation.

For the past 3 to 4 months, positive conversations were taking place with Trade Unions to see how to deliver this work into the appraisal process. All areas were aligning against the 'behaviours' to ensure culture change was delivered through people behaviours every day. It was noted the level of trust had increased via the relationships and conversations that were taking place. This was the foundations to the culture change going forward.

The Chair noted the response given and added the Committee would be interested to see the progress of this work and see more detail of the values and behaviours in the future.

- Councillor Bridle raised several questions. These were around; 1) CIPFA recommendations and various problem areas; 2) HR and layering the organisation to make performance management more effective and efficient as the current appraisal systems were not as effective as they should be; 3) the Chief Executive was proposing a number of changes and impact of the changes to Senior Officer posts, Cabinet Member Portfolios and address the proposed changes; 4) what happens if the Commonwealth Games do not take place and was there a risk assessment in place and 5) Devolution to localise to residents/ communities as at present wards had no power to make governance decisions.

The Chair noted the questions raised however, stressed that some of the questions may need to be addressed via the Resources Overview & Scrutiny Committee. The audit and risk aspects of the questions would be addressed at this Committee. The policy on devolution would need to be explored at a different Committee.

The Cabinet Member for Finance and Resources made the following points in response to Councillor Bridles questions;

- i) CIPFA, Finance – This was critical work and it was crucial to move to a position where Birmingham was an exemplar. A Target Operating Model

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was being developed with several workstreams attached to this. The Cabinet Member received regular progress briefings from Officers to each objective.

Recruitment and retention were highlighted as a challenge i.e. having the right skills to deliver this. The relationship with Finance Directorate and individual Service Areas had improved with the Business Partner Model in place. This improved delivery was seen across reports, exception reports and Star Chamber. Assurances were given by the Cabinet Member as work around Target Operating Model was rapidly moving forward.

The Interim Chief Finance Officer added in relation to finance, the CIPFA Financial Management Review and Finance Improvement Plan were in place to ensure the foundation was set for the future. The second layer was around developing the 3-5-year vision for the future which involved finance colleagues, stakeholders from other Directorates – Target Operating Model. This worked alongside the new Finance Management System which was to allow budget holders to manage their finances as lot of this was missing originally. It was noted this would take time to build across the organisation, however it would be robust and deliverable and combined into one programme.

- ii) Devolution – This was a matter for another Committee however, finance would support this i.e. budgets to devolve, policy decision to ensure this worked efficiently.
- iii) Commonwealth Games - The work was ongoing with the expectation the games will continue and the Cabinet Member would check if there was a risk assessment in place and he would provide feedback to Councillor Bridle.
- iv) Chief Executive's Report around governance to senior management changes – It was noted the aim was to ensure there was enough strategic capacity in place.
- v) The Interim Chief Finance Officer added the 'Review of the Establishment' work had started this year and would continue into next year. Work such as containing agency costs; staff rates and vacancies within the establishment was being explored to tidy up the establishment. In addition, further governance to manage the costs. She highlighted the total establishment budget for 2020-2021 was £425 million pounds. It was important this was managed effectively across services as well as within services.

The Corporate Workforce Board, Directorate Workforce Boards were in place and reported to Cabinet Members and/or Scrutiny Committees. It was crucial to contain the spend on the establishment.

- Councillor Jenkins referred to staff working from home and this was not viable for all employees. Extra care had to be considered as this was not suitable for many employees especially working 5 continuous days.

He referred to the earlier comment around increase in productivity and queried if this had been measured. In addition, he questioned if the outputs had been measured rather than the inputs (i.e. not how long employee was working and hours but how much output from the time the employees worked). He also requested for one example of Culture Change that had happened recently.

The Cabinet Member for Finance and Resources agreed with Councillor Jenkins around working from home and a balance and flexible working was required. He was astounded how adaptable employees had been in making the transition.

In terms of productivity, there were no figures to share and this was an anecdotal opinion of the Cabinet Member and Officers as queries were being dealt within the allotted periods and case work locally.

The Cabinet Member for Finance and Resources did not agree with the comment around the Council not being transparent as the Council was being as transparent as it could. He welcomed Councillor Jenkins to directly raise any areas of concerns within this portfolio to ensure transparency was in place. However, noted there were some caveats around some of the sensitive issues (financial, commercial, HR) and look at those examples to improve transparency.

Performance Management Report routinely presented to Cabinet which highlighted the inputs versus the output's issues. He added some areas were easier to measure than others as other areas were more complex than others to produce analytical data.

The Assistant Director for Organisational Development (HR) added during summer 2020, a Health and Wellbeing survey was shared to see how employees were adjusting to working from home. A second survey was now in progress in which 1600 responses had been received.

He gave the following examples for Culture Change;

- i) Working as partners - Work had been undertaken with Trade Unions and the wider workforce around the appraisal. A productive, collaborative approach had taken place to produce a co-written paper between Trade Unions and HR OD Community.
- ii) Thinking ahead – Senior Leadership Team had undertaken work on Workforce Planning which was being embedded.
- iii) Treating people equally – In November 2020, a report on Workforce Weight Equity was produced. This highlighted a range of issues across the organisation to raise equity. As a result, an immediate action plan had been put into place.

At 1447 hours, Councillor Akhtar left the meeting. Councillor Jenkins questioned her attendance at the Committee given her advisory role and breach to the Constitution. He referred to the conflict of interest section of the Constitution for Overview & Scrutiny and most likely would apply to this Committee.

The Chair sought advice from the City Solicitor and Monitoring Officer.

- Councillor Morrall found reference made by the Cabinet Member to social value and procurement was encouraging. He referred to a piece of cross-party work being explored as part of the Economy and Skills Overview and Scrutiny which looked at Council assets being underused despite high demand. It was found repairs were costing more through the Council rather than privately. This issue

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was raised by Councillor Morrall in City Council in July 2020 to the Leader of the Council, unfortunately nothing on the urgent enquiry had been seen.

The Cabinet Member for Finance and Resources replied as a public sector organisation, the Council procurement was in accordance with the Public Procurement Regulations which was different to private sector organisations. Additional costs are incurred by the Council which are not seen by the private sector. It was not fair to compare the City Council to the private sector as the Council is a different organisation governed by different legislation.

The option of leases suggested by Councillor Morrall, it was noted there was the obligation to protect the public purse therefore any decision around assets had to be considered carefully. The Cabinet Member highlighted this had been previously explored with third sector organisations. Unfortunately, the buildings were expensive to run therefore the organisations incurred problems.

- Councillor Tilsley noted the level of sickness had reduced across the UK whilst working from home. He endorsed comments made by Councillor Jenkins around working from home and feeling isolated. It was crucial the Health and Wellbeing of employees should be monitored.
He questioned around the loss of Council Tax and Business Rates and the potential impact on next years budget. He sought assurances around Government support on loss.

The Cabinet Member for Finance and Resources recognised there were both positive and negatives of working from home. The reduction of sickness was welcomed and the lessons around this was to be learnt. The loss of Business Rates and Council Tax pose a challenge however, a compensation scheme was in place in Central Government (70%) which Birmingham City Council were expecting to benefit from and factored into the budget next year. This would mean reserves would not need to be used.

The Cabinet Member for Finance and Resources commended the Interim Chief Finance Officer of how she had worked with colleagues across the organisation. £40 million had be placed aside for Covid related additional liabilities in the current period.

At this juncture, the Chair notified the Committee, the City Solicitor & Monitoring Officer had reviewed Councillor Jenkins query around the advisor role and the possibility of conflict of interest. Upon advice received, he apologised to Councillor Jenkins he was correct in the point raised and declaration of interest of Cabinet Advisor role should have been noted. The Constitution specifically refers to scrutinising the area of work that the Cabinet Advisor role related to.

Councillor Akhtar would be able to contribute to other aspects of this meeting.

The Chair agreed to work with the City Solicitor and Monitoring Officer to ensure this was considered in future Audit Committee agendas.

At 1500 hours, Councillor Akhtar re-joined the Committee.

The Cabinet Member for Finance and Resources confirmed Councillor Akhtar provides advice around HR element only of the portfolio rather than the broader finance aspect.

The City Solicitor and Monitoring Officer confirmed Councillor Akhtar could remain for all items of the Audit Committee except for any HR items related to her role.

At this juncture, the Chair thanked the Cabinet Member for Finance and Resources and supporting Officers for their attendance.

Upon consideration, it was:

272 **RESOLVED:-**

- i) That the Committee noted the updates received on the Cabinet Member for Finance and Resources Portfolio.

RISK MANAGEMENT UPDATE

The following report of the Assistant Director Audit & Risk Assessment was submitted: -

(See document No.1)

The Assistant Director Audit & Risk Assessment notified Members this report had been deferred from the 25 November. There was a small amendment included in the report around two new risks associated with the Commonwealth Games Team. Therefore, there were now 33 risks on the Strategic Risk Register. A breakdown of the ratings was shared with the Committee Members.

The additional two new risks related to Commonwealth Games were around the Delivery of Core Services and Infrastructure and the Legacy Realisation. She highlighted one risk had been deleted around officer and Members roles (SR 1.2). Further detail around the paper was provided by the Assistant Director Audit & Risk Assessment.

In response to Member questions, the Assistant Director Audit & Risk Assessment made the following points;

- There was an extensive risk register for the Commonwealth Games separate to the Strategic risk register which also highlighted the risk to Birmingham City Council. There are many moving parts to the Commonwealth Games therefore this had to be managed effectively.
- Noted it was incredibly difficult to manage risks around the Commonwealth Games due to the overbearing risk associated with the Covid pandemic.
- Councillor Jenkins had concerns around the risk associated with property development projects and had to be careful around the risks associated with a substantial drop in value (property development risk). The Assistant Director Audit & Risk Management would raise this at Corporate Leadership Team to gain Officers views on where this risk sat (i.e. new Strategic or within one of the existing risks).
The Chair requested for this information to be sent to Councillor Jenkins.

Upon consideration, it was:

273 **RESOLVED:-**

That the Committee;

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

BIRMINGHAM AUDIT – HALF YEAR UPDATE REPORT 2020/21

The following report of the Assistant Director Audit & Risk Assessment was submitted: -

(See document No.2)

The Assistant Director Audit & Risk Assessment notified Members this was a standard report to the Committee. She reported this was the first time, Birmingham Audit were not on target for a 'normal' year. In June 2020, Members had been previously informed there were difficulties during the months of April and May 2020 engaging with clients and undertaking normal business therefore, as a result, the plan would be reset.

It was highlighted, where services were online 'working on a normal basis' e.g. payroll, making payments, I.T. systems they were on target. However, many reports would have been expected on School visits however they had been heavily impacted as schools had been closed.

As at the end of September 2020, 25% of the original planned jobs had been completed which was below the 40% target. Several staff within Birmingham Audit had been seconded to provide Covid related support. Further detail around the paper was provided by the Assistant Director Audit & Risk Assessment.

The terms of reference for the Core Cities External Assessment Peer Review was shared with Members as a review had to undertaken every 5 years to assist in improving the Audit Delivery Service and keeping within the standards. She highlighted the proposal was for Liverpool City Council to review Birmingham City Council. The review of Glasgow City Council was already underway.

In response to Member questions, the Assistant Director Audit & Risk Assessment made the following points;

- The vision post pandemic was focussed around 'what must, should, could' happen. Business-controlled areas (e.g. payroll, income) have continued therefore she assured Members this was all in hand. However,

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Internal Audit community were having discussions where 'limited scope' opinion may have to be given

- Schools – Individual Schools did not have large risk impact to the City Council. There was no evidence on issues around controls within schools were affected.
- Councillor Tilsley raised concerns around Liverpool City Council undertaking the Peer Review especially due to the issues related to procurement and property associated with Liverpool. The Assistant Director Audit & Risk Assessment noted concerns raised however, the Core Cities Internal Auditors were a group who met frequently. The service was very developed and the learnings from internal audits were shared.
- Members were supportive of undertaking a peer review however, suggested to review the plans to re-arrange details.
- It was noted if the process was delayed for a month, this would not have an impact to the work with Birmingham.

The Chair noted Councillor Tilsley's concerns around Liverpool City Council therefore, suggested further assurances would need to be given to the Committee. A further update to be provided to the Committee to reconsider options.

Upon consideration, it was:

274 **RESOLVED:-**

That the Committee;

- i) Noted the level of audit work undertaken, and assurances provided;
- ii) Noted the implications of COVID-19 and the potential limitation in audit opinion at the end of the financial year.
- iii) Noted findings from the Internal Audit Total Audit Impact Review.
- iv) Members agreed the overall approach to a Public Sector Internal Audit Standard Compliance review. However, Members agreed to seek further assurances to the Council undertaking the Peer Review. A further update to be provided to the Committee to reconsider options.

TREASURY RISK MANAGEMENT ARRANGEMENTS

The following report of the Interim Head of Capital and Treasury Management was submitted: -

(See document No.3)

The Interim Head of Capital and Treasury Management referred to the presentation - appendix 1 – Birmingham City Council Treasury Risk Management and gave an overview to the Committee. This presentation

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summarised all the issues highlighted within the detailed documents shared with Members.

The presentation gave an overview around; Audit Committee's role; Treasury and risk management; the Council's TM Strategy for 2021- 22 and Treasury Reporting and Monitoring.

The Key risks and issues highlighted were around;

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

It was noted the total loan debt outstanding for Birmingham City Council was £3.42bn (as at 31 December 2020); the total treasury investments outstanding was £265m (as at 31 December 2020); the total value of transactions to Q3 2020/21 was £10.06bn and the total draft treasury revenue budget 2021/22 was £243m.

The Interim Head of Capital and Treasury Management informed Members the interest payments on the £3.42bn was around £120m. The £120m was being redeemed. He highlighted each year Government forces set aside certain amount of revenue budget to repay debt. Part of the £243m, approximately £120m was interest payments and £123m to repay debt. PWLB were charging 0.8% interest rate for short term loans.

The Chair noted training on treasury management was provided periodically for City Councillors. The Interim Head of Capital and Treasury Management indicated the last training took place 7 July 2020; however, he was willing to provide briefings to Members if required.

Upon consideration, it was:

275 **RESOLVED:-**

That the Committee noted and considered the Council's treasury risk management arrangements as set out in the draft Treasury Management Policy, Strategy and treasury management practices.

AUDIT FINDINGS REPORT

The following report of the Interim Chief Finance Officer was submitted: -

(See document No.4)

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The Interim Chief Finance Officer informed Members, at the last Committee, 25 November 2020, Members considered the External Auditor's Audit Findings Report (AFR) on the Council's financial statements, which summarised the significant outcomes, conclusions and recommendations from their work to date. At that time, whilst the external auditors had completed the substantial proportion of their audit of the financial statements, there remained several elements where further work was required. Following the completion of the work, the external had issued a revised Audit Findings Report (appendix 1).

The revised AFR contained 13 new recommendations and follows up on 5 recommendations from prior years. Management responses were attached at appendix 2, which require approval. Progress in implementing action to meet the recommendations had also been identified for the external audit recommendations.

The Head of City Finance added the External Auditors added 3 additional (low level) recommendations around;

- i) Consideration of the impact of assets that were valued at less than £50,000, which were assumed, on the basis of de minimis, to have a nil value
- ii) The disclosure of the Council's capital commitments had been based on business cases and estimated spend rather than on contracted amounts and actual expenditure
- iii) The valuation of the Council's Think Tank heritage asset was based on insurance value rather than on a formal valuation of the asset.

The revised AFR also included an additional two items in respect of unadjusted errors and uncertainties. Management responses had been covered for all responses and additional reports would come to the Committee in the future to show the actions had been taken by management to implement the responses to the recommendations.

He referred to the 'financial resilience reserve' was an initial value of £75m. It was expected this reserve would be around £80m at the year end and the £75m was an estimate at the time.

The Key Auditor Partner, External Auditor explained Grant Thornton left the last Committee (Nov 2020), noting there were still assurances required to complete the audit. This had since progressed during December 2020. He noted Birmingham was a complex Local Authority, however it was a positive message that the audit had been completed in January 2021. The responses to the action plan were well received and were taken seriously by the Council.

Upon consideration, it was:

276 RESOLVED:-

That the Committee;

- i) Noted the revised Audit Findings Report

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- ii) Approved the management responses, attached as Appendix 2, to the recommendations set out in the Audit Findings Report
 - iii) Agreed to receive reports to future meetings of this committee on progress in implementing the actions proposed in response to the recommendations.
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ANNUAL AUDIT LETTER

The following report of the Interim Chief Finance Officer was submitted: -

(See document No.5)

The Head of City Finance informed Members the Annual Audit Letter is the statutory report by the Council's external auditor, Grant Thornton, of its activities for the year. The Annual Audit Letter covers the external audit of the Council's financial affairs, the Council's financial standing, value for money and overall performance. This replicates a lot of the work identified in the Audit Findings Report.

A copy of the Annual Audit Letter would be circulated to all Members of the Council once agreed by the Committee.

The Interim Chief Finance Officer added the Statement of Accounts 2019-20 were unqualified. The value for money opinion, there were two issues which were both related to business cases reported to Members which did not meet Green Book principles however, the approach had since changed.

The Interim Chief Finance Officer thanked the Head of City Finance and his team for an 'unqualified' Statement of Accounts for 2019-2020.

The Engagement Partner, External Auditor, Grant Thornton, highlighted there were a couple of references in the report to being unable to certify the completion of the audit due to the Government Accounts process not completed. The External Auditors had issues submitting their assurances to Government in order to obtain certification however, it was noted this was not an issue for the Council.

Upon consideration, it was:

277 RESOLVED:-

That the Committee received and considered the Annual Audit Letter, attached as appendix 1 to the report.

OMBUDSMAN REPORT CONCERNING COMPLAINT ABOUT BIRMINGHAM CHILDREN'S TRUST

The following report of the Chief Executive of the Birmingham Children's Trust was submitted: -

(See document No.6)

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The Chief Executive of the Birmingham Children's Trust (BCT) informed Members a public report was issued by the Local Government Ombudsman in relation to a childcare case which began before the establishment of the Trust.

The fundamental issue the Ombudsman found fault on, was at the point when the child's mother passed away and the status of placement of the child thereafter. At the time, this was treated as a Private Fostering arrangement. However, it should have been treated as a 'Family & Friends' arrangement in which the tracking of the care system would have wrapped around the placement. Greater safeguarding and security would have been provided for the person as well as greater support for carers who had the child in their care at the time.

The Chief Executive of the Birmingham Children's Trust indicated this was a public report because the law was misapplied by the Local Authority by using Private Fostering arrangements when instead the Public Law Framework should have been applied to support the child better.

The Birmingham Children Trust had prepared a response to all the recommendations by the Ombudsman including reviewing the Private Fostering arrangements to ensure they are compliant with the regulations. It was noted, when BCT had first established in 2018, there were cases where BCT had intervened and changed the arrangements. BCT were ensuring the legal framework was correct around the placements.

In response to Members questions, the following points were made by the Chief Executive of the Birmingham Children's Trust;

- The Executive of the Birmingham Children's Trust noted since the Trust formed (and in advance of these findings), a guidance was introduced around both Private Fostering and Family & Friends Care by creating better decision-making models around access to right legal advice.
- In addition, several webinars, training events had been delivered to staff to raise people's awareness to the important role of Private Fostering for children (i.e. the parents' choice). BCT ensured where the circumstances do not comply or adhere to the Private Fostering Regulations intervention was taken.
- Over the last 2-3 years, management arrangements had improved.
- Quality assurance, practice evaluation had improved too. Periodic evaluations take place in care areas to ensure robust action was taking place.
- Lessons learnt from the Ombudsman report had been shared throughout the organisation and ensuring the right management, quality assurance, overview systems take place. This was a part of the improvement journey.
- The focus was around Private Fostering Care however, the arrangements around Family & Friends care was being looked at as this was an important type of care. Wherever possible a child should be with their parents and where this was not possible then a family member, relative to ensure children sustain a successful adulthood.
- A number of activities had been strengthened over the last 2-3 years to avoid any mistakes in the future.

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- It was noted this was a sad case and the child was thriving and continued support was provided as we were all Corporate Parents.
- The Chair questioned around point 6.2 of the report, the review open cases of unaccompanied children to ensure it is offering the support and sought assurance. It was noted, over the past few years, the arrangements for unaccompanied children had significantly improved to provide care for when children arrived. The work around this area was in progress.
- There was a developing piece of work across the region around modern slavery. Nationally, communications had been received from the National Police Chief Council which link to the Safeguarding Children's Partnership arrangements within the City. Modern Slavery was an area that was rapidly developing risk and exploitation which would be addressed in the response with the Police.

At 1600 hours, Councillor Jenkins left the Committee.

The Chair thanked the Chief Executive of the Birmingham Children's Trust and was relieved to hear the sensitive and concerning case was in a better place.

Upon consideration, it was:

278 RESOLVED:-

That the Audit Committee noted Andy Couldrick, the Chief Executive of the Children's Trust response to the Local Government and Social Care Ombudsman's recommendations.

ASSURANCE SESSION - CABINET MEMBER CHILDREN'S WELLBEING PORTFOLIO

The Chair welcomed the Cabinet Member for Children's Wellbeing to the Assurance Session of the Committee.

The Cabinet Member for Children's Wellbeing informed Members the portfolio she held was large and there was various part of the portfolio of interest to this Committee. She introduced Nichola Jones, the Assistant Director for Inclusion, SEND & Wellbeing and Nigel Harvey-Whitten, the Assistant Director Children's Services (Commissioning) who would give the updates around Travel Assist and Special Educational Needs and Disability (SEND).

Travel Assist

The Assistant Director for Inclusion, SEND & Wellbeing gave an overview to the journey on Travel Assist since last year in terms of the service performance at the end of 2020 - what had happened; what had been focussed upon (Audit Recommendations) and the current position.

She highlighted a number of issues in January 2020. These were around; no strategic vision; lack of leadership; reduction in the Home to School (HTS) workforce as a result of Directorate needing to achieve savings; there was no

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Improvement Plan in place; the DPS Commission Framework was in process of being implemented; poor performance; high level of sickness across the workforce resulting in routes being cancelled; lack of expertise to deliver effective operational and compliance functions; poor IT infrastructure- as information was on spreadsheets and poor communications with stakeholders.

As a result, an experienced permanent Interim Lead for the service was appointed and would be starting in February 2021. An Improvement Plan, dashboard and weekly Management and Project meetings had been developed and place during Spring/ Summer 2020. The Commissioning Team implemented to DPS Commissioning Framework in February 2020 and had procured and were in the process of implementing the new IT 365 system.

During the Summer to Autumn 2020, an Interim Leadership Team was developed and recruited. This consisted of an Operational Team Manager, Compliance Team Manager, Interim Team of six Compliance Officers and Administrative Support Assistants.

She noted in September 2020, the service failed to deliver the additional routes required to manage the Covid-19 bubbles and these were related to issues with the service delivery. Additional capacity was brought in via Ernest Young to strengthen the support to the lack of resources. They undertook a deep dive and with the support the department developed an immediate plan and programme.

The following presentation of the Assistant Director for Inclusion, SEND & Wellbeing was submitted at the Committee: -

(See document No.7)

The Assistant Director for Inclusion, SEND & Wellbeing gave an overview to the service at the end of 18th December 2020 highlighting the progress and challenges faced. Following this, the Assistant Director Children's Services (Commissioning) summarised the key achievements across Commissioning and HTS and noted throughout the autumn a series of improvements had continued to be implemented to ensure the service was more resilient. The Assistant Director for Inclusion, SEND & Wellbeing summarised the priorities over the next 3 months to the Committee. These were all highlighted in detail in the presentation slides to the Committee.

An overview of the recommendations from the Audit Report to the Committee and the current position of the Home to School Transport service was shared to Members. It was noted there were 19 recommendations of which 17 had been completed and two were 'in progress'.

The two recommendations that were still 'in progress' were;

- **Recommendation 4 - The safeguarding requirements contained in any future contracts must be strengthened and include a requirement to follow recognised best practice in relation to DBS checks.** This was due to a recent query from National Express (one contractor) that generated the need to issue a contract deed of variation (created by the service in conjunction with Legal and HR).

- ***Recommendation 9 - On-going safeguarding audits must be introduced so that the Travel Assist Team can be assured that the providers are undertaking the required safeguarding/DBS checks on their drivers. This must include sample testing of the drivers DBS certificate. Records of the audits must be retained, and the results reported to the appropriate Assistant Director.*** This was due to the ongoing safeguarding audits were taking place across all providers. There were outstanding issues in relation to DBS sampling with National Express (one contractor) which the council was addressing with the support of legal services.

The Assistant Director for Organisational Development (HR) informed Members during September/ October 2019, a review of the Council's corporate DBS policy was undertaken by HR along with a review of the DBS protocol and practice. A small team was set up to review the revised policy and procedure and finalise these and the accompanying Guidance Notes to ensure DBS arrangements are robust and minimise risk to BCC and its service users. The directorate had introduced new safeguarding / DBS checking processes for assessing positive disclosures. In addition, a formal contractual process had been implemented in relation to all dynamic purchasing system contracts (DPS) which required all contractors to comply with the councils corporate DBS policy and process. There is one contract outside the DPS which was currently undergoing the same contractual change.

He confirmed the serious incident (referred to in the audit report) by one of the commissioned transport providers, in relation to the DBS and safer recruitment process to be independently formally investigated, the action had been completed.

The Interim Chief Executive noted over the past year there was a lot of focus on this service area. The Audit Committee wanted an update to the status of the recommendations from the report that came to the 28 Jan 2020 Committee. The Audit report was a consequence of mishandling of a positive DBS check which led a serious safeguarding risk. Updates had been provided to the Committee of recommendations that had been completed and those in progress.

He suggested in the future, the Committee may wish to consider where an Independent Review of the implementation of the recommendations given the seriousness of the issues though assurances from the service had been given at this meeting.

The Interim Chief Executive informed Members, at City Council in September 2020, a motion was passed for the following to take place.

These were;

- i) Support the service and bring immediate improvement (as there were service failures at the start of the term - September),
- ii) Launch an independent enquiry as to what had gone wrong (undertaken by Ernest & Young). This was subject to careful consideration by Cabinet and Scrutiny,

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- iii) Conduct an investigation to the veracity and completeness to the assurances that had been given to various Boards, Committees during early part of 2020. This work would be testing and checking accuracy or not. Once the work had been completed, this would be shared with the Committee.

The Interim Chief Executive assured Members, the Audit recommendations from October 2019, which were considered at the Audit Committee 28 January 2020, were progressing well. The next stage was for the service to implement the recommendations from the Ernest & Young report which was inclusive of recommendations that had been made by scrutiny.

This was to introduce a new operating model for the Travel Assist Service that includes an integrated transport function as well as other changes highlighted to this Committee by Officers.

On 28 January 2021, the Joint Negotiating Committee (JNC) Panel would be invited to create a time limited post for the Transformation Director whom would have responsibility for overseeing and giving assurances in implementing the changes. To ensure tasks are completed on time, properly resourced and dependencies are mapped and tracked. This would ensure improvement was made on a systemic way forward.

At 1630 hours, Councillor Jenkins re-joined the Committee.

Members response

The Committee then asked questions of the Cabinet Member for Children's Wellbeing and supporting officers. The following points were noted:

- The Chair indicated the challenge Members of the Council had was around assurances. Travel Assist had ongoing issues which raised concerns throughout the year. He welcomed the work developed and updates, however questioned how the level of confidence and assurance would be made going forward. In addition, the internal audit report indicated a poor understanding of safeguarding at its importance throughout Education, Children & Skills and HR Directorates. Assurances were required on this area too.
- Councillor Morrall made several queries. These were around; Consultants and cost and questioned how much cost would be associated with the new team to get the service; 99% of the routes being completed - which had been highlighted as misleading by some of the Special Schools Head Teachers. The routes which were late, size of the routes, length of the journey over 1 hour were noted clearly indicated; Subcontracting was a serious issue highlighted by Scrutiny Committee which had led to problems in safeguarding and performance. The main problem under the ATG contract was related to management; Deed poll – area of concern; questioned how many subcontracts were in place.
- Councillor Tilsley noted the updates provided by Officers and over time we would see if Birmingham City Council had learnt lessons and the Audit Committee can have full assurance systems are in place.

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- In response to points raised, the Assistant Director Children's Services (Commissioning) replied to the subcontracting concerns. He noted the ATG arrangements were taken over by National Express. National Express do not subcontract and had placed them in a difficult position to add capacity to routes during difficult times. He indicated not all situations; the subcontracting would be ruled out as the capacity had to be looked at during an emergency. The preferred method was to go via the DPR Framework.
- The Assistant Director for Inclusion, SEND & Wellbeing, the Ernest & Young input had been valuable to shape the way forward. The new Head of Service was to start shortly, and considerable change projected in this service area. She felt the investment to shaping the strategic direction, was fundamental to service.
- Data – the performance indicator had been met for routes that were cancelled i.e. 99%. Lateness and length of the route would be a part of the improvement journey. Moved from zero Compliance Officers to six Compliance Officers who would be monitoring this via a triage with the Schools. The changes in the service would take time to embed.
- The Cabinet Member for Children's Wellbeing referred to the deed poll concerns and the Directorate were aware of these issues for parents, carers and young people. She had been holding a number of consultations with parents and carers over the past few weeks where they can explore and tell their experiences from September. In addition, this was an opportunity to reflect on the changes on the improvements. She noted families with children with SEND, the basic support had to be correct to ensure the structure was in place from the start of the day. She reassured the Audit Committee as it was important to get this right.
- Councillor Bridle noted the Committee would need assurances around routing out the tendency to deny a system failure and make sure the culture changes.
- The Chair echoed Councillor Bridle's comment and welcomed any outstanding reports as well as supporting tools from the Interim Chief Executive on this area. He requested this to be shared at a future Committee.
- Information related to the subcontracts and numbers to be sent directly to Councillor Morrall.
- The Interim Chief Executive noted the spend on Consultancy support to stabilise the service since September, and assistance to build the framework for ongoing improvement would be provided to the Audit Committee.
- He echoed comments made by the Assistant Director for Inclusion, SEND & Wellbeing that the consultancy support had been valuable to improve the momentum of improvement in recent months. Ultimately, the best solution was to have a reliable service run by permanent reliable staff with the right skills.
- The appointment of a Transformation Director was the first step to improve the support and recognised specialist support would be required in the coming months i.e. IT etc for the Improvement Programme. He highlighted this would

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form part of the Council's Transformation Programme where the Interim Chief Executive would get full visibility of the spend, deliverables and outcomes which would be reported to Members.

- The Cabinet Member for Children's Wellbeing confirmed Special Schools had advised, 6 routes out of the 740 routes on the final week of last term that were late. She echoed Councillor Bridle's comments around compliancy and reassured the Audit Committee this would be addressed.

At this juncture, the Chair thanked the Cabinet Member for Children's Wellbeing and supporting Officers for their attendance. He noted there were other areas of the portfolio that were of interest to the Committee and this would be covered later by inviting the Cabinet Member again.

Upon consideration, it was:

279 **RESOLVED:-**

That the Committee;

- i) Noted the updates received on the Cabinet Member for Children's Wellbeing Portfolio.
- ii) To provide the Committee with any outstanding reports, supporting tools related to Travel Assist at a future Committee.
- iii) To provide Members with the cost for Consultancy support, assistance to stabilise the service and the cost to build the framework for ongoing improvement within the Travel Assist Service since September.
- iv) The Council's Transformation Programme to be shared at a future Committee.

SCHEDULE OF OUTSTANDING MINUTES

Information for noting.

- **Minute 196 28/01/2020 – Travel Assist** – Completed and discharged.
- **Minute 257 25/11/2020 – Statement of Accounts** – Briefing was arranged on 07 January 2021 for Committee Members. Members agreed for the Statement of Accounts 2019/20 to be signed by the S151 Officer and Chair of the Audit Committee under delegated authority.

A separate Briefing was arranged for Councillor Morrall on 04 December 2020 with legal officers to discuss Senior Officers' Remuneration table within the Statement of Accounts – (Non- disclosure of names and GDPR related concerns).

Both items were completed and discharged.

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• **Minute 260 25/11/2020 - Additional Recommendation**

- iii) Agreed to receive further updates on the progress of the work on the Independent Advisor role. This would be provided at a future Committee.
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DATE AND TIME OF NEXT MEETING

The next meeting is scheduled to take place on Monday, 22 February 2021 at 1400 hours via MS Teams (on-line).

OTHER URGENT BUSINESS

The Chair notified the Committee, the Annual Report of the Audit Committee was scheduled for the 02 Feb 2021 City Council. He encouraged Members of the Audit Committee to contribute discussions and debate.

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RESOLVED: -

That the Committee noted the Annual Report of the Audit Committee would be discussed at 02 February City Council.

AUTHORITY TO CHAIRMAN AND OFFICERS

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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 1701 hours.

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CHAIR