

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 30 SEPTEMBER 2021
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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON
TUESDAY, 30 SEPTEMBER 2021 AT 1400 HOURS IN THE MAIN HALL,
BIRMINGHAM & MIDLANDS INSTITUTE, 9 MARGARET STREET,
BIRMINGHAM, B3 3BS**

PRESENT:-

Councillor Grindrod in the Chair;

Councillors Akhtar, Bore, Bridle, and Jenkins

NOTICE OF RECORDING/WEBCAST

- 358 The Chair advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's You Tube site (www.youtube.com/channel/UCT2kT7ZRPFCXq6_5dnVnYlw) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

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

APOLOGIES

- 359 Apologies were submitted on behalf Councillors Morrall, Quinnen and Tilsley for their inability to attend the meeting.

Councillor Safia Akhtar would be joining the meeting late.

In addition, Jon Roberts, External Auditor, submitted his apologies.

DECLARATIONS OF INTEREST

- 360 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.
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EXEMPT INFORMATION – POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC

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

Upon consideration, it was:

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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 – 26 JULY 2021

Councillor Jenkins requested for an amendment to be made to the wording in minute 350 under the contractual details for the Interim Director for Education and Skills (as part of the Assurance Session Cabinet Member Education & Skills).

Original wording in Minute 350 - (page 5 of 94 of the document pack)

“Contractual details for the Interim Director for Education and Skills
At this juncture, the Chair reminded Councillor Jenkins contractual details were not appropriate to be discussed at the meeting however, suggested for a written response to be provided.”

Amended wording in Minute 350

“Contractual details for the Interim Director for Education and Skills
At this juncture, the Chair reminded Councillor Jenkins that contractual details should only be discussed in the appropriate manner and suggested that Cllr Jenkins ask for a written response to be provided to his question.

Upon consideration, it was:

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RESOLVED:-

Subject to the above amendment, the public minutes of the last meeting having been circulated, were agreed by the Committee.

APPOINTMENT OF THE INDEPENDENT ADVISOR TO AUDIT COMMITTEE

The Chair welcomed Andrew Hardingham to the meeting. He had been appointed by the Committee to provide independent advice, support and guidance. This appointment had been reflected in the Council's constitution.

The Chair encouraged Members to contact Andrew for one to one support as well as any wider Committee support.

Andrew Hardingham introduced himself to the Committee.

Upon consideration, it was:

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RESOLVED:-

That the appointment of the Independent Advisor to the Audit Committee be noted by the Committee.

STATEMENT OF ACCOUNTS 2020/21 & AFR PROGRESS REPORT

The following reports of the Director of Council Management were submitted: -

(See document No.1 & 2)

The Assistant Director, Service Finance made introductory comments. The report outlined the following areas; progress of the audit of the draft Statement of Accounts 2020/21; the proposed timetable to completion and publishing an audited Statement of Accounts and the process that Birmingham City Council would follow to support the Committee in considering and subsequently approving the audited Statement of Accounts 2020/21.

The Interim Head of Financial Strategy informed Members of the, progress being made on the audit. A briefing report was shared at the 28 June Audit meeting with a further briefing session for Members on the 27 July.

Three key changes to the draft accounts were shared. These were noted as;

- accounting treatment for the business support COVID grant
- presentation of the financial instrument's disclosures
- Streamlining of the IFRS15 (Revenue from contracts with customers) disclosures

Further details around the three changes (listed above) was provided to Committee. In addition, the timetable and approach to the Statement of Accounts.

The Interim Head of Financial Strategy offered Members further briefings on these changes and the final document. It was envisaged to approve the Statement of Accounts at the October meeting, with finalisation and publication at some point in late October 2021.

Members response

The Committee then asked questions to the Interim Head of Financial Strategy.

The Chair raised queries to the AFR progress update (rec no. 20/1) - Council's Resilience and Financial Sustainability. He questioned the residual risk was indicated as 'low' and if there was confidence the right procedures and policies were in place and how would the Committee be assured.

Councillor Bore referred to the AFR progress update (rec no. 20/05) - Partner funding for the Commonwealth Games and the transparency around the detail on partner contributions. He noted this was not included in the Financial Monitoring report (Quarter 1 2021/22) considered at the 27 July Cabinet however, this detail was now set out in this AFR progress update. Previously, external contributions were being sought however, the AFR report indicated this was a risk and therefore, the City Council had to find a funding solution in order to satisfy the External Auditors.

In addition, Councillor Bore referred to the Corporate Capital Contingency – mentioned at point 2.11, 4.16 & appendix A point 2.13 of the report to Cabinet (27 July). He noted a contingency sum of £25 million was being set aside for the CWG funding and highlighted the Cabinet report did not indicate this was to replace the partner contributions whereas the AFR report indicates this detail. In addition, partner contributions should have been reported to the appropriate Overview and Scrutiny meeting and greater clarity on this matter should have been visible within documents.

Considering the 3-star rating received from CIPFA, Councillor Bore felt the transparency should be reflected correctly in documents submitted to bodies of the Council and suggested Resources O&S Committee look at this issue around CWG funding.

The Chair suggested he would write to the Resources Overview & Scrutiny highlighting concerns raised by Councillor Bore around the CWG and partner funding.

Following discussions, Councillor Jenkins read out an email from a business owner within his ward who had not received his business grant. Councillor Jenkins requested for this to be followed through via relevant teams. Councillor Jenkins to forward the information to the Interim Head of Financial Strategy to escalate to the right team.

On behalf of Councillor Tilsley, the Chair queried how many questions or challenges were received from the public on the accounts.

At 1432 hours, Councillor Akhtar joined the meeting.

In response to Members questions the Interim Head of Financial Strategy and the Assistant Director, Finance made the following points;

AFR progress update (rec no. 20/1) - Council's Resilience and Financial Sustainability - The projected overspend was being reported at quarter 1

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which was a positive sign. There were 9 months in the year which gave time to mitigate and control any changes. Forecast and activities continued, and the 9 months gave the opportunity to work on this.

Discussions were taking place at Corporate Leadership Team around mitigating actions. There was confidence around the Council's resilience and financial sustainability as early work and forecasting was taking place. Good governance and processes were required to ensure the risks did not move to a higher rating.

AFR progress update (rec no. 20/05) - Partner funding for the

Commonwealth Games – Opportunities around the funding was still being sought. Further detail would be shared in due course as this was work in progress.

The Leader highlighted there had been reports setting out the partner contributions. Subsequently, updated reports had been shared at various Committees however, some of the funding was outstanding as securing the £25 million was being explored. He noted, if this was not fulfilled, then the Council would need to find a solution.

The Leader suggested it would be useful for the Resources Overview & Scrutiny Committee to have a report on the overall economic benefits to the City for hosting the CWG. Out of £75 million, £50 million had been successful raised via partner contribution.

Business Grants - The Interim Head of Financial Strategy noted questions around the business grants. There was a designated team (Business Support Unit) who reviewed business grants and ensured the query raised by Councillor Jenkins would be followed up once details of the query were received.

Questions & challenges received by the public on the accounts - Only one question was received by the public on the accounts.

The Chair noted the additional new tasks the Council had taken during the pandemic around business grants. He suggested this should be reflected upon in the future i.e. what the challenges were and how effective the Council was on delivering these on behalf of Government.

Upon consideration, it was:

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RESOLVED:-

STATEMENT OF ACCOUNTS 2020/21 SEPTEMBER UPDATE

That the Audit Committee;

- (i) Noted the legislative requirements and proposed review, publication and approvals timetable for the audited Statement of Accounts.
- (ii) Noted the three items that are currently proposed to change between draft and final Statement of Accounts, and the slight delay to the previously proposed audit timetable.

- (iii) Noted the proposed briefings offered to the Committee.

AUDIT FINDINGS REPORT UPDATE

That the Audit Committee;

- (i) Noted the updates on progress in implementing action to meet the recommendations of the External Auditor's Audit Findings Report.
- (ii) Agreed for the Chair of the Audit Committee to write to the Resources Overview & Scrutiny highlighting transparency issues raised on partner funding for the CWG.
- (iii) Agreed for officers to review the risk and learnings CWG partner funding linked to CIPFA's work.
- (iv) Agreed for a review to be shared at a future meeting around reflecting on challenges of business grants and how effective the Council was on delivering these on behalf of Government.

EXTERNAL AUDITORS PROGRESS UPDATE

The following report of the External Auditors was submitted: -

(See document No.3)

The Senior Manager, Grant Thornton noted the updates provided by the Interim Head of Financial Strategy around the three items that were proposed to change between draft and final Statement of Accounts. She added there were a few non-material issues to be resolved.

An overview of the report was provided to the Committee and ongoing updates would be provided in future meetings.

Members response

Councillor Jenkins queried if the External Auditors had sight of an unredacted version of the Weightman's Report and if this had been factored into the risk assessments. He questioned when an unredacted version of the report be considered by the Audit Committee and shared with the External Auditors.

At this juncture, the Chair indicated the City Solicitor & Monitoring Officer had responded to Councillor Jenkins letter around this issue however, he sought further advice from the City Solicitor & Monitoring Officer. He noted due to legal privilege and on-going processes this information could not be accessed as the Council could not be placed at risk by jeopardising confidential information. It was envisaged there would be a point when an unredacted version of the Weightman's report (Travel Assist Service) could be shared with the Committee.

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In response to Members questions the Senior Manager, Grant Thornton and the City Solicitor & Monitoring Officer made the following points;

- The Senior Manager, Grant Thornton commented the External Auditors would be looking at the Weightman's report however, this had not been shared at present.
- The City Solicitor & Monitoring Officer informed Members, at this time, an unredacted version of the Weightman's report could not be released as it contained sensitive information. She had to ensure the Council was protected and by releasing an unredacted version of the report at this time, would place the Council at risk of a legal challenge. The report would be shared with the Audit Committee when less risk was posed.

Councillor Bore was pleased to see the bulk of the business grants had been released and questioned reasons for why the remaining £5.1 million was not released to businesses. In response it was noted, a criteria had to be followed and an explanation would be shared with Members.

The Interim Head of Financial Strategy informed members in reference to opening comments by the Senior Manager, Grant Thornton around extra risks e.g. expenditure being mis-accounted for – there were no issues with the accounts and the work around this indicate the risks do not exist. The Senior Manager, Grant Thornton confirmed, they start with the presumption there was a risk.

At this juncture, Councillor Jenkins mentioned, and the Chair noted the responses were not being heard clearly via the livestream. The Chair apologised for the public who could not hear clearly.

Upon consideration, it was:

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RESOLVED:-

That the Audit Committee;

- (i) Noted the content of the External Auditors Progress report.
- (ii) Requested further explanation as to why the remaining £5.1 million of business grants was not released to businesses.

ASSURANCE SESSION – THE LEADER'S PORTFOLIO

The Chair welcomed the Leader of the Council and the Interim Chief Executive Director to the Assurance Session.

At this juncture, the Chair informed the Committee he had received a query from Councillor Jenkins around some advertising used to promote the launch of the Clean Air Zone scheme which aligned to the Leaders Portfolio. Officers had responded to Councillor Jenkins via his Council email address.

Key points indicated in the response:

- The Council received an Advice Note from the ASA following three complaints about the some of the advertising that had been used to promote the launch of the scheme.
- An Advice Note from the ASA represents the lowest level of response to a complaint (except in the instance where a complaint is not upheld and as per the ASA's Non-Broadcast Complaints Procedure).
- the note provided guidance about any future advertising the Council may undertake but did not cite any sanctions against the Council.
- The Council fully accepted the advice from the ASA and Officers had been asked to consider any additional steps they may be required to reduce the risk of any further complaints in relation to advertising campaigns undertaken by the Council.

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

Part 1: Issues raised in the Directorate Assurance Statement

- **Planning and Development had a significant number of large projects to deliver/manage/progress including Birmingham Smithfield, Peddimore, Langley SUE.**
To mitigate this risk, it was noted Planning and Development were continuing to proactively manage projects to minimise delays/adverse impact through joint working with partners, action plans to progress affordability and delivery, etc. A new Programme Director had been appointed to provide additional support for the delivery of this major scheme.
- **The Planning & Development service is continuing to deal with an increasing number of planning applications** - in terms of complexity and volume at the same time as reduction in head count and ongoing recruitment and retention challenges. It was highlighted there was a national recruitment challenge especially for planners.
To mitigate this risk, a systems review would take place to improve efficiency following a Peer Review of Planning Committee by PAS and through ongoing recruitment including additional posts funded from increased planning fees to create capacity to respond to increasing demands on the service and complexity of work.
- **The Housing Development service had historically depended upon sites within the Council's ownership being made available for new homes.**
To mitigate this risk, a broader range of sites was now being considered, including in private ownership, along with opportunities to work with Registered Providers to deliver more affordable housing, where the Council's own programme is challenged.

Part 2: Issues raised in the Annual Governance Statement

- **Major Projects and Delivery Plan** - The Council was involved in an ambitious programme of delivery including a range of major projects which

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included partnership working arrangements and sometimes complex legal agreements.

To mitigate this risk, Cabinet gave approval to the creation of a fit for purpose Corporate Programme Management Office (CPMO) so that the Council can be assured and have confidence that major change projects deliver as intended, to budget and on time.

- **Commonwealth Games** - Hosting the Commonwealth Games in 2022 brings with it significant delivery expectations (in terms of capital project management and delivery of legacy benefits) for the Council as well as significant financial commitments.
To mitigate this risk, The Council was alive to the delivery, financial and reputational risks associated with the Games and had active risk management and programme management arrangements in place to ensure prompt and timely resolution of issues. The Council was working closely with strategic and regional partners.

Part 3: Annual report from the JNC Panel to the Audit Committee

The Leader referred to the letter he received by the Chair of the Audit Committee and around the JNC Panel agendas to include an item on 'ongoing cases concerning senior officers' and for an annual report to be provided to the Audit Committee. In response, the Leader provided a verbal update and confirmed a standing item on ongoing cases concerning senior officers on the JNC Core Panel had been placed on the agenda since January 2021.

Members response

The Committee then asked questions and comments of the Leader. These were around; Transformation Programme was required in Birmingham and good leadership was required – Finance & Adults Social Care were key areas where this was demonstrated; Recognised Graeme Betts (Director for Adult Social Care) had transformed the service and how could the committee be assured the transformation agenda would follow these examples; work demonstrated by the Cabinet Member for Housing and Neighbourhoods had been recognised nationally – the local approach was making a difference to citizens; Councillor Jenkins would consider the two responses received by the Chair around ASA advice note & SEND and if required follow up accordingly.

Council's Transformation assurances - The Leader recognised the significant improvements had been made in Finance and Adults Social Care Services. Results were visible when the right appointments with the correct leadership skills to the roles were in place. It was essential for the right appointments had to be made in other service e.g. SEND - improvement journey.

The Interim Chief Executive agreed with the Leader's comments and informed Members her top priority was to review the 'investing in our future programme' and convert the interim posts into permanent posts. The ambition was for Birmingham to be the best performing Council in the country which would be a gradual journey over time. Investment was being made to develop a strong team and to avoid operating in silo.

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Performance Management was another area of focus and all of this would be aligned to a cultural shift across the organisation to make it 'fit for purpose council.' Strong finance, procurement, legal teams were required to ensure service was delivered efficiently. Early intervention and prevention would be led by Graeme Betts (Director for Adult Social Care) as there had been positive turnaround within his responsible area.

Part 4: The Council's Transformation Plan & Assurance

The following presentation from the Programme Director, was shared with the Committee: -

(See document No.4)

The Programme Director highlighted one of the key objectives of her role was to ensure there was a robust assurance process throughout the Transformation Programme and beyond. A comprehensive overview of the Council's Transformation Programme was given via the presentation. This included areas such as the programme structure; outline of the programme reporting; purpose of the monthly reporting cycle; reporting principles; timeline; dashboard; savings tracker and Corporate Programme Management Officer (CPMO) resourcing structure (Independent body reporting to the Interim Chief Executive) was shared.

It was highlighted building on existing work was important and collaborative work had to be carried out across the organisation as well as across partners. It was important to hold each other to account for all areas of the programme.

Currently, there were 42 programmes across the workstreams which was likely to increase over time. A single assurance mechanism would be adopted for the Transformation plan, the Delivery Plan and the Savings programme. The CPMO would report to the Director of Council Management similar to performance and finance.

The first programme monitoring report would be compiled by mid-October and then refined and repeat monthly. In addition, the overall programme scope and structure would evolve and be clarified, including savings / income. It was envisaged the recruitment of CPMO resources would be completed as well as establishing a permanent, sustainable assurance mechanism.

Members response

The Committee then asked further questions and comments were made around the Council's Transformation Programme. These were around; who was the Head of the CPMO and if an element of cost for projects would be allocated to this post; what was the annual cost of the CPMO when all the positions in the structure were filled; Members were impressed with the dashboard as it was clear; how could the Audit Committee be assured and confident the transformational change/ culture change was being delivered; how could the Audit Committee be a constructive associate to the transformation process; ensure appropriate Overview and Scrutiny Committees were engaged to the Transformation programme as a reporting mechanism and how many programmes would the CPMO be responsible for at a given time.

Corporate Programme Management Officer (CPMO) – Recruitment to the Head of CPMO post had taken place. In the interim, a grade 6 officer from a Business Improvement Structure was performing this function however, this post would be going out to recruitment at some point. A corporate overhead would be assigned to each programme i.e. across Finance, HR, CPMO etc for the administration of the programme. The cost for the CPMO was noted as approximately £750k per annum.

Culture Change - The Interim Chief Executive recognised culture would change over time. Committees such as Audit, would enable the programme to stay on track and focused and suggested evidence around the culture shift could be shared with the Audit Committee. The Interim Chief Executive was willing to work with the Chair on ways to feed the cultural change programme through to the Committee with appropriate evidence.

The Programme Director added a set of 5/6 key indicators to ensure the changes were on track however, this would happen eventually as the programme was still in its early stages. At this point, the Chair suggested the culture change and evidence work could be incorporated as part of the Assurance Sessions for each portfolio. However, it was emphasised by the Interim Chief Executive, these programmes worked across Directorates therefore, there could be several portfolios that would report back though this work could be built in.

Engagement of Overview & Scrutiny Committees - The Leader supported comments made by Councillor Bore around the engagement of the appropriate Overview and Scrutiny Committees. Progress on the transformation programme was being reported to Cabinet on a 6-monthly basis.

Programmes - CPMO – At present, the CPMO would be responsible for three key overarching themes. These were noted as; CWG; Children's Transformation and City Housing. Under each of these areas, there would be a range of projects (42 programmes at present) which would increase over time and decrease once completed. The overarching sponsor alongside with CLT would decide which programmes to deliver as they would ensure the right priorities have been captured.

Programme Structure – There were seven workstreams indicated with the most appropriate Director indicated however, CLT collectively would have responsibility of delivering the programmes.

Customer Services data - The data would be a key area to link to the CPMO for service improvement. The Leader noted Councillor Bridle's comments around East Birmingham however, this was wider than the Council as this included other partners.

The Chair thanked the Leader, the Interim Chief Executive and the Programme Director for their attendance.

Upon consideration, it was:

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RESOLVED:-

That the Audit Committee noted the updates received on the Leader's portfolio.

EQUAL PAY UPDATE

The following report of Director of Council Management and the City Solicitor and Monitoring Officer was submitted: -

(See document No.5)

The City Solicitor and Monitoring Officer introduced the Equal Pay Senior Solicitor. Members were updated on the settlement scheme that had been agreed with the joint trade unions and settling their members' potential third generation equal pay claims.

In response to members queries, the following points were noted;

- 1st generation - period up until the implementation of the single status
- 2nd generation – period to the introduction of the Birmingham Contract (Nov 2011)
- 3rd Generation – period after November 2011
- The latest valuation of outstanding equal pay liability is £153.8m.
- Majority of first and second generation claims had been settled.
- Equal Pay Cabinet Committee was an informal Committee consisting of cross-party members where decisions were noted. Assurances was provided to the cross-party Members of the Committee i.e. position on equal pay to date, key issues, risks, how to look forward and strategies to implement to avoid this happening into the future.

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RESOLVED:-

That the Committee note the contents of the report

SCHEDULE OF OUTSTANDING MINUTES

368

Members were provided with updates to the outstanding actions.

- Minute 279 26/01/2021 – Update provided at this Committee (30 September) therefore, completed and discharged.
- Minute 305 30/03/2021 - completed and discharged.
- Minute 318 27/04/2021 - completed and discharged.
- Minute 338 29/06/2021 - completed and discharged.

Members noted responses to actions under minute 334 & 351 should have been provided to the Committee. Member agreed outstanding actions/minutes to be responded within a two-month period unless there was an exceptional reason.

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DATE OF THE NEXT MEETING

The next meeting is scheduled to take place on Tuesday, 19 October 2021 at 1400 hours in the Birmingham & Midlands Institute, Main Hall.

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OTHER URGENT BUSINESS

RESOLVED: -

No other urgent business was raised.

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 1604 hours.

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CHAIR