

# **BIRMINGHAM CITY COUNCIL**

## **AUDIT COMMITTEE**

**TUESDAY, 28 JANUARY 2020 AT 14:00 HOURS**  
**IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE,**  
**BIRMINGHAM, B1 1BB**

## **A G E N D A**

### **1 NOTICE OF RECORDING/WEBCAST**

The Chairman to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's Internet site ([www.civico.net/birmingham](http://www.civico.net/birmingham)) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

### **2 DECLARATIONS OF INTERESTS**

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

### **3 APOLOGIES**

To receive any apologies.

### **4 EXEMPT INFORMATION - POSSIBLE EXCLUSION OF THE PRESS AND PUBLIC**

1. To highlight reports or appendices which officers have identified as containing exempt information within the meaning of Section 100I of the Local Government Act 1972, and where officers consider that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, for the reasons outlined in the report.
2. To formally pass the following resolution:-
  - Agenda Item 11 – Equal Pay Update Exempt Appendix 1.
  - Agenda Item 14 – Private Minutes – Audit Committee 16 December 2019. Exempt Paragraph 3 & 7.

- **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.

<b><u>5 - 14</u></b>	5	<b><u>LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN'S ANNUAL REVIEW 2018/19</u></b>
		(10 minutes allocated) (1405 - 1415)
		Report of the Chief Executive
	6	<b><u>AUDIT COMMITTEE - FUTURE WAYS OF WORKING</u></b>
		(30 minutes allocated) (1415 - 1445)
		Verbal discussion
<b><u>15 - 28</u></b>	7	<b><u>GRANT THORNTON - EXTERNAL AUDITOR UPDATE</u></b>
		(5 minutes allocated) (1445 - 1450)
		Update from the External Auditor
<b><u>29 - 102</u></b>	8	<b><u>GROUP COMPANY GOVERNANCE ASSURANCE - INFORMING THE AUDIT RISK ASSESSMENT</u></b>
		(5 minutes allocated) (1450 - 1455)
		Report of the Interim Chief Finance Officer
<b><u>103 - 112</u></b>	9	<b><u>AUDIT FINDINGS REPORT RECOMMENDATIONS - PROGRESS UPDATE</u></b>
		(5 minutes allocated) (1455 - 1500)
		Report of the Interim Chief Finance Officer
<b><u>113 - 140</u></b>	10	<b><u>REVISED RISK MANAGEMENT FRAMEWORK</u></b>
		(5 minutes allocated) (1500 - 1505)
		Report of the Assistant Director, Audit & Risk Management
<b><u>141 - 144</u></b>	11	<b><u>EQUAL PAY UPDATE – JANUARY 2020</u></b>
		(10 minutes allocated) (1505 - 1515)
		Report of the Corporate Director of Finance and Governance and the City

- 145 - 178**
- 12 **EARLY YEARS HEALTH AND WELLBEING CONTRACT**  
(10 minutes allocated) (1515 - 1525)  
Report of the Director of Education & Skills
- 179 - 204**
- 13 **TRAVEL ASSIST**  
(25 minutes allocated) (1525 - 1550)  
Report of the Director of Education & Skills
- 205 - 216**
- 14 **MINUTES - AUDIT COMMITTEE - 16 DECEMBER 2019**  
To confirm and sign the Minutes of the last meeting of the Committee held on 16 December 2019.
- 217 - 218**
- 15 **SCHEDULE OF OUTSTANDING MINUTES**  
Information for noting.
- 16 **DATE OF NEXT MEETING**  
The next meeting to take place on Tuesday, 24 March 2020 at 1400 hours in Committee Room 6.
- 17 **OTHER URGENT BUSINESS**  
To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.
- 18 **AUTHORITY TO CHAIRMAN AND OFFICERS**  
Chairman to move:-  
  
'In an urgent situation between meetings, the Chairman jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.



## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<p><b>Report to: Audit Committee</b></p> <p><b>Report of: Clive Heaphy, Chief Executive</b></p> <p><b>Date of Meeting: 28 January 2020</b></p> <p><b>Subject: The Local Government and Social Care Ombudsman's Annual Review 2018/19</b></p>
<p><b>Wards Affected: All</b></p>
<p><b>1. Purpose of Report</b></p> <p><b>1.1 Each year, the Local Government and Social Care Ombudsman for England issues a report summarising his work as independent arbiter of complaints about local government administration. A copy is available at each of the Group Offices.</b></p> <p><b>1.2 This report highlights for Members the main issues dealt with by the Ombudsman, within the context of complaints involving Birmingham City Council.</b></p>
<p><b>2. Recommendation</b></p> <p><b>To receive this report concerning the Local Government and Social Care Ombudsman's Annual Report for 2018/19.</b></p>

## **Key Issues**

- **This report compares Birmingham's performance against the Local Government and Social Care Ombudsman's findings about the performance of councils in its remit across England.**
- **It does not seek to compare Birmingham against other core cities because it is 1.446 times larger than Leeds - the nearest in size – which has a population of just under 790,000 people. We have the largest population and the most complaints, though not all of those which the Ombudsman refers to will have been subject to investigation by them or passed back to us for resolution.**

## **3. Annual Review**

### **3.1 Content**

The Local Government and Social Care Ombudsman (LGSCO) issues an Annual Review letter to every English Council, providing his statistics for the enquiries and complaints he has received concerning that Council.

In addition, Mr King presents his Annual Report to Parliament. Of these two items, the annual review letter concentrates on enquiries, complaints and their resolution and is most closely allied to the Council's handling of Ombudsman matters. The Annual Report is more general, including accounts for the service, etc..

This report includes general information about the LGSCO's performance during 2018/19 and specific information about the Council's Ombudsman complaints.

### **3.2 Volume of Complaints**

The Annual Review shows that there were 18,482 complaints and enquiries to the LGSCO last year, compared to 17,452 in 2017/18.

### **3.3 Volume of Complaints about Birmingham City Council**

The number of complaints about Birmingham determined by the LGSCO in 2017/18 was 422, a fall of about thirty cases from 2017/18. But, in addition, the Housing Ombudsman investigates complaints against the Council and he determined 68 complaints during the year, resulting in a total of 490 Ombudsman determinations in 2018/19, a fall of 20 cases overall. The numbers do not usually fluctuate very greatly from year to year.

To give Members a complete picture of all contact with the two Ombudsmen, further information about Housing Ombudsman matters appears at paragraph 4 below.

### **3.4 Subject of Complaints**

The largest category of complaints dealt with by the LGSCO's investigators was Education and Children's Services, at 18%, followed by Adult Care Services at 16% and then Planning at 12% of all the complaints and enquiries received.

### **3.5 Subject of Complaints about Birmingham City Council**

Birmingham has never followed the LGSCO's trend as complaints about Housing matters have traditionally been our largest category. Combining complaints determined by both Ombudsmen, this was still the case in 2018/19, with 151 cases. This was followed by what the LGSCO calls 'Environment Services' – both Regulatory Services and Waste Management fall into this category. There were 137 complaints, most were about failure to collect waste. The industrial action had a considerable effect here and this has continued into 2019/20.

Appendix 1 is provided by the LGSCO and gives four different forms of information. The first demonstrates the subject matter and numbers of complaints received and determined by the Ombudsman about Birmingham in 2018/19. However, it is misleading in that we will not have received the 484 referred to by the LGSCO - some of these will have been enquiries which their staff advised on, without consulting us.

In addition, we would not include some complaints in the specific category the LGSCO has used – as mentioned above.

The second dataset is referred to below at 3.6. The third and fourth are new this year, because the LGSO is focussing more on compliance with settlements than they used to. We regard it as good practice to ensure that our services complete the settlements agreed and that we confirm it to the Ombudsman. We have always done this. The final decisions issued by the LGSCO now tend to include a timeframe for compliance and the final dataset refers to this. It was not possible to meet it in 2 cases out of 48. Where a major policy review may be involved and staff may need training on the changes etc., it might not be possible to meet the Ombudsman's timeframe, but we do always advise them if we find that we cannot meet it.

### **3.6 Outcomes**

The second dataset in Appendix 1 provides the decisions made by the LGSCO during the year. It should be noted that of these, the largest category is for complaints which the LGSCO referred back to the Council to resolve itself. At 173 cases, this is about 40% of the complaints they receive.

The LGSCO closed 112 cases after carrying out initial enquiries and undertook detailed investigations in 100 cases. Of these, 77 were upheld. As the LGSCO operates a triage procedure, only those cases considered to be

the most serious are investigated in full. Others will have been returned to the Council at the assessment stage as premature complaints, or they will have been determined at this point, if the LGSCO's initial enquiries reveal that they could not achieve anything further by undertaking a full investigation. The determination 'Closed After Initial Enquiries' can be misleading in that it may take a number of months and a lot of information from the Council for the LGSCO to reach this view.

Compared to 2017/18, the LGSCO has undertaken more detailed investigations than last year. Around 100 is usual and we do expect that more will be upheld than not, because they are the most serious and complex cases.

### **3.7 Reports**

The LGSCO issued 45 reports in 2018/19, mostly about Education and Children's Services, Adult Social Care and Housing.

None of these were against Birmingham, but two reports have been received in 2019/20. These concerned Education Transport and Waste Management. Both of these have been reported to this Committee, in June and September 2019 respectively.

To update Members, I can confirm that the Ombudsman is satisfied with the actions taken by the Council in response to his report about Education Transport. We have not yet reached that point with the report about Waste Management due to the monitoring requested by the Ombudsman and the purdah period resulting from the December 2019 General Election. This has affected the independent report on the Waste Service being considered by the Council.

### **3.8 Settlements**

At Committee in January 2010, Members requested information about any local settlements made by the Council involving a payment of £10,000 or more.

Whilst the LGSCO upheld 77 complaints in 2018/19, no complaint resulted in a local settlement of this magnitude. We made 41 financial settlements during the year and the total compensation paid was £18,331 (including 15 cases determined by the Housing Ombudsman, which resulted in compensation.) This sum is higher than in 2018/19, but this is something that cannot be predicted from year to year.

Our most expensive settlement in 2018/19 was a SENAR complaint which cost £4,600. This was for a child whose EHC plan had not been reviewed, she was not offered a suitable school place and no educational provision was given for a year. The result was that she needed to repeat a year of school. It is usual for the Ombudsman to propose a tariff of between £600 and £1800 per term, depending on the circumstances. We had accepted



that we did not handle this matter well as we could, as we could not say why we had failed to provide for this child for so long. The LGSCO recommended that training be refreshed for staff, so that they were looking for suitable alternative education, as well as for a school place. We agreed, and this was carried out.

#### **4. The Housing Ombudsman**

In order to give Members a picture of all Ombudsman matters, I am including here an update about this service, too. The Housing Ombudsman's remit is quite wide-ranging, covering complaints concerning Landlord Services, Estate Management, Home Loss Payments, transfer applications outside the Housing Act 1996, Part 6 and complaints about property condition, repairs and improvements.

After a series of Interim Housing Ombudsmen, there is now a permanent Housing Ombudsman, Richard Blakeway, who has been in post since September 2019. He succeeded an interim post holder, Andrea Keenoy, and has reported for 2018/19 as follows:-

16,883 complaints and enquiries were received by the Housing Ombudsman Service (HOS) this year, a rise of about 2,500. This is the sharpest rise since the HOS's remit was extended to include local authorities in April 2013.

The Interim Housing Ombudsman highlighted the fact that the service works with landlords to try to resolve complaints without a formal determination. 2442 complaints were determined formally by the HOS. That is only about 14% of the complaints and enquiries they receive.

Around 40% of complaints to the HOS are about repairs, by far the largest category. For Birmingham, between 80 and 90% of complaints received from the Housing Ombudsman concern repairs.

The service achieved its target of determining complaints within six months only in the final quarter of 2018/19. If this can be maintained, it would be a great improvement, especially for complainants. The delay in determination is the most common complaint against the HOS. This is not surprising as the service is much slower than the LGSCO.

The HOS enquired about 68 complaints against Birmingham in 2018/19, 27 of them were premature complaints which we resolved ourselves directly with the complainant. Of the remaining 46, the HOS found no maladministration in 25 cases, 5 were outside jurisdiction, 1 complainant withdrew her complaint, and 15 resulted in a finding of maladministration and a financial settlement. The general theme of these cases was issues around repairs: delay in completing them, dissatisfaction with their extent or quality and missed appointments. Handling of complaints also featured. The total cost of settlements was low, at £2,225, ranging from £400 down to £25.

The HOS has a different approach to the LGSCO in that complainants must exhaust the Council's own complaints procedure. The LGSCO may intervene at any point if he considers the complaint to be serious enough to merit it. But for Landlord Services, if still dissatisfied, the complainant must either wait eight weeks to complain to the Housing Ombudsman or ask a 'Designated Person' (a Councillor or an MP usually) to help them to resolve their complaint. This makes the process slow in reaching the point where the HOS will investigate.

The HOS also differs from the LGSCO in that when he does investigate, he can order a landlord to take action or to make a payment if he finds against them. It is usual for the Housing Ombudsman to make recommendations or issue comments to assist in improving services.

## **5. Police and Crime Panels**

The Police Reform and Social Responsibility Act 2011 established Police and Crime Commissioners, plus Police and Crime Panels. As the Police and Crime Commissioners perform the decision-making processes previously undertaken by Police Authorities, they are a 'body in jurisdiction' for the LGSCO. Police and Crime Panels, insofar as they are a committee of a local authority, also fall within the LGSCO's jurisdiction for non-criminal matters.

I am pleased to advise that there were no complaints against the Council about Police and Crime Panels in 2018/19.

## **6. Learning from Complaints as a route to Service Improvement**

A great deal of work is invested in resolving complaints whilst they are still within the Council's internal complaints procedure, and in learning from those complaints in order to improve services. Therefore, only the most serious of complaints reach either the LGSCO or the HOS.

Complaints dealt with internally are generally reported via the 'Your Views' procedure and this area falls within the portfolio of the Deputy Leader of the Council as part of her performance review and improvement remit. But to give a picture of what is being complained about at the 'pre-Ombudsman' stage, the Your Views team in Customer Services, has advised me that the common themes of complaints they receive remain much the same from year to year:- disagreement with a policy, disagreement with the application of policy in relation to an individual and delay in processing. This applies to areas such as benefit complaints, decisions on planning applications and waste management.

Housing issues also attract high numbers of complaints which are resolved via Your Views. As with Ombudsman matters, repairs are the subject most complained about, particularly delay in attendance, expectation of what works would be carried out and follow-up appointments.

Services have taken steps to improve the information available on their websites so that the expectations of customers may be managed. An example of this is that the information available about the planning process advises people that there is no right to an appeal as a third party to a planning application. Wherever it is possible to learn from complaints, services are proactive in doing so.

Everyone has the right to make a complaint to either of the Ombudsmen. The LGSCO continues to criticise Councils which fail to make this clear to their citizens when they have exhausted their own complaints procedure. That does not apply in Birmingham, as our Stage 3 letters include advice about how to pursue a complaint further with the appropriate Ombudsman.

Once the Ombudsman has determined a complaint, there is also consideration about how services might learn from them to make improvements. I issue quarterly analysis reports detailing new and determined complaints to help services track their ombudsman complaints. These are analysed by the Housing Service and Revenues and Benefits, both are proactive in implementing changes.

## **7. Legal and Resource Implications**

No specific legal implications have been identified, but resources are committed by individual Directorates in resolving Ombudsman complaints.

## **8. Risk Management & Equality Impact Assessment Issues**

No specific issues have been identified.

## **9. Compliance Issues**

City Council policies, plans and strategies have been complied with in this report. Where failings have been highlighted by the Ombudsman, individual directorates have been advised when they may have been in breach of their own policies and asked to take action. This can result in new policies, or revision of current ones or retraining of staff.

**Clive Heaphy**  
**Chief Executive**

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**Attachments: Appendix 1 LGO Complaints and Decisions Table**



**Local Authority Report:** Birmingham City Council  
**For the Period Ending:** 31/03/2019

For further information on how to interpret our statistics, please visit our [website](#)

## Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
54	75	15	72	137	23	83	17	8	484

## Decisions made

Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Detailed Investigations			Total
				Not Upheld	Upheld	Uphold Rate (%)	
26	31	173	112	23	77	77	442

**Note:** The uphold rate shows how often we found evidence of fault. It is expressed as a percentage of the total number of detailed investigations we completed.

## Satisfactory remedy provided by authority

Upheld cases where the authority had provided a satisfactory remedy before the complaint reached the Ombudsman	% of upheld cases
10	13

**Note:** These are the cases in which we decided that, while the authority did get things wrong, it offered a satisfactory way to resolve it before the complaint came to us.

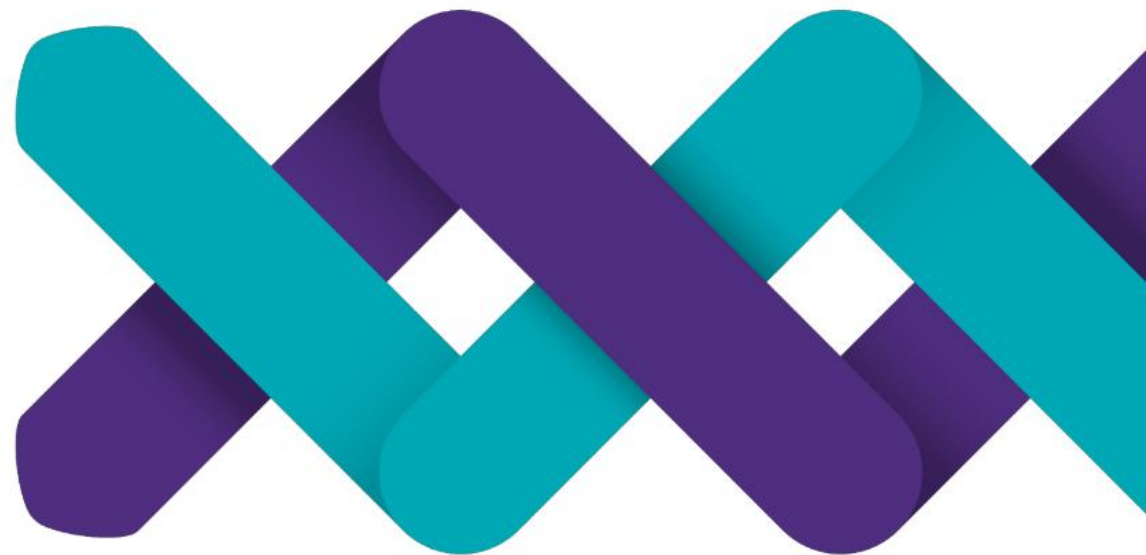
## Compliance with Ombudsman recommendations

Complaints where compliance with the recommended remedy was recorded during the year*	Complaints where the authority complied with our recommendations on-time	Complaints where the authority complied with our recommendations late	Complaints where the authority has not complied with our recommendations	Number Compliance rate**
48	46	2	0	
	100%		-	
<b>Notes:</b> * This is the number of complaints where we have recorded a response (or failure to respond) to our recommendation for a remedy during the reporting year. This includes complaints that may have been decided in the preceding year but where the data for compliance falls within the current reporting year. ** The compliance rate is based on the number of complaints where the authority has provided evidence of their compliance with our recommendations to remedy a fault. This includes instances where an authority has accepted and implemented our recommendation but provided late evidence of that.				

# Audit Progress Report and Sector Update

Birmingham City Council  
Year ending 31 March 2020

January 2020



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# Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at December 2019

## Financial Statements Audit

We issued our opinion on your 2018/19 Statement of Accounts on 26 September 2019. We completed our work on your Whole of Government Accounts (WGA) submission on 8 October 2019, and issued our certificate, closing the audit on the same day.

We began our planning for the 2019/20 audit in December and will issue a detailed audit plan in March, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will begin our interim audit in January 2020. Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 September 2020.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by 30 September 2020.

The NAO is consulting on a new Code of Audit Practice from 2020 which proposes to make significant changes to Value for Money work. Please see page 9 for more details.

# Progress at December 2019 (Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 claim was completed on 19 November 2019, in advance of the 30 November deadline.

Our work resulted in extrapolated potential errors totalling £111k which had no effect on the subsidy claimed and amendments which reduced the subsidy claimed by £1.4k. The value of these amendments and extrapolations was small in comparison to the total value of the subsidy claimed of £511.6m.

We certify the Council's annual Teachers' Pensions return in accordance with procedures agreed with Teachers' Pensions. The certification work for the 2018/19 claim was completed on 27 November 2019, in advance of the 30 November deadline.

We are currently in the process of completing work on the Council's Pooling of Housing Capital Receipts return for the 2018/19 year, which is due to be completed in advance of the deadline of 6 February 2020.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers have been invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<b>Audit Findings Report</b> The Audit Findings Report was reported to the September Audit Committee.	July 2019	Complete
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Complete
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Complete
2019/20 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2019	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.	March 2020	Not yet due
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	July 2020	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the September Audit Committee.	September 2020	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	September 2020	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	October 2020	Not yet due

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below :

Public Sector

Local  
government

# MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

# National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfill their statutory responsibilities under the Local Audit and Accountability Act 2014. ‘Relevant authorities’ are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

## Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come into force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

**Stage 1** involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

**This stage of the consultation is now closed.** The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

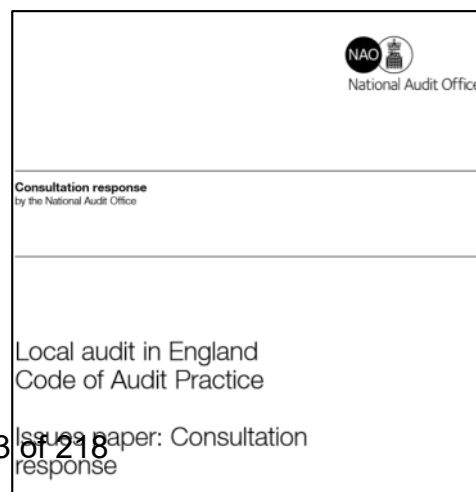
**Stage 2** of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies’ 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



# Financial Reporting Council – Summary of key developments for 2019/20 annual reports

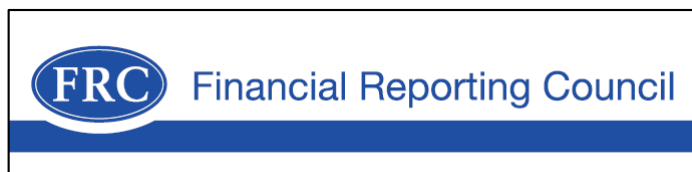
On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

## The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

## Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.



## IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS 16 is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

## Financial Reporting

### Challenge question:

Will you have the opportunity to review and comment on your authority’s statement of accounts before they are published at the end of May?





# What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

# Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



# Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below :

<https://www.ifs.org.uk/publications/14563>





## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Interim Chief Finance Officer</b>
<b>Date of Decision:</b>	<b>28 January 2020</b>
<b>SUBJECT:</b>	<b>GROUP COMPANY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT</b>
<b>Wards Affected: All</b>	
<b>1. Purpose of Report</b> <p>1.1 The Council has created a number of companies that fall within its sphere of control, either as wholly owned subsidiaries, associates where the Council has significant influence, Joint Ventures or other arrangement. Where activity in companies is considered material to the overall entity, the Council has to prepare group accounts in addition to its own financial statements. The Council has to consider whether there are risks to the Council either through misuse of funds or misstatement of activities.</p> <p>1.2 The larger entities within the overall Council group boundary have been asked to provide information through the completion of a questionnaire to allow Members to gain assurance that funds are being used efficiently and effectively and that information provided in respect of their financial statements may be relied on. The responses provided are attached at Appendix 1.</p>	
<b>2. Decisions recommended:</b> <p>2.1 Members are asked to:</p> <ul style="list-style-type: none"> <li>a) note the responses received to inform the audit risk assessment.</li> <li>b) note the recommendation of Cabinet Committee – Group Company Governance that this committee should review any issues that would impact on the returns from any company prior to signing off the Council's financial statements</li> <li>c) consider any further information required.</li> </ul>	

**Contact Officers:****Rebecca Hellard****Telephone No:** 0121 303 2950**E-mail address:** [rebecca.hellard@birmingham.gov.uk](mailto:rebecca.hellard@birmingham.gov.uk)**Martin Stevens****Telephone No:** 0121 303 4667**E-mail address:** [martin.stevens@birmingham.gov.uk](mailto:martin.stevens@birmingham.gov.uk)

### **3. Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies:  
The production of annual group accounts is a statutory requirement to consolidate entities that are controlled by the Council and which are material to its activities.
- 3.2 Relevant Ward and other Members /Officers etc. consulted on this matter:  
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
Section 151 of the Local Government Act requires the Chief Finance Officer (as responsible officer) to ensure proper administration of the Council's financial affairs.
- 3.4 Will decision(s) be carried out within existing finances and resources?  
Yes.
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
The issues raised in this report are largely of a technical financial nature.

### **4. Relevant background/chronology of key events:**

- 4.1 An exercise is carried out each year to determine the "Group Boundary", that is to define which subsidiaries, associates and joint ventures are consolidated with the Council's financial statements to produce Group Accounts. This report includes assurance statements from those companies that meet the criteria for consolidation or which may meet the criteria in the near future. The assurance statements have been broken down into three main areas:
- Company Environment – looking at the governance arrangements of the company
  - The Identification, Mitigation and Reporting of Risk – looking at how the company manages risk
  - Financial Statements – looking at factors that may impact on the company's financial health and financial statements.

Appendix 1 is a collated set of responses to these questions.

- 4.2 A review of the Group Boundary has been undertaken and there are no proposed amendments to the companies that are to be consolidated into the Council's financial statements.
- 4.3 Audit Committee is responsible for signing off the Council's financial statements, including relevant group accounts, in due course. As part of this sign off process, members of the Audit Committee will need to be confident that the information presented represents a 'true and fair view' of the financial position of the group and that the accounts are materially correct.
- 4.4 The company responses were considered by Cabinet Committee – Group Company Governance (CC-GCG) at its meeting on 16 January 2020. CC-GCG did not have any issues with the returns that it wished to raise with this committee. However, CC-GCG has recommended that this Committee review the impact of any changes within a company that would have an impact on any future response prior to signing off the

Council's financial statements. An update on any relevant matters will be provided at a future meeting of this Committee.

- 4.5 Members are asked to consider the responses received and identify any issues where it requires additional information.

**Signature :**

Interim Chief Finance Officer: .....

Dated: .....

**List of Background Documents used to compile this Report:**

None

**Appendix 1**

**Responses from:**

Acivico Limited  
Birmingham Airport Holdings Limited  
Birmingham Children's Trust C.I.C.  
Birmingham City Propco  
Finance Birmingham Limited  
InReach Limited  
The National Exhibition Centre (Developments) Plc  
Paradise Circus Limited Partnership  
PETPS (Birmingham) Limited  
PETPS (Birmingham) Capital Limited  
PETPS (Birmingham) General Partner Limited  
PETPS (Birmingham) Pension Funding Scottish Limited Partnership





## Birmingham City Council 2019-20 Informing the Audit Risk Assessment

## Group Accounts Preparation

## Appendix 1

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	<p>Acivico Board Directors are provided with an induction on appointment to ensure their responsibilities are understood and they have the tools necessary. All current Acivico 'officer' roles (senior managers, etc.) are aligned to BCC job descriptions and person specifications, ensuring the rights skills and competencies are present to perform their roles.</p> <p>The Acivico Board of Directors will have a Continuous Development Programme established, which will ensure that awareness of individual and collective roles and responsibilities will remain up-to-date.</p> <p>The Acivico Group risk register includes a risk and required controls on this matter and Acivico's Audit Committee review the effectiveness of these controls on an annual basis.</p>
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Acivico company Directors attend monthly Board meetings, with all executive leadership officers (Chief Executive, Deputy Chief Executive & Director of Operations, Director of Finance & Resources & Director of HR & OD) and regular Audit Committee meetings (Audit Committee is due to meet 7 times during 2019/20)

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<b>Question</b>	<b>Response</b>
	<p>The company secretary records attendance of Board members from meetings. Audit Committee is done by an administrator.</p> <p>Additionally, the Board members have attended workshops on strategic items, for example strategic plan, values and workforce development.</p> <p>Directors record of attendance is currently 84.21% for 2019/20 (as at November Board meeting) with 3 of the 5 Directors maintaining a 100% attendance during this period.</p>
Please explain the system of governance and the financial control environment within the company	<p>Acivico operate a Company Governance Framework which outlines governance and financial controls (standing orders) within the company. This includes Board members.</p> <p>Acivico currently use the council's IT finance system which will change during 2019/20. Existing controls are as per the council's governance requirements. As part of implementing new IT systems, BCC Internal Audit is providing a critical friend role pre implementation and a review post implementation to ensure governance and financial controls remain effective.</p> <p>Monthly financial reporting is undertaken within the companies. A challenge session is held with the relevant Acivico Director and Sector leads (Heads of Service) to review financial reporting and projections. Acivico Board members receive monthly reports during Board. Acivico Audit Committee receives the latest finance board report for scrutiny.</p> <p>The finance report considers financial risks and issues</p>

## Birmingham City Council 2019-20 Informing the Audit Risk Assessment

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<b>Question</b>	<b>Response</b>
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	<p>The Acivico Director of Finance and Resources leads the monthly challenge sessions.</p> <p>The Acivico Group risk register is regularly maintained and reported to each Audit Committee. Audit Committee has a programme of work for 2019/20 which incorporates reviews including an Internal Audit work plan. The standing agenda also includes a statement to be made by both the BCC Assistant Director of Internal Audit and the Acivico Director of Finance and Resources to confirm that they are not aware of any matters concerning risk, internal control, and compliance.</p> <p>As part of the annual report Acivico's Audit Committee prepare a report on the statement of internal controls.</p> <p>To date, a review has been undertaken on the Environment, Quality Management Systems as part of continuation of the accreditation for Design, Construction and Facilities Management Ltd.</p>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	<p>The current three year Business Plan, approved from 2019/20 by Cabinet, is currently being refreshed. This will be presented to Cabinet Committee, Group Company Governance in February 2020. In accordance with Acivico's Company Governance Framework the annual financial plan is scheduled to be approved by Acivico Board before end February 2020. The December Board will see the first draft with a workshop scheduled for January 2020. Alongside the financial plan will be the marketing strategy and the overarching Strategic Plan (refreshed 3 year business plan – strategic level).</p>

## Birmingham City Council 2019-20 Informing the Audit Risk Assessment

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<b>Question</b>	<b>Response</b>
	<p>The annual financial plan will include details for each company on cashflow projections. Cashflow is monitored and shared with the council.</p> <p>The company is currently operating under a going concern assurance letter from the council. Going concern is reviewed in accordance with ISA570, takes into account financial risks, trading position including pipeline and financial ratios produced by the Group end Qtr 1, Qtr 2 and now monthly.</p> <p>Remedial action is incorporated within a mitigation plan and tracked monthly, reporting outcomes to the Acivico Board</p>
What is the company's approach to the development of business continuity plans.	<p>Acivico Business Continuity Plans are being refreshed as the company is implementing new IT systems and business processes are being reviewed.</p> <p>Each company business unit is responsible for updating and refreshing their Business Continuity Plan.</p> <p>Given the changes within Acivico, there is a risk contained within the Group Risk Register regarding overarching arrangements for business continuity.</p> <p>Additional resource is being identified to follow up ICT transformation, business process reengineering, organisational design and other corporate transformation activity, to establish fresh business continuity frameworks across the whole Acivico Group.</p> <p>Expected work to be completed by Spring 2020.</p>

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<b>Question</b>	<b>Response</b>
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	A review has recently taken place to ensure compliance including refreshing the data matrix. The outcome is expected during January to coincide with the January Acivico Audit Committee. On a day to day basis, any escalations regarding compliance with GDPR are reported to the Acivico Governance Manager.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	Financial risks identified in the monthly Group Finance Report presented to Board. Audit Committee receive the latest available report for Scrutiny. The Group Risk Register is refreshed regularly and is a standing item on the Audit Committee agenda.
Please set out your management's processes for identifying and responding to risks of fraud.	The Acivico Company Governance Framework outlines the process for individuals to report potential irregularities or suspected fraud. The company also has an anti-bribery and fraud policy and anti money laundering policy. Training on anti-bribery and corruption (ABC) has been identified for inclusion in the Company's new e-learning platform go1. The Acivico Group Leadership Team are kept informed As outlined earlier, Acivico Audit Committee standing agenda also includes a statement to be made by both the BCC Assistant Director of Internal Audit and the Acivico Director of Finance and Resources to confirm that they are not aware of any matters concerning risk, internal control, and compliance. There has been one instance so far

## Birmingham City Council 2019-20 Informing the Audit Risk Assessment

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<b>Question</b>	<b>Response</b>
	which has been followed up through investigation and appropriate disciplinary action under existing HR procedures. BCC Internal Audit was informed and advice provided.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	See previous response
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Fraud could occur during the procure to pay process, accepting cash within building control or an employee abusing the time recording system as examples. Acivico use separation of duties and weekly MI reporting checks to help mitigate against fraudulent activity. The Acivico Director of Finance and Resources further discusses this matter with External Auditors as part of the planning for the external audit.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	See earlier responses
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	For 2019/20 only one matter has been identified which has been investigated and referred for disciplinary action as part of existing HR policies and procedures.
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Acivico's process is outlined in the Company Governance Framework.  BCC Internal Audit attend Acivico Audit Committee.

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<b>Question</b>	<b>Response</b>
	If required, the Acivico Director of Finance and Resources would notify the council.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	<p>The council (in its capacity as shareholder of Acivico) has a representative attend the Board meetings and therefore receives the monthly Acivico Group Finance report.</p> <p>Each month the Acivico Director of Finance and Resources meets with the Shareholder representative (BCC Chief Finance Officer or delegated representative) to discuss finance matters and any areas of concern of the Shareholder</p>
How would the company communicate any breach of GDPR requirements to the Council.	Acivico Governance Manager would investigate, report to the Group Leadership Team, Acivico Audit Committee, Acivico Board and then via the Shareholder representative
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	<p>Acivico currently secure nearly all their insurance policies via the council's insurance providers. A schedule of policies is available if required.</p> <p>Other specific insurances are based upon the company's identified needs such as Employment Tribunal Actions.</p>
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	No claims have been made against the company or its Directors that have not been reported to the company's insurers.

## Birmingham City Council 2019-20 Informing the Audit Risk Assessment

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<b>Question</b>	<b>Response</b>
	We are not aware of any current incidents that may lead to a claim.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies are reviewed in accordance with FRS102 where applicable and other local policies, for example the debt policy. Acivico finance team members use both CIPFA and the Financial Reporting Council to keep up to date on accounting developments.  Accounting policies are reviewed and presented to Acivico Audit Committee
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	An initial meeting has occurred with Acivico's external auditors to start planning for 2019/20 audit.  Acivico has set up Acivico Traded Services Limited during 2019/20 which is currently dormant. This may start to trade towards the end of the financial year.



## Birmingham City Council 2019-20 Informing the Audit Risk Assessment

## Group Accounts Preparation

## Appendix 1

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
	<p>There remain a number of activities in discussion with the Shareholder, relating to governance and the future operating model of the Acivico Group, which may impact on the financial statements.</p> <p>Finally, Acivico is implementing its own financial IT systems during 2019/20 which will impact on audit approach. External Auditors are aware of this change.</p>
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	At the time of returning this questionnaire, there are no known events
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any indemnities or guarantees that the company has received.	The council provide the guarantor for the lease of Louisa House and pension funds
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	The latest Audit Findings for 2018/19 saw a significant improvement.

## Birmingham City Council 2019-20 Informing the Audit Risk Assessment

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## Appendix 1

ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD	
Question	Response
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	<p>The loss of the Approved Inspector business activity. Whilst the company gained reaccreditation until 2024, the insurer's underwriters would not provide insurance (due to national market instability in the wake of the Grenfell tragedy).</p> <p>The revised Articles of Association for each company and the Governance Management Agreement (shareholder agreement) is in discussion with the Shareholder, which will influence the future operating model (and performance ability) of the company)</p>

<b>BIRMINGHAM AIRPORT (HOLDINGS) LTD</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	Directors are appropriately qualified to ensure they are adequately resourced to carry out their duties. Directors continue to have updates and training to keep them up to date on current affairs. Directors are provided with regular updates with relevant information and reports on the Airport.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	The company holds Board working groups/workshops (which are minuted) throughout the year. Directors have access to any information that they request from time to time, which is reported to them in a timely manner. Attendance at Board meetings is noted and recorded in the Board meetings minutes. BCC (Elaine Peach) is also notified of meeting attendance.
Please explain the system of governance and the financial control environment within the company	The group has a number of policies in place to manage its financial risks, along with a risk management programme which is reported to the Board and Audit Committee. Where actions are necessary and not covered by the policies in place, approval is sought from the Board. Enclosed at appendix A is the Airport's Management assurance to Directors which details further information on this process.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	The group is highly regulated and have policies & procedures in place to ensure compliance. Management are adequately qualified to perform their duties. Audits & reviews are undertaken regularly to ensure that the control environment is effective. These are reported through management and internal audit to the Audit Committee. Enclosed at appendix A is the Airport's Management assurance to Directors which details further information on this process.

Group Accounts Preparation

Appendix 1

What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	<p>The business holds a 10-year business planning model which includes full financial statements. This model is updated on an annual basis to reflect actuals and updated budgets. There is then a regular review of the plan to ensure that assumptions remain valid and engagement is sort from stakeholders throughout the business. A focus of the plan is on cash management and ensuring sufficient funds are available or access to funds available throughout the term to meet both operational and development needs. The plan also allows the business to ensure it remains within financial covenants.</p> <p>Engagement with key stakeholders throughout the business to understand the critical systems and processes in place. Understanding then the time criticality should these be compromised and the dependence these have on other systems and processes.</p> <p>The company has an information security department tasked with ensuring compliance with GDPR requirements</p>
What is the company's approach to the development of business continuity plans.	
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	

Group Accounts Preparation

Appendix 1

<p><b>The Identification, Mitigation and Reporting of Risk</b></p>	
<p>Please set out your management's views on your risk assessment process as it related to financial reporting.</p>	<p>The risk assessment process is 'fit for purpose' and is supported by a robust internal audit function and external audit review. In addition, we keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group.</p> <ul style="list-style-type: none"> <li>• Annually we set Budgets which outline the forthcoming year's expectations for financial and statistical results. Budgets are a useful function to benchmark and compare actual results against which could potentially highlight inaccuracies with accounting.</li> <li>• The Airport prepares Monthly management accounts (and adopted FRS102 (new UK GAAP) during 2015/16 and the monthly management accounts are being prepared on this basis), reporting actual results against budget on a monthly basis in a timely manner. In addition, the report includes Key Performance Indicators (KPIs) which are traffic lighted (red, amber, green) which direct attention to variances from prior year and Budget. The process includes investigating variances to budget with any anomalies identified and followed through to resolution.</li> </ul> <p>The management accounts process is a thorough robust process and is able to disclose at any point in time the financial position of the company, subject to any processes that only occur at yearend such as actuarial valuations in accordance with accounting standard FRS102.</p>
<p>Please set out your management's processes for identifying and responding to risks of fraud.</p>	<ul style="list-style-type: none"> <li>• Where risks of fraud are apparent or have been identified by internal audit or external auditors, management responds to these by reviewing existing controls and where necessary implementing additional controls.</li> </ul> <p>Consideration to risks of fraud forms part of Management's processes, for example additional controls were implemented to reduce the risk of fraud on changing supplier bank account details.</p>
<p>How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.</p>	<p>The Airport has a robust Internal Audit (IA) function which periodically reviews the financial functions and findings are reported through to the Airport's Audit Committee (AC).</p> <ul style="list-style-type: none"> <li>• The IA function reports to the Chair of the Audit Committee and reports independently from management to the AC three times per annum.</li> </ul> <p>The Executive Board (EB) of directors formally reports to the Board six times per annum, any concerns raised by the EB are followed up with further supporting work and reporting.</p>

# Birmingham City Council 2019-20 Informing the Audit Risk Assessment

## Group Accounts Preparation

### Appendix 1

Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	PWC identified during the economic downturn that there had been an increase in fraudulent activities in changing bank details held within supplier payment ledgers, with employee's changing bank details from supplier's details to their own personal details. Immediately following this awareness, The Airport increased its controls in this area and these were subsequently reviewed by the Internal audit and external auditors for satisfactory compliance.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Internal Audit maintain a risk register which is updated by management and is reported to the Audit Committee three times per annum highlighting any changes.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	No fraudulent or irregularities have been identified by the Directors or the Internal and External audit process.
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	The Airport's Board and Audit Committee include representatives from BCC and therefore any fraud or suspected fraud would be reported to BCC via their representatives on these bodies.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	The Airport's Board includes representatives from BCC and therefore any financial risks would be reported to the Board and hence BCC would be informed through this channel.
How would the company communicate any breach of GDPR requirements to the Council.	The Airport's Board includes representatives from BCC and therefore any GDPR compliance breaches would be reported to the Board and hence BCC would be informed through this channel
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	The Airport has a Commercial Crime policy in place with a £5m value (£100k excess). This policy is dependent on rigorous policies and procedures being in place to mitigate fraud. The business operates segregation of duties, along with dual authentication (e.g. supplier payments). Change requests (i.e. bank details) are subject to verification from separate sources to those requesting. An authorisation level hierarchy is in place. The Airport also has an internal audit department to review policy and procedures in place, test effectiveness and advise improvements.

Group Accounts Preparation

Appendix 1

Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	None to report at this point in time.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	<p>The financial statements continue to be prepared and comply with New United Kingdom Generally Accepted Accounting Practice (UK GAAP) following the adoption in 2015/16.</p> <ul style="list-style-type: none"> <li>To the best of our knowledge using the experience and professional knowledge of staff and external guidance, the financial statements have been prepared in accordance with New UK GAAP and the Companies Act 2006.</li> <li>It should be noted that during 2018/19 there have been no fundamental changes within The Airport which would raise any concerns with regard to financial statements being prepared consistently with previous years.</li> </ul> <p>We have selected and applied consistently, suitable accounting policies that are relevant to the company's and group's business</p> <ul style="list-style-type: none"> <li>The accounting policies adopted during the year are consistent with those applied in prior years.</li> </ul> <p>Accounting Policies are considered with any new area which arises during the year.</p>
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None to report at this point in time.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None to report at this point in time.
Please set out details of any indemnities or guarantees that the company has given.	None to report at this point in time.

# Birmingham City Council 2019-20 Informing the Audit Risk Assessment

## Group Accounts Preparation

Appendix 1

Please set out details of any indemnities or guarantees that the company has received.	None to report at this point in time.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	<p>The Airport's judgements and estimates made are reasonable and prudent.</p> <ul style="list-style-type: none"> <li>The Airport makes relatively few judgments and estimates in preparing the financial statements and where the directors have had to make provisions they are reasonable and prudent.</li> </ul> <p>The provisions held are subject to a timed release policy where any greater than three years old are subject to a phased release, provisions held with this policy highlighted during PwC's review and identified within their audit report</p>
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None to report at this point in time.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None to report at this point in time.



<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	In recruiting directors the Trust has appropriate selection and evaluation criteria, which is then supplemented by its induction process for new directors. The Trust has a leadership and development programme for directors and holds regular Board development sessions.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	All directors attend regular committee and Board meetings and are also invited to a number of service meetings of a strategic nature. A record of attendance is maintained by the Head of Executive.
Please explain the system of governance and the financial control environment within the company	The Trust's overall governance is led by the Board supported by three sub-committees, which include Performance & Quality, Finance & Resources and Workforce Committees, and the Trust Executive. The Trust has adopted its own Scheme of Delegation which is reviewed on at least an annual basis.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	The Trust has appointed Birmingham Audit to provide an internal audit of its main processes and controls to test and provide assurance to the Executive, Committees and Board.

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	The Trust produced a Strategic Business Plan for 2019/20 which has been signed off by the Council. This business plan is refreshed annually on a rolling basis and reflected the recommendations of the previous Ofsted inspection.
What is the company's approach to the development of business continuity plans	The Trust has a number of business continuity plans covering specific services and is in the process of developing an overall business continuity plan for the Trust as whole based on advice by BCC's Business Resilience Team.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	The Trust inherited the levels of compliance with the (25th May 2018) Data protection Act 2018 and GDPR from the Council. To address the specific needs of the Trust an Information Assurance Plan has been developed and will be delivered in parallel to a similar Council Plan. Oversight of the delivery will be provided by the Trust Information Assurance Group chaired by the Trust's Senior Information Risk Officer. The Trust also complies with the Department of Health information governance requirements for the sharing of data between health and social care.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The Trust has a corporate risk register and financial reporting is not identified as a significant risk. Operational risk registers are being rolled out across service areas which will include finance, at which further consideration will be given to this. In the meantime risks are monitored

BIRMINGHAM CHILDREN'S TRUST CIC LTD	
Question	Response
	and managed by the Trust Executive and financial risk is monitored and managed by the Director of Finance & Resources with support from the Head of Finance and team.
Please set out your management's processes for identifying and responding to risks of fraud.	The Trust has adopted and adapted BCC's fraud policy for its purpose.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	The process of identifying the risk of fraud is overseen by the three Executive Directors in the Trust and would be reported to the Chief Executive and Head of Executive via the Executive meetings.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	The nature of fraud risk across the Trust extends to financial and contractual matters. The Trust also holds petty cash across its operations and has to ensure appropriate controls are in place to avoid fraud. Contract compliance is regularly monitored by the Trust and in the case of a recent whistleblowing incident, will refer these for investigation to Birmingham Audit. <del>in</del>
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Oversight of the corporate risk register is managed by the Director of Finance & Resources and a report is provided on a quarterly basis to the Finance & Resources Committee, which also undertake reviews ("deep dives") of individual areas of significant risk.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	The Trust is subject to an external audit which tests for error or irregularity. There were no such issues detected during the financial year 2018/19.

BIRMINGHAM CHILDREN'S TRUST CIC LTD	
Question	Response
	Suspected frauds or irregularities are referred to Birmingham Audit to investigate which are then subject to a report being provided to the Director of Finance & Resources. Matters of a significant nature are notified to the relevant Executive Director who would then take appropriate action, including notifying the Chief Executive where necessary. The level of awareness is therefore considered appropriate for the Trust. The Trust had one issue of fraud during 2018/19 relating to purchase cards which was investigated, and the recommendations were acted upon.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	This would be via the Trust's Executive and where appropriate reported to the Trust's Finance & Resources Committee and /or Board.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	The Trust meets with the Council on a monthly basis at the Operational Commissioning Group (OCG) at which a monthly financial report is provided, and on a quarterly basis provides a more detailed quarterly financial report to the Council which is then discussed at the OCG. The Trust also meets quarterly with the Council for the Partnership Governance Group at which all strategic risks can be raised and discussed.
How would the company communicate any breach of GDPR requirements to the Council.	The Trust has appointed a Data Protection Officer who reports to the Head of ICT, and the latter acts as the Chief Information Officer for the Trust. Any breaches would be reported via the DPO to the CIO, SIRO, and the Information Assurance Group which meets every other month, and the Trust's Executive on at least a quarterly basis.

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	The Trust has procured via the Council a series of insurances to cover financial losses in a number of areas. The scope and level of cover for such insurances is subject to annual review by the Director of Finance & Resources.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	The Trust's Director of Finance & Resources is responsible for determining the accounting policies in line with professional accounting standards, and agreeing these with the Finance & Resources Committee. These have been subject to independent review by the Trust's external auditors.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	No material matters or events have impacted on the Trust's approach to external audit.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	<p>The Trust does not currently hold any non-current assets.</p> <p>No changes in current circumstances that may cause impairment are envisaged.</p> <p>The Trust undertakes daily cash flow monitoring and cash management. The Trust secures investments of cash surpluses via the BCC treasury team.</p> <p>The Trust's debt relates to debtors only, approximately half of which as at 31 March 2019 related to monies owed by the Council to the Trust. Aged debt is monitored on a monthly basis and the Trust buys back "Account</p>

BIRMINGHAM CHILDREN'S TRUST CIC LTD	
Question	Response
	Receiveable" debt progression services from BCC via a support services agreement.
Please set out details of any indemnities or guarantees that the company has given.	The Trust has not provided any indemnities or guarantees which would give rise to a financial commitment.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	The Trust made provision for the McCloud pensions judgement in line with the Council's accounting position.
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	<p>The audit findings report of the external auditors was presented to the Trust's Finance &amp; Resources Committee on 11 September 2019 and provided for eight medium risks of a less urgent nature which still required prompt action. A number of these have already been actioned.</p> <p>There were two other risk classified as low level which require action within an agreed timescale.</p>

BIRMINGHAM CHILDREN'S TRUST CIC LTD	
Question	Response
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	The Trust is experiencing demand pressure as a result of the number of children in care increasing. This has been the subject of discussion with the Council as part of the budget consultation process.





<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	One of the Directors is a qualified Accountant. The other Director is newly appointed to Propco but is a director of other City Council companies. No specific formal training has been provided for Propco, although training has been provided on Company Directorships by Legal Services.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Propco completed its first trading year in March 2019 and the audit of final accounts was completed in August 2019. The company has a relatively small number of transactions (approximately 40 transactions per annum. At present, there is unlikely to be more than an annual meeting. However, the company could expand to deal with other commercial property transactions and if this were the case, the frequency of business/meetings would need to be reviewed.
Please explain the system of governance and the financial control environment within the company	A Finance Business Partner and Finance Manager oversee all transactions. There are established contracts with PWC for accounting support and VAT/Tax advice and UHY Hacker Young as auditor. As above, the level of transactions with this company are low and monitored against an established business model/forecast spreadsheet.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	All property related transactions are authorised by Property Services (i.e. rent income is raised via Manhattan and expenditure invoices are authorised for payment). The Finance Business Partner and Finance Manager roles are purely to action payment to and from Propco. A few

<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</b>
	non-property transactions i.e. professional fees are authorised by the directors themselves.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	This has been well covered for the initial dealings of the company relating to 2 hotels at the NEC but the business plan could evolve to include more commercial property transactions. There are no plans at present to expand the company at present.
What is the company's approach to the development of business continuity plans.	Nothing specific at present as the only 2 matters are long term leases relating to 2 well established hotels at the NEC site. This will be kept under review.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Nothing particular as the transactions are receipt of lease/rental and repayment of borrowing (together with some modest running costs). No major GDPR risk.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	Nothing of concern at present.
Please set out your management's processes for identifying and responding to risks of fraud.	Separation of duties in place and there is a model which governs/monitors the transactions.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Annual Board meeting.

BIRMINGHAM CITY PROPCO LTD	
Question	Response
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	None
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	See above
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None reported
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Would report internally and escalate accordingly
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Embedded in monitoring but we have leases for both hotels for the long term.
How would the company communicate any breach of GDPR requirements to the Council.	Would report to Council reporting officer.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what insurance cover does the company have in place.	Insurance is in place. Low risk of fraud with the controls in place and nature of the company and with the monitoring undertaken.

<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</b>
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	The accounting processes and transactions were thoroughly reviewed by FHY Hacker as part of the audit of accounts for the year 2018/19. The Directors were supplied with the resulting management report, briefed on the findings and asked to approve the resulting management actions. These have been largely implemented however, further work is required to complete these by March 2020.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	Late submission of 2018/19 accounts to Companies House arising from delays in engaging the auditor. They had been procured earlier but not informed. The closedown timetable needs to be rigorously followed.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	Impairment of the finance lease debtors was shown in the accounts for 2018/19 on the basis of revised accounting treatment of leases. It is not expected that there will be any further impairment of current or non-current assets.
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None

BIRMINGHAM CITY PROPCO LTD	
Question	Response
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	<p>These were:</p> <ol style="list-style-type: none"> <li>1. VAT creditor overstated by £8k</li> <li>2. Trade creditor of £67k misanalysed as an accrual</li> <li>3. Interest on loan for 1 month (£67k) not accrued</li> <li>4. BAC's controls – independent authorisation where bank account changes</li> <li>5. Bank statements require authorisation to ensure reconciliation</li> <li>6. Insufficient Directors meetings during year,</li> <li>7. Operating lease relating to land has been classified as a finance lease.</li> <li>8. The Council's policy of a 30%/70% land and buildings split valuation has been used rather than independent separate valuation.</li> </ol>
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None



<b>FINANCE BIRMINGHAM</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	From a regulatory perspective, the FCA requires annual confirmation that approved persons are up-to-date on statutory compliance knowledge. From an operational perspective, the discipline of weekly senior management meetings, bi-monthly board meetings and annual appraisals (to include a review of any training requirements) keep everyone up-to-date. In addition, via a non-executive director, governance is monitoring via an independent view.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Bi-monthly board meetings, supported by the provision of board papers, minutes of content and those in attendance.
Please explain the system of governance and the financial control environment within the company	Governance is monitored at a number of levels; as a regulated company FB is required to operate within FCA guidance, the board receives and reviews an annual business plan which incorporates any operating risks and governance is a statutory agenda item at each board meeting.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	Financial controls exist and a full accounts audit is undertaken by a third party (currently Grant Thornton) on an annual basis. Additionally, contracts are in place with external compliance advisors.

<b>FINANCE BIRMINGHAM</b>	
<b>Question</b>	<b>Response</b>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	Finance Birmingham is a self-sustainable, profit making business.
What is the company's approach to the development of business continuity plans?	Finance Birmingham is a business that essentially operates on the ability of its people, however, contingency plans exist in the event that any supporting infrastructure fails.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Finance Birmingham is GDPR compliant.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The company's financial performance is reported at every board meeting – anomalies are reported immediately. BCC officers and councillors attend FB board meetings.
Please set out your management's processes for identifying and responding to risks of fraud.	Financial controls are documented and followed. Senior management meets weekly and discusses each aspect of the business. As mandated by the FCA, FB has a formal Compliance Officer.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud?	Any instances of fraud would be immediately reported to the Board by the CEO. Management ensures that there is the appropriate segregation of duties in place to ensure that the risk of fraud is minimised.



<b>FINANCE BIRMINGHAM</b>	
<b>Question</b>	<b>Response</b>
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	None.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud)?	Through regular (weekly) management meetings.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None.
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud?	The CEO would report to the FB board and, at the same time, raise awareness with senior BCC officers.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Through financial updates and review of management accounts at bi-monthly board meetings.
How would the company communicate any breach of GDPR requirements to the Council?	The CEO would report to the FB board and, if required, raise awareness with senior BCC officers.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	PI insurance, Directors & Officers insurance

<b>FINANCE BIRMINGHAM</b>	
<b>Question</b>	<b>Response</b>
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	No.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review?	Regular meetings with Grant Thornton. Annual audit.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None.
Please set out details of any indemnities or guarantees that the company has given.	Guarantee in the sum of £400k, approved by BCC – this relates to FDC's lease on the property at (part) 11 <sup>th</sup> floor, 45 Church Street. The guarantee was required due to the short trading history of FDC. FB's staff are located in these offices.
Please set out details of any indemnities or guarantees that the company has received.	None.

FINANCE BIRMINGHAM	
Question	Response
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None.
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None.



<b>INREACH (BIRMINGHAM)</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	<ul style="list-style-type: none"> <li>- INReach has two directors appointed by BCC who are both senior officers within BCC with extensive knowledge and experience in housing development sector and finance.</li> <li>- INReach has no direct employees</li> <li>- INReach has a service contract with BCC to provide specialist skills in housing development, finance and legal services.</li> </ul>
How does the company ensure that Directors engage fully with the company and what is the record of attendance	<ul style="list-style-type: none"> <li>- Quarterly Board meetings are held, and the Directors have 100% attendance record.</li> </ul>
Please explain the system of governance and the financial control environment within the company	<ul style="list-style-type: none"> <li>- INReach employed KPMG as its accountant.</li> <li>- XERO accountancy system is used for bookkeeping, production of monthly management accounts and year end accounts.</li> <li>- A dual authorisation process is required for banking with Barclays.</li> </ul>
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	<ul style="list-style-type: none"> <li>- All reporting is via INReach Board for approval and sign off.</li> </ul>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	<ul style="list-style-type: none"> <li>- Monthly management reports are produced</li> <li>- Company cashflow is reviewed monthly</li> <li>- The Business Plan is reviewed and updated every six months.</li> <li>- INReach Risk Register is reviewed monthly</li> </ul>

<b>INREACH (BIRMINGHAM)</b>	
<b>Question</b>	<b>Response</b>
What is the company's approach to the development of business continuity plans.	<ul style="list-style-type: none"> <li>- INReach risk management plan</li> <li>- Business continuity Insurance</li> </ul>
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	<ul style="list-style-type: none"> <li>- INReach does not hold or process any personal data, contracted parties are required to be fully compliant with GDPR requirements</li> </ul>
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	<ul style="list-style-type: none"> <li>- The risk register is reviewed on a monthly basis at project group and reported to board a quarterly basis.</li> </ul>
Please set out your management's processes for identifying and responding to risks of fraud.	<p>INReach has put in place processes across the business to identify and reduce the risk of fraud. This includes but not limited to segregation of duties, approvals and financial reporting.</p> <p>INReach Risk Register and scheme specific Risk Register are reviewed and updated by the Project Lead on a monthly basis. The Risk Register is also reviewed by the Director(s) on a quarterly basis.</p> <p>The Accountant Services review INReach accounts and identify and report any risk of fraud.</p> <p>Annual external audit is conducted to review, identify and report any risk of fraud.</p>

<b>INREACH (BIRMINGHAM)</b>	
<b>Question</b>	<b>Response</b>
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	- Quarterly monitoring is via the risk register
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	- Management agreement with Pinnacle, potential risk around rent collection on behalf of INReach. This is mitigated by monthly report of voids, arrears and rent collection and access to their IT system which provides INReach with full transparency in relation to rent collection.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	- Risk register and board meeting
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	- None
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	- Via the risk register and board meeting
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	- Monthly management accounts are shared with BCC as INReach's sole shareholder - Updates and performance are discussed at BCC Partnership board attended by INReach director(s)
How would the company communicate any breach of GDPR requirements to the Council.	- Promptly and in writing.

<b>INREACH (BIRMINGHAM)</b>	
<b>Question</b>	<b>Response</b>
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	<ul style="list-style-type: none"> <li>- Insurance Cover summary attached</li> <li>- Through its engagement of Accountant</li> </ul>
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	<ul style="list-style-type: none"> <li>- none</li> </ul>
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	<ul style="list-style-type: none"> <li>- Through ongoing dialogue with its Accountancy Service.</li> </ul>
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	<ul style="list-style-type: none"> <li>- Final account settlement with development contractor Nov 2019.</li> </ul>
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	<ul style="list-style-type: none"> <li>- INReach's key asset is Embankment which is a 92 apartment building, any impairment is dependent on the property valuation.</li> </ul>



<b>INREACH (BIRMINGHAM)</b>	
<b>Question</b>	<b>Response</b>
Please set out details of any indemnities or guarantees that the company has given.	- None
Please set out details of any indemnities or guarantees that the company has received.	- None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	- None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	- Audit report attached
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	- There are currently plans in place to expand INReach with the proposed acquisition of two city centre sites for development.



THE NATIONAL EXHIBITON CENTRE (DEVELOPMENTS) PLC	
Question	Response
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	The Company's sole function is servicing the finance originally raised to fund the construction of halls 17-20 at the National Exhibition Centre. Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.  Directors meetings held during 2018/19 were attended by both directors
Please explain the system of governance and the financial control environment within the company	The Board comprises two Board members and is responsible for managing the affairs of the Company. It meets a minimum of once a year to discuss the requirements of the Company.  The Board specifically monitors the statutory audit of the annual accounts including the independence of the statutory auditor.  All transactions are processed through the City Council's financial systems in line with a budget previously approved by the Company Directors.

<b>THE NATIONAL EXHIBITON CENTRE (DEVELOPMENTS) PLC</b>	
<b>Question</b>	<b>Response</b>
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	All transactions are processed through the City Council's financial systems in line with a budget previously approved by the Company Directors.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	Not applicable. The largest transaction relates to fixed interest payable in relation to £73m loan. Other transactions cover scheduled repayments of City Council loan and minor costs of operating Company and administrating debt. The Company has no sources of income other than Birmingham City Council.
What is the company's approach to the development of business continuity plans.	Not applicable
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Birmingham City Council officers manage the Company in line with Birmingham City Council processes.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	All transactions are processed through the City Council's financial systems.
Please set out your management's processes for identifying and responding to risks of fraud.	All transactions are processed through the City Council's financial systems.

THE NATIONAL EXHIBITON CENTRE (DEVELOPMENTS) PLC	
Question	Response
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	All transactions are processed through the City Council's financial systems
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Largest transaction relates to the fixed interest payment in relation to £73m loan.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors. Largest transaction relates to the fixed interest payment in relation to £73m loan
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Not applicable. The largest transaction relates to fixed interest payable in relation to £73m loan. Other transactions cover scheduled repayments of City Council loan and minor costs of operating Company and administrating debt. The Company has no sources of income other than Birmingham City Council.

THE NATIONAL EXHIBITON CENTRE (DEVELOPMENTS) PLC	
Question	Response
How would the company communicate any breach of GDPR requirements to the Council.	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	<p>The largest transaction related to fixed interest payable in relation to £73m loan. Other transactions cover scheduled repayments of City Council loan and minor costs of operating Company and administrating debt.</p> <p>All transactions are processed through the City Council's financial systems.</p> <p>Birmingham City Council maintains Directors and Officers insurance which both the Company and Directors have benefit of, to the value of £1million.</p>
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	None

THE NATIONAL EXHIBITON CENTRE (DEVELOPMENTS) PLC	
Question	Response
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies principally relate to the debt and are reviewed annually when preparing the Company accounts.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any indemnities or guarantees that the company has received.	The Company has no source of funds other than Birmingham City Council. Birmingham City Council has given a guarantee to the Company in relation to the £73m loan stock, and has agreed to make payments to the Company to enable it to meet all of its other liabilities as they fall due for at least 12 months following the date of approval of the financial statements.

THE NATIONAL EXHIBITON CENTRE (DEVELOPMENTS) PLC	
Question	Response
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	An active market quote did not exist for the guarantee given by Birmingham City Council over the Company's 2027 loan stock at 1 May 2015. Management, therefore developed an estimate of its fair value at initial recognition based on the trading price of the company's listed loan stock given the cashflows are identical.
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	In relation to the Company's accounts at 31 <sup>st</sup> March 2019, the independent auditor has stated that no key audit matters were identified to be communicated in their report.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None



<b>PARADISE CIRCUS LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	See attached document
How does the company ensure that Directors engage fully with the company and what is the record of attendance	See attached document
Please explain the system of governance and the financial control environment within the company	See attached document
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	See attached document
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	See attached document
What is the company's approach to the development of business continuity plans.	See attached document

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	<p>SANNE has implemented its own GDPR &amp; Data Protection project to ensure that we have an end-to-end privacy compliance framework in place; this is fundamental in demonstrating how we are aligned with the requirements of the GDPR. Some of the key project streams include:</p> <ul style="list-style-type: none"> <li>• The implementation of appropriate policies and procedures;</li> <li>• The roll out of a global training and awareness programme;</li> <li>• A priority driven data mapping and inventory exercise for each process within the business; and</li> </ul> <p>Third party vendor review programme.</p>
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	<p>Sanne PLC Board has agreed a risk appetite statement for the Group. Those risk appetite statements are adopted by all the regulated entities within the Sanne Group:</p> <ul style="list-style-type: none"> <li>• SANNE Group will take all reasonable steps to apply controls to mitigate the risk of fraud against its clients or any SANNE Legal Entity.</li> <li>• SANNE will apply a zero tolerance to any activity by any employee or party acting on behalf of a SANNE legal entity that constitutes, or could lead to, any fraudulent activity.</li> <li>• As permitted by law, SANNE will cooperate openly and transparently with SANNE's regulators and other lawful</li> </ul>

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
	<p>authorities in governing, preventing, detecting, responding or remediating any fraudulent activity.</p> <ul style="list-style-type: none"> <li>• Where any fraud is considered to be of a material nature, as determined by the CS&amp;GS Risk Committee, then the matter will reported to the relevant Board of Directors who will determine it should be reported as a criminal activity to the local law enforcement authority.</li> <li>• SANNE will apply a risk-based approach to monitoring transactional activity and asset transfers that will include setting thresholds and client behavioural tolerances that will automatically prompt a referral for that activity or transaction to be subject of a further review.</li> <li>• As fraud is a predicate offence and when any employee has reasonable grounds to suspect that a fraud has been committed or attempted they will raise a SAR/STR and it will be processed in accordance with agreed reporting procedures.</li> </ul>
Please set out your management's processes for identifying and responding to risks of fraud.	Sanne has established an anti-Fraud policy, and training. Fraud is included in compliance monitoring programme, as well as tested by first, and third line of defence.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	<p>Sanne has implemented the 3 lines of defence model.</p> <p>The 1<sup>st</sup> line of defence (FLOD) owns and manages risks. It includes senior and middle managers, and staff. FLOD is responsible for identifying and managing risk as part of their accountability for achieving objectives. Sanne has also established a QA function,</p>

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
	<p>which sits within first line of defence and is responsible for testing controls.</p> <p>Compliance and Risk forms the 2nd line of defence (SLOD). This provides the policies, frameworks, and support to enable risk and compliance to be managed in the first line, conducts monitoring to test adequacy and adherence to controls. Reports are provided to local boards and directors.</p> <p>Internal Audit function forms the 3rd line of defence (TLOD) Its main responsibility is to ensure that the first two lines are operating effectively and advise how they could be improved. IA reports to the board. It also provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to Sanne's senior leaders.</p>
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	<p>External fraud covers:</p> <ul style="list-style-type: none"> <li>• Client is fraudster - where the client commits, or attempts to commit fraud through their accounts or products against another party.</li> <li>• Third Party Fraud - where a third party (i.e. anyone who is not a client of SANNE Group) uses our client's details to commit, or attempt to commit fraud.</li> <li>• Where a third party uses fraud against a SANNE entity.</li> </ul> <p>Internal fraud covers:</p>

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
	<ul style="list-style-type: none"> <li>Employee Fraud - committed by, or assisted by, staff, suppliers (and employees of suppliers) or business introducers. Activity includes:                             <ul style="list-style-type: none"> <li>The intention to exploit an individual's or organisation's trust or legitimate access to their assets for unauthorised and or/illegitimate purposes.</li> <li>Aiding and abetting others through recklessness or wilful blindness, where colleagues are not actively involved in a deception, but recklessly or knowingly allow it to happen.</li> <li>Aiding or abetting others to commit tax evasion.</li> </ul> </li> </ul>
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	Please see the above sections.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	There are no instance of, or allegations of fraud, errors or other irregularities for the 2019 calendar year.
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Notification to BCC representatives that sit on the board of Paradise Circus General Partner Limited and General Partner of Paradise Circus Limited Partnership.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	This would be communicated by Argent LLP and Avison Young UK LLP, who are engaged to provide services to the limited partnership. SANNE provide company secretarial and accounting services only.

<b>PARADISE CIRCUS LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
How would the company communicate any breach of GDPR requirements to the Council.	Notification to BCC representatives that sit on the board of Paradise Circus General Partner Limited and General Partner of Paradise Circus Limited Partnership.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	SANNE has a control framework in place to mitigate risks in line with market practice. This residual risk is then insured. SANNE have appropriate levels of insurance in place.
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	No claims have been made against the directors or the company.  We are not aware of any incidents that may lead to a claim.  There have also been no claims against the company secretary.
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	The financial statements have been prepared in accordance with FRS 102 – as applied by the Partnership (Accounts) Regulations 2008. The accounting policies adopted have been consistently applied in the current and preceding year. The financial statements are reviewed on a regular basis and are audited.

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	The accountants have changed during the year from Argent to Sanne.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any indemnities or guarantees that the company has received.	None
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	At the inception of the 250-year head lease over the land at the Paradise Circus site, it is considered that the present value of the minimum lease payments amount to at least the fair value of the leased asset, therefore, it has been accounted for as a finance lease.  Investment properties are measured at fair value.  There have been no changes from prior period.
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	No issues have been identified by the external auditor as yet. The auditors are still completing their testing on the TB and the financial statements.

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	No material change of circumstances expected.



## BCC Questionnaire – Paradise Circus Limited Partnership

Paradise Circus Limited Partnership (“PCLP”) is a Limited Partnership registered in the UK for the purpose of the development of Paradise Circus, Birmingham City Centre. It was established as a joint venture between BCC and Britel Fund Trustees Limited (“Britel”).

Paradise Circus is a 17 acre site in the historic civic heart of Birmingham. The planned mixed-use development will provide a mix of offices, shops, leisure and cultural facilities together with civic amenities, a hotel and new public realm. The Enterprise Zone has accelerated the transformation of the city centre, which has attracted £58million of private investment, securing a range of occupiers such as HSBC and HMRC. Enterprise Zone funded works are now programmed to be completed in early 2020. All of the Phase 1 works are due to be completed in Q1 2020. The Enterprise Zone funded work for Phase 2 was approved in December 2018, and this work is ongoing.

Paradise Circus General Partner Limited (the “GP”) has considered the impact of adverse changes in the market on the financial risks of market, currency, interest rate, credit and liquidity risks. It has been determined that any adverse changes in the market to the parameters that determine the effects of these financial risks will have a minimal impact on the financial performance and position of PCLP. The GP continues to monitor the economic market for fluctuations, which drive PCLP’s decisions and policy.

As PCLP is a joint venture, the Directors were appointed by way of a joint agreement between BCC and Britel. There are 4 directors on the board of the General Partner of PCLP, comprised of two directors from BCC and two from Britel. Any decisions taken must be taken by way of joint agreement by BCC and Britel. No resolutions can be passed without consensus from both parties involved.

Contracts are entered into between PCLP and 3<sup>rd</sup> parties in relation to the development and management of the development, such as Avison Young as real estate advisors, and SRM as above. Such contracts are always approved by both BCC and Britel. SANNE keep a record of all contracts entered into, and approval dates.

PCLP has no employees or workforce of its own. Instead, in order to achieve completion of its purpose, various third parties have been engaged:

- Argent LLP – is a UK property developer and acts as Property Manager for PCLP. Argent are responsible for the development works, and oversee the contractors engaged on the project (such as Sir Robert McApline (“SRM”) and BAM Construction Limited). Argent are also responsible for the budgeting of the joint venture, with assistance from Avison Young as below.
- Avison Young UK LLP – provides additional budgeting support and project planning for PCLP
- Sanne Group (UK) Limited – are engaged to provide company secretarial, administration and accounting services to PCLP and the wider structure. SANNE and Argent are in constant communication with one another regarding the project.

As PCLP has no workforce of its own, it therefore maintains none of its own controls, policies and procedures. Instead, these are the policies and procedures that are undertaken by SANNE as service provider to PCLP. PCLPs control environment and agreed practices around internal controls, review and audit are therefore an extension of SANNE.

With respect to Business Continuity Protocols/Practice, SANNE has its own BCP, which includes all employees being able to work remotely. Both BCC and Britel are able to contact some members of staff outside of business hours if required.

Quarterly board meetings are held, which must be attended by at least 1 BCC and 1 Britel director. In practice all directors attend the quarterly board meetings, either via phone if needed. All directors are heavily involved in the decision making for PCLP and the structure. During 2019 all of the directors were in attendance at these meetings. SANNE, Argent and Avison Young also attend these meetings to advise on any matters as necessary. SANNE oversee the governance of PCLP and the structure.

<b>PETPS BIRMINGHAM LIMITED</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors
How does the company ensure that Directors engage fully with the company and what is the record of attendance	<p>Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.</p> <p>Directors meetings held during 2018/19 were attended by both directors</p>
Please explain the system of governance and the financial control environment within the company	<p>Following the completion of the sale of the NEC Group in 2015, the Company assumed the ongoing funding obligation of the NEC Limited Pension Fund and Scheme. At the same time Birmingham City Council gave guarantees to meet the funding obligations that may arise in respect of the liabilities.</p> <p>The assets of the Fund and Scheme are held separately from the Company. The Company itself has no financial transactions.</p>
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	The Company itself has no financial transactions.

<b>PETPS BIRMINGHAM LIMITED</b>	
<b>Question</b>	<b>Response</b>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	The Company itself has no financial transactions.
What is the company's approach to the development of business continuity plans.	The Company itself has no financial transactions.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Birmingham City Council officers manage the Company in line with Birmingham City Council processes
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	The Company itself has no financial transactions.
Please set out your management's processes for identifying and responding to risks of fraud.	The Company itself has no financial transactions.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	The Company itself has no financial transactions.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	The Company itself has no financial transactions.

<b>PETPS BIRMINGHAM LIMITED</b>	
<b>Question</b>	<b>Response</b>
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	The Company itself has no financial transactions.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	Not applicable. The Company itself has no financial transactions.
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Not applicable. The Company itself has no financial transactions.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Not applicable. The Company itself has no financial transactions.
How would the company communicate any breach of GDPR requirements to the Council.	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	Not applicable. The Company itself has no financial transactions.  Directors and Officers insurance is available to the value of £1million. Pension Trustee liability cover is also available to the value of £10 million.

<b>PETPS BIRMINGHAM LIMITED</b>	
<b>Question</b>	<b>Response</b>
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	None
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies are reviewed annually when preparing the Company accounts.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None
Please set out details of any indemnities or guarantees that the company has given.	The Company is sole guarantor of the NEC Pension Trustee Company Limited, a wholly owned subsidiary.

<b>PETPS BIRMINGHAM LIMITED</b>	
<b>Question</b>	<b>Response</b>
Please set out details of any indemnities or guarantees that the company has received.	Birmingham City Council has given guarantees to meet the current and future contingent funding obligations that may arise in respect of the NEC Limited Pension fund and the NEC Executive Pension Scheme.
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None





<b>PETPS (BIRMINGHAM) CAPITAL LIMITED, PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED, PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
<b>Company Environment</b>	
What approach does the company have for ensuring that Directors and Senior Management have the necessary skills to enable them to fulfil their responsibilities appropriately	Birmingham City Council ("City Council") officers manage the Companies and Partnership. City Council officers have been appointed Directors of the Companies.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	City Council officers manage the Companies and Partnership. City Council officers have been appointed Directors of the Companies.  All meetings held during 2018/19 were attended by both directors.
Please explain the system of governance and the financial control environment within the company	During 2017/18, the City Council implemented an asset backed funding structure to allow the City Council to finance payments to the NEC Limited Pension Fund. As part of this, the City Council set up wholly owned companies PETPS (Birmingham) Capital Limited and PETPS (Birmingham) General Partner Limited which established PETPS (Birmingham) Pension Funding SLP. The Partnership was capitalised with £17.2m cash which has been loaned back to the City Council.  All cash transactions are processed through the City Council's financial systems.
Please explain how management gains assurance on its control environment, its process for reviewing the effectiveness of the system of internal controls and the results of any reviews that have been undertaken.	All cash transactions are processed through the City Council's financial systems.

<b>PETPS (BIRMINGHAM) CAPITAL LIMITED, PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED, PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going concern and how are plans developed for taking remedial action to any adverse changes within the company	Not applicable. The largest transaction relates to payments by the City Council to the Partnership under the £17.2m loan and the Partnership makes payments to the Trustee of the Fund in accordance with an agreed distribution schedule.
What is the company's approach to the development of business continuity plans.	Not applicable
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	City Council officers manage the Companies and Partnership in line with City Council processes.
<b>The Identification, Mitigation and Reporting of Risk</b>	
Please set out your management's views on your risk assessment process as it related to financial reporting.	All cash transactions are processed through the City Council's financial systems.
Please set out your management's processes for identifying and responding to risks of fraud.	All cash transactions are processed through the City Council's financial systems.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	All cash transactions are processed through the City Council's financial systems.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Not applicable. The largest transaction relates to payments by the City Council to the Partnership under the £17.2m loan and the Partnership makes payments to the Trustee of the Fund in accordance with an agreed distribution schedule

Group Accounts Preparation

Appendix 1

<b>PETPS (BIRMINGHAM) CAPITAL LIMITED, PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED, PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	City Council officers manage the Companies and Partnership. City Council officers have been appointed Directors of the Companies.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None
How would your organisation raise the Council's Audit Committee's awareness of fraud or suspected fraud.	City Council officers manage the Companies and Partnership. City Council officers have been appointed Directors of the Companies.
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance that would impact on the financial status of the company	Not applicable. The largest transaction relates to payments by the City Council to the Partnership under the £17.2m loan and the Partnership makes payments to the Trustee of the Fund in accordance with an agreed distribution schedule
How would the company communicate any breach of GDPR requirements to the Council.	City Council officers manage the Companies and Partnership. City Council officers have been appointed Directors of the Companies.
What mitigating actions are in place to minimise financial losses from risk events or fraud, for example, what type and value of insurance cover does the company have in place.	<p>All cash transactions are processed through the City Council's financial systems.</p> <p>Directors and Officers insurance is maintained to the value of £1million in respect of PETPS(Birmingham) General Partner Limited, and £1million in respect of PETPS(Birmingham) Capital Limited.</p>

## Group Accounts Preparation

## Appendix 1

<b>PETPS (BIRMINGHAM) CAPITAL LIMITED, PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED, PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
Have any claims been made against the company or its Directors, or are you aware of any incidents that may lead to a claim, which have not been reported to the company's insurers?	None
<b>Financial Statements</b>	
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Accounting policies are reviewed annually when preparing the Company accounts.
What matters or events occurred during the year that could influence your audit approach or may have an impact on the Council's consolidated financial statements.	None
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None
Please set out details of any indemnities or guarantees that the company has given.	None
Please set out details of any indemnities or guarantees that the company has received.	None

## Group Accounts Preparation

Appendix 1

<b>PETPS (BIRMINGHAM) CAPITAL LIMITED, PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED, PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
Please set out details of any transactions, events or conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement.	None
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None



## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Interim Chief Finance Officer</b>
<b>Date of Decision:</b>	<b>28 January 2020</b>
<b>Subject:</b>	<b>AUDIT FINDINGS REPORT RECOMMENDATIONS – PROGRESS REPORT</b>
<b>Wards affected: All</b>	
<b>1</b>	<b>Purpose</b>
1.1	At its meeting on 24 September 2019, Members considered the External Auditor's Audit Findings Report following the audit of the Council's financial statements for 2018/19 which included six recommendations for management to consider.
1.2	The management responses to the External Auditor's recommendations were considered by this committee at that meeting and a progress update was considered at the meeting on 16 December 2019. This report provides a 2 <sup>nd</sup> progress update on the implementation of management actions.
<b>2</b>	<b>Decisions recommended:</b>
	Members are recommended to:
2.1	Note the progress in implementing management actions, attached as Appendix 1, to address the recommendations set out by the External Auditor in his Audit Findings Report issued in September 2019
2.2	Seek updated reports to future meetings of this committee on the continued progress in implementing the management actions proposed.

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**Telephone No:** 0121 303 4667  
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### **3 Compliance Issues:**

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:  
The coverage of the management actions in response to the Audit Findings Report recommendations are consistent with the policy framework and budget.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:  
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):  
The work of the external auditors is governed by the Code of Practice issued by the National Audit Office in accordance with the Local Audit and Accountability Act 2014.
- 3.4 Will decisions be carried out within existing finances and resources?  
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):  
The Audit Findings Report includes details on activities where the External Auditor has identified that the Council can make improvements or reduce risks in its operations. This report provides a response on the progress in addressing the recommendations made.

### **4 Relevant background/chronology of key events:**

- 4.1 The Audit Findings Report was considered by this committee at its meeting on 24 September 2019 as part of the process for approving the Council's financial statements for 2018/19. Management responses to the recommendations made by the external auditor were also considered at that meeting.
- 4.2 This report sets out the current progress in addressing the issues raised in the external auditor's recommendations identified in the Audit Findings Report.
- 4.3 Further reports will be provided to future meetings of this committee setting out the additional progress in implementing management actions.

### **Signature:**

.....  
Rebecca Hellard, Interim Chief Finance Officer

### **Appendices**

Appendix 1 – Progress update on Response to Audit Findings Report Recommendations



## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<b>Accounts</b>				
1	<b>System Control – Feeder Files</b>				
	<p>The Council identified that eight separate feeder files from two subsidiary systems relating to 2019/20 were posted in period 16 of the 2018/19 general ledger in error.</p> <p>These entries were not reflected in the accounts and have been appropriately reversed out of the ledger, so there is no impact on the 2018/19 accounts.</p> <p><b>Recommendation</b> The Council should investigate this incident and implement appropriate controls to ensure a similar situation cannot occur again in the future</p>	<p>An investigation into why the role that prevents users posting into the year-end period does not cover feeders will be conducted and appropriate action taken. This will start immediately.</p> <p>Feedback will be provided to the team and relevant managers in the areas where the issues have occurred and reminders given on the requirement to enter data on a timely and accurate basis.</p> <p>Feeder owners will be reminded of their responsibility:</p> <ul style="list-style-type: none"> <li>• to ensure that files are submitted in a timely manner and</li> <li>• that they reconcile their system to the ledger to ensure that all entries are recorded</li> <li>• that they notify Finance of any files that cannot be processed to ensure these are reflected in the accounts.</li> </ul> <p>The chapter in the Financial Management Tool will be reviewed to include feeder owner</p>	Immediate	Finance Manager, Financial Accounts	<p><b><u>November 2019</u></b></p> <p>The chapter in the Financial Management Tool has been reviewed and will be published shortly.</p> <p>Information, Technology and Digital Services (IT&amp;D) are currently looking at a solution to the matter. A progress update will be provided at the next meeting.</p> <p><b><u>January 2020</u></b></p> <p>The chapter for the Financial Management Tool has been reviewed and is awaiting publication.</p> <p>Information, Technology and Digital Services (IT&amp;D) are still looking at a solution for this matter and a progress update will be provided at the next meeting.</p>

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		responsibilities and guidance in their use.  During the closure of accounts, regular Trial Balance reports by document type will be run to ensure that feeder files are not posted retrospectively in the old financial year.			
2	<b>Control Weakness - Asset Disposals</b>				
	<p>An asset with a net book value of £9.4m was disposed of in 2017/18 but this was not accounted for until 2018/19.</p> <p>We are satisfied this appears to be an isolated incident due to the unusual nature of the arrangement, so there is no material risk to the 2018/19 accounts.</p> <p><b>Recommendation</b> The Council should ensure there are appropriate controls in place to ensure all disposals are accounted for in the correct year</p>	<p>Property Services will ensure that clear instructions are sent to Legal &amp; Democratic Services, Property Records Team and relevant stake holders to facilitate the disposal of assets in an appropriate manner.</p> <p>Legal, Property and Finance staff will meet to share information on property transactions and ensure that processes are in place to capture relevant information and are being followed.</p> <p>Reconciliations will be undertaken during the year of disposals to identify any mismatches in information.</p>	March 2019	Assistant Director, Property Services	<p><b><u>November 2019</u></b></p> <p>The particular issue identified related to a CPO undertaken at the behest of a third party. Usually there is a back to back agreement to then transfer the asset on to the third party once the purchase has completed. However, in this case the purchaser did not want the asset immediately which led to the confusion. Going forward, the legal agreements will be amended to ensure that back to back agreements are entered into.</p> <p>The Legal, Finance and Property sections have met to look at tightening up procedures and share information. Appropriate processes will be completed to ensure that completion memo's are recorded on IPMS and subsequently reconciled with cash receipts. Any differences will be highlighted at the earliest opportunity.</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
					<p>Where external legal support is used the agreement will include the requirement to provide a completion memo for ensuring property records are maintained appropriately.</p> <p><b><u>January 2020</u></b></p> <p>Guidance to be sent to Property Services Heads of Service and Project Officers detailing processes to be followed.</p>
3	<b>Control Weakness – Asset Valuations</b>				
	<p>We identified errors in the work of the valuer relating to the valuation of secondary schools, and a valuation where expenditure was used instead of profit as the basis of the valuation.</p> <p><b>Recommendation</b> Appropriate review should be included as part of the valuation process to ensure that any errors in valuation are identified and resolved</p>	Property services officer valuations will be independently checked by an appropriate qualified valuer with immediate effect.	Immediate	Assistant Director, Property Services	<p><b><u>November 2019</u></b></p> <p>A two tier checking system has been put in place with a peer review by an appropriately qualified surveyor followed by a management review by the Head of Service.</p> <p><b><u>January 2020</u></b></p> <p>Details of valuation sign off process to be followed sent out in week of 15 January 2019.</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
4	<b>Control Weakness – Completeness of Expenditure</b>				
	<p>Our testing of the completeness of expenditure identified several items which were paid after 31 March 2019 but should have been accrued into 2018/19. The Council has performed extended analysis covering payments made during the period to 22 August 2019 which has identified £9.8m of invoices which relate to 2018/19 but were not accrued.</p> <p><b>Recommendation</b> The Council should investigate why these invoices were not appropriately accrued and implement additional controls to reduce the risk of such omissions in the future.</p>	<p>The current audit and follow up investigation has identified a number of areas where the Council process for procurement and receipting of goods and services and payment of invoices are not being followed appropriately. An analysis of the data will be undertaken to identify those areas where there are significant numbers or value of invoices that have not been accounted for appropriately. Meetings will be held with those teams identified to set out the implications to the Council of not following relevant processes.</p> <p>Finance Business Partners will brief Directorate Management Teams on the issues identified and the action required and procedures to be followed to meet appropriate accounting requirements.</p> <p>The Council has organised a number of mandatory “Finance for Non-Financial Managers” training sessions which has covered the need for accounting for activities in the year that the goods/services are</p>	Immediate	Chief Finance Officer	<p><b><u>November 2019</u></b></p> <p>Directorates have been provided with monthly reports for a number of years detailing areas where:</p> <ul style="list-style-type: none"> <li>• overdue invoices which have not been authorised within 3 working days</li> <li>• services have been supplied without a purchase order</li> <li>• purchase orders have been raised retrospectively.</li> </ul> <p>Whilst the reports have been provided issues have still occurred with the timeliness of invoice payments.</p> <p>Greater emphasis will be placed on this reporting and will be driven through the Corporate Leadership Team and followed up through Directorate Management Teams with Finance Business Partners.</p> <p>In addition, further reports will be run to identify specific hot spots for delays and individuals offered advice and support in clearing invoices on a timely basis.</p> <p>Guidance on the processes and procedures to be followed will be republished.</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p>provided. This will be followed up with additional training for managers.</p> <p>The Voyager Newsletter sent out to staff will include articles on the issues identified and the actions that will be required to ensure future compliance.</p> <p>During the year, regular reports will be run to identify where invoices, purchase orders and goods receipts are not being recorded on a timely basis which will be followed up with the appropriate team and Directorate management team.</p> <p>There will be a hard close at a month end prior to the end of the financial year so that a check can be run on ensuring that appropriate procedures are being followed.</p> <p>At year end reports will be run to check those invoices paid early in the new year have been accounted for correctly and goods receipting of purchase orders is appropriate.</p>			<p>Areas of continued non-compliance will be visited to determine the reasons for any issues.</p> <p><b><u>January 2020</u></b></p> <p>Suppliers to be written to to ensure that invoices are sent into the central point as per processes.</p> <p>Guidance being drafted as a reminder to all BCC and BCT services of processes to be followed in procurement and payment to minimise payment delays.</p> <p>Closedown guidance drafted to advise service and finance teams of processes and deadlines for year end, including requirement for appropriate accounting for goods and services delivered.</p> <p>Monitoring reports continuing to be produced and analysed to identify any hot spots in service or system performance.</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
5	<p><b>Asset Valuation – Determination of appropriate rates</b></p> <p>As part of the valuation of Council Dwellings we identified that the valuer applied a £5k adjustment rate for bedrooms to the majority of archetypes</p> <p>On further review, the £5k was based on the approach taken in previous years and it was not clear that a review had been carried out to check if this value was still appropriate.</p> <p><b>Recommendation</b> The Council should ensure that assumptions used in the valuation of property, plant and equipment, including council dwellings, are reviewed for appropriateness each year and updated where appropriate.</p> <p>In particular a review of the actual impact of the number of bedrooms on the valuation of council dwellings should be carried out in order to support the value of the adjustment.</p>	Agreed. A review will be undertaken on the impact of the number of rooms on property prices for relevant archetypes to ensure the robustness of valuations.	Immediate	Assistant Director, Property Services	<p><b><u>November 2019</u></b></p> <p>A full beacon review is being undertaken for 2019/20 which will include a review of the valuation methodology to be adopted with an option to move to a £ per m<sup>-2</sup> basis rather than a room differential basis.</p> <p>Beacon properties will be identified to ensure a fair representation of the City area. There will be discussions with an external valuer to support the market intelligence gathering.</p> <p><b><u>January 2020</u></b></p> <p>Process implemented with effect from January 2020 and will be followed through the closure of the 2019/20 accounts.</p>

## Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
6	<b>SAP – User Access</b>				
	<p>As part of our review of IT controls, we identified an excessive number of users with access to critical T-codes within SAP. Our IT audit identified 109 users with potentially inappropriate access out of 668 users tested due to their higher risk nature.</p> <p>The risk is that an excessive number of users have access to critical transactions at a high level of authorisation, which we would normally expect to be restricted to system administrators.</p> <p>We noted this is primarily due to the current Firefighter setup and the fact that 8 users have SAP ALL access.</p> <p><b>Recommendation</b></p> <p>Management should review all access and reassign the relevant transactions in accordance with business need and current job duties only.</p>	<p>Capita ICTDS have responded to the GT IT Audit on this point which is summarised below</p> <p>The majority of the transactions listed here will be assigned to BASIS only (the team who deal with the core of the system – these transactions are appropriate for this team to use) and most within their firefighter id. The rest have been reviewed after previous audits and deemed appropriate. All users with access to any of these transactions will either be support personnel, or in the case of SM37, users within the business. (SM37 monitors jobs run in the background in SAP. Due to the size and complexity of BCC's ledger, it's recommended that large reports are run in the background to reduce stresses on BAU processing).</p> <p><u>Response from BCC</u></p> <p>User access to critical transactions is reviewed regularly with access to areas such as SAP_ALL reviewed daily. Appropriate action is taken to remove or amend as required.</p> <p>In August an upgraded Governance, Risk and Compliance tool was</p>	Commencing September 2019	Finance Manager SAP BSC	<p><b><u>November 2019</u></b></p> <p>The level of access identified in the recommendation is required to ensure that the system functionality can be maintained.</p> <p>Regular reviews of access are undertaken and the new Governance, Risk and Compliance tool is being used to support monitoring of access.</p> <p><b><u>January 2020</u></b></p> <p>The level of access identified in the recommendation is required to ensure that system functionality can be maintained.</p> <p>Regular reviews of access are undertaken and the new Governance, Risk and Compliance tool is being used to support the monitoring of access.</p> <p>This recommendation can be closed.</p>

**Appendix 1**

<b>Rec No</b>	<b>Recommendation</b>	<b>Proposed Actions</b>	<b>Due Date</b>	<b>Responsible Officer</b>	<b>Progress in implementation</b>
		implemented in SAP which will assist with user access administration and monitoring.			



**BIRMINGHAM CITY COUNCIL****PUBLIC REPORT**

**Report to: AUDIT COMMITTEE**

**Report of: Assistant Director – Audit & Risk Management**

**Date of Meeting: 28 January 2020**

**Subject: Revised Risk Management Framework**

**Wards Affected: All**

**1. Purpose of Report**

- 1.1 To obtain approval of the revised Risk Management Framework.
- 1.2 The Risk Management Framework, and associated templates, have been updated to support the capture and management of the strategic risks faced by the Council.

**2. Recommendations**

- 2.1 To approve the Revised Risk Management Framework.
- 2.2 To agree the continued reporting of risk management to this committee 3 times per annum.

### **3. Background**

- 3.1 The risk management framework sets out the processes for identifying, categorising, monitoring, reporting and mitigating risk at all levels.
- 3.2 The format of the risk template has been updated to also capture opportunities.
- 3.3 The focus of the formal reporting has undergone a major review. The Corporate Risk register principally contained operational risks, particularly financial or contractual issues. The Council Leadership Team (CLT) have identified the major strategic risks facing the Council and these will form the content of the Strategic Risk Register.
- 3.4 Audit Committee play a key role in ensuring the robustness of the Council's risk management processes.
- 3.5 The revised Strategic Risk Register will be reported to the March Audit Committee.

### **4. Embedding Risk Management**

- 4.1 There are directorate risk registers in place supported by individual risk registers for service areas. Monthly updates are facilitated through the Directorate Risk Representatives.
- 4.2 The current main route to provide risk management awareness is the e-learning package for managers, accessed via the internet. All documents and web pages are currently being refreshed to include the new changes.
- 4.3 Service managers are asked about their risk management arrangements as part of routine audit work. In addition, the mandatory Public Sector Internal Audit Standards include a requirement with regard to risk management.

### **5. Legal and Resource Implications**

- 5.1 The work is carried out within approved budgets.

### **6. Risk Management & Equality Impact Assessment Issues**

- 6.1 Risk management forms an important part of the internal control framework within the Council.
- 6.2 The Council's risk management strategy has been Equality Impact Assessed and was found to have no adverse impacts.

## **7. Compliance Issues**

- 7.1 Decisions are consistent with relevant Council Policies, Plans and Strategies.

.....

**Assistant Director – Audit & Risk Management**

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# **Birmingham City Council**

## **Risk Management Framework**



**A great city** to live in



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## 1. Foreword



At Birmingham, improvement never stops. We aim to be a city of growth in every respect – and **make a positive difference, every day, to people's lives**. This underpins everything we do, whether that's setting our priorities, making decisions or delivering services. Risk management is a key component supporting the vision for Birmingham.

This vision is supported by six strategic outcomes and priorities:

- Birmingham is an entrepreneurial city to learn, work and invest in
- Birmingham is an aspirational city to grow up in
- Birmingham is a fulfilling city to age well in
- Birmingham is a great city to live in
- Birmingham residents gain the maximum benefit from hosting the Commonwealth Games
- Birmingham is a city that takes a leading role in tackling climate change

Risk is a part of everything we do; it is inextricably linked to opportunities and innovation. The Council's overriding attitude to risk is to operate in a culture of creativity and innovation, this means that we take full advantage of opportunities and work collaboratively and in partnerships to improve services. We need to identify the risks that we face, manage them proactively and secure the best use of our scarce resources.

The management of risk is an essential component of performance management and represents good governance. If the Council is to make sustained risk management must be embedded in the culture of the organisation. The Council needs to be realistic and open about the risks that it faces and ensure that risk registers are updated and used for real-time management purposes. The Cabinet, Scrutiny and Council Leadership Team recognises the importance of risk management and is actively reviewing and monitoring the strategic risks that the Council faces.

This framework provides easy to follow guidance on identifying and managing risks.

Formally incorporating risk management into the culture and day-to-day management increases the focus on what needs to be done (and not done) to meet objectives and improve performance.

**Clive Heaphy, Acting Chief Executive**

## **2. Risk Management Policy and Strategy**

Risk management is about making the most of opportunities (making the right decisions) and about achieving improved outcomes once those decisions are made. The Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) defines the principles that should underpin effective governance:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.

The Council's risk management objectives are:

- Leadership to set the risk appetite for the organisation across all of our priorities and services
- Adopt a strategic approach to risk management in accordance with good practice and sound governance practices.
- Develop leadership capacity and skills in identifying, understanding and managing risks
- Integrate risk management into the culture of the Council, setting accountability, responsibility and ownership
- Embed risk management into performance management across the organisation and partners
- Anticipate and respond to changing social, economic, political, environmental, legislative and technological requirements.
- Prevent injury, damage and losses and reduce the cost of risk.

These objectives will be achieved by:

- Clearly articulating the risk appetite for all priorities and outcomes  
Clearly define, communicate and embed accountabilities, roles and responsibilities for managing risks
- Considering risk as an integral part of business planning, service delivery, key decision-making processes, and programme and partnership governance and service delivery.
- Communicating risk information effectively through a clear reporting framework that focusses on strategic risk



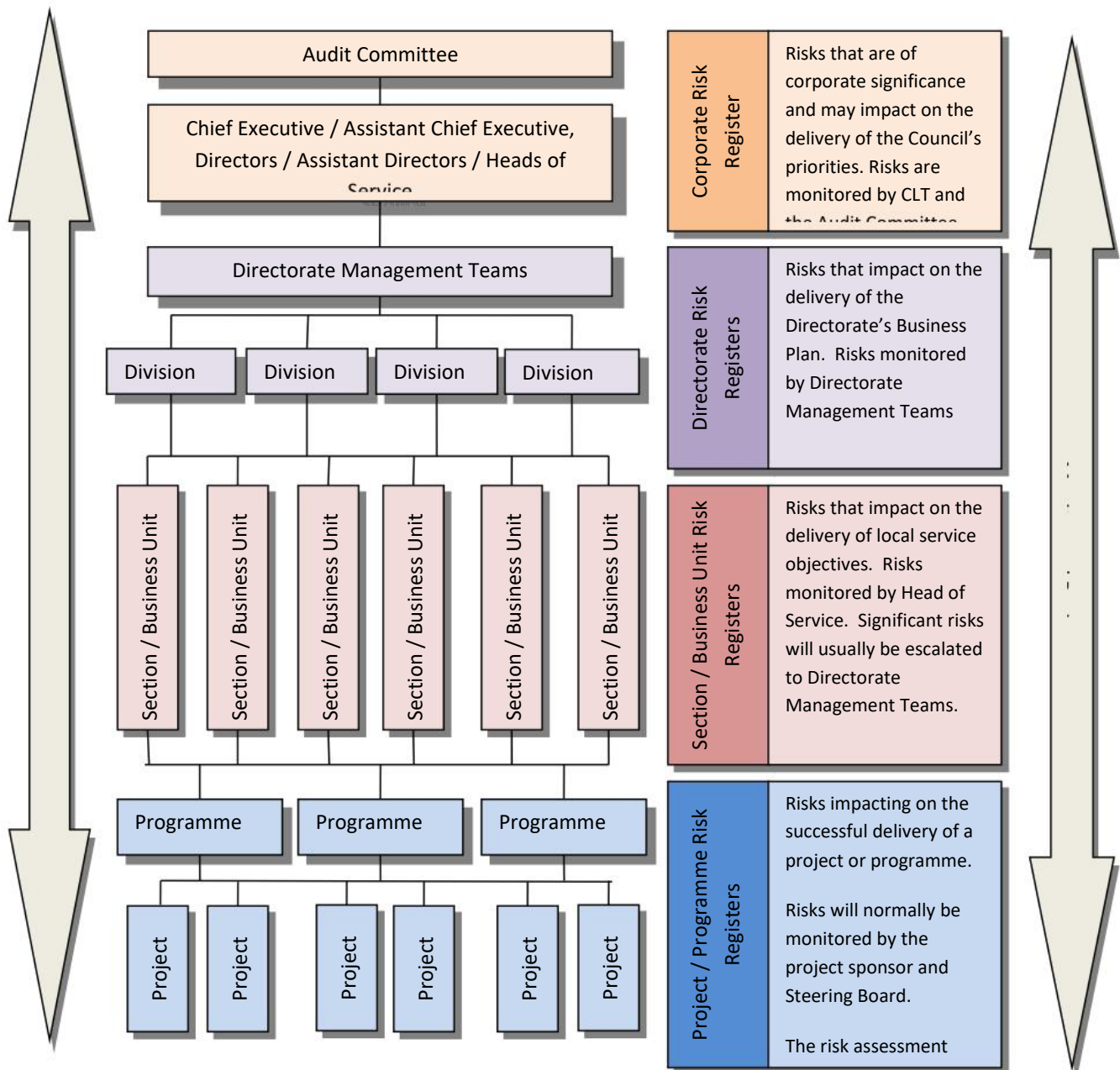
- Providing opportunities for shared learning on risk management across the Council and with Partner organisations.
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training.

### 3. Risk Management Framework

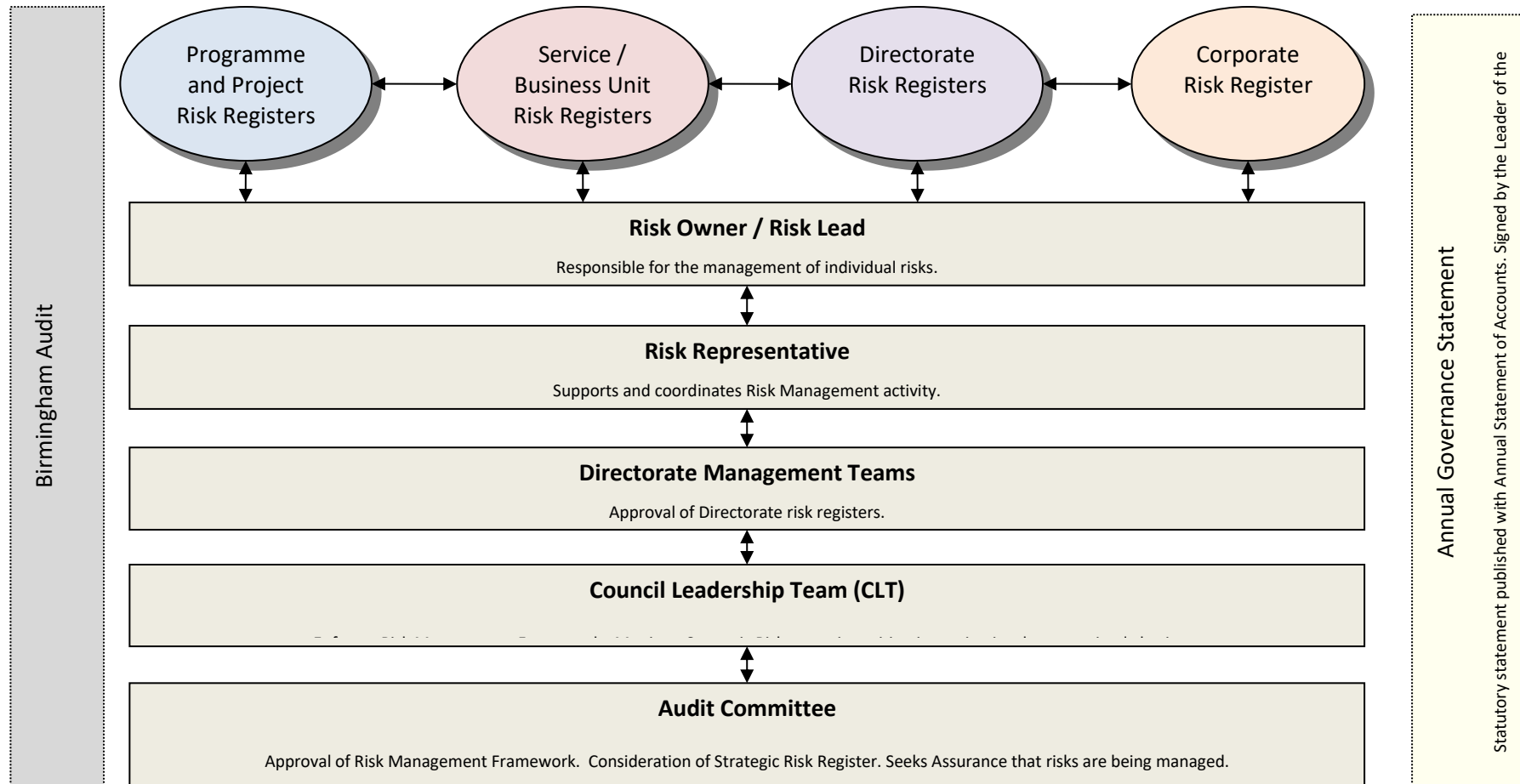
Risk management is not a new process; it is a formalisation of processes that are already in place. Risk management is integral to a well-managed council; it is something that managers use as a tool for delivery every day.

The Council is committed to embedding risk management through the whole organisation.

#### ***Risk Management Hierarchy***



## Risk Management Governance



#### 4. Key Responsibilities

- **Audit Committee** - to proactively support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, strategic risk management and governance.
- **Council Leadership Team (CLT)** - scans for new risks to the Council and the City of Birmingham. Gives a view of the medium to long term risks to the city, including assumptions in respect of government policy, financing, business transformation and partnership working. The team also ensures that the people, policies and resources of the Council are utilised efficiently and effectively so that the priorities / strategic outcomes of the Council are delivered. CLT has the Corporate (Strategic and Operational) Risk Register updates reported to them on a monthly basis. CLT ensure that the risks are complete and appropriate and proactive mitigating actions are being taken.
- **Directorate Management Teams** - carry out service risk assessment as part of business planning and internal / external reviews e.g. External Audit inspections and reviews, Equalities and Human Rights Commission inspections, Commission for Social Care Inspection, Ofsted, the results of Equality Analysis, Health & Safety Inspectorate etc, and taking account of corporate key risks. Have responsibility to put in place actions to take advantage of opportunities / reduce risks. Monitor and review the effectiveness of the actions.
- **Risk Representatives** - nominated by each directorate to assist in embedding risk management. Risk representatives implement a practical and workable approach to risk management within their directorate, produce and maintain an up-to-date directorate risk register and co-ordinate responses to corporate risks. They are also a point of contact to provide risk registers and risk management information from the directorate to Birmingham Audit.
- **Risk Owner / Lead** – ensures that individual risks are appropriately identified and action is taken to reduce the risks to its target. Provides regular updates to the Directorate risk representative.
- **Birmingham Audit** - Assistant Director, Audit and Risk Management facilitates and advises on the corporate risk management process. Develops, in conjunction with colleagues, practical approaches for implementing risk management. Birmingham Audit's internal audit teams may review and report on the directorate and corporate risk management processes and the wider corporate governance agenda. Issues guidance and information. Compiles the Corporate Risk Register reports for CLT and the Audit Committee.

## 5. Risk Management Process



### Step 1: Identification

Risk identification is the first step in the management process.

#### Definitions:

**Risk** is an “uncertain event that, should it occur, will have an effect on the Council’s objectives and/or reputation”. It is the combination of the probability of an event (likelihood) and its effect (impact).

**Risk management** is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks”.

The starting point for the identification of risks and opportunities would be to identify the outcomes that are to be achieved. This will focus on the strategic outcomes in the council’s business plan. The risk to the delivery of these outcomes can then be identified. There are many ways of identifying risk:

- Experience
- Service reviews carried out by internal and external audit and other inspectorate bodies e.g. Ofsted
- Risk assessments
- Equality Analysis
- Directorate / divisional meetings / workshops
- Internal control processes
- Day to day operations

- Local / National or Technical media
- Alterations to legislation
- Performance indicators
- Management information
- Insurance claims / losses information

Risks may be grouped by their type / category:

- Social
- Reputational
- Legislative / Regulatory
- Contractual
- Environmental
- Technological
- Information
- Customer / Citizen
- Partnership / Contractual
- Physical
- Competitive
- Managerial / Professional
- Financial

See Appendix A for a description of each category.

These categories also act as a prompt to help ensure that all risks have been identified.

It is important that risks are correctly described to ensure they are fully understood and appropriate actions identified. A good description will include the potential cause and effect.

## **Step 2: Risk Analysis**

This is the process of reviewing the risks identified and assessing the potential likelihood of them occurring and the impact they would have.

### **Measures of likelihood:**

<b>Description</b>	<b>Example Detail Description</b>
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.

Medium	Possible, might occur at some time. 20% - 50% chance.
Low	Unlikely, but could occur at some time. Less than 20% chance.

#### Measures of impact:

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

The first assessment should consider the inherent or gross risk. This is the potential likelihood and impact of a risks crystallising if no controls are in place.

Once the inherent risk has been identified, any controls that are in place to help manage the risk should be identified and any reduction in the likelihood and impact scores identified to give the residual / current risk.

It is essential that any controls that are being relied upon to manage risks are effective. As part of the assessment process the sources of assurance that provide ongoing confirmation that controls exist and continue to remain effective should be identified.

Assurance can come from many sources. A framework for helping to identify and understand the different contributions is the 'Three Lines of Defence' model. By defining the sources of assurance in three broad categories, it helps to understand how each contributes to the overall level of assurance provided and how best they can be integrated and mutually supportive. For example, management assurances

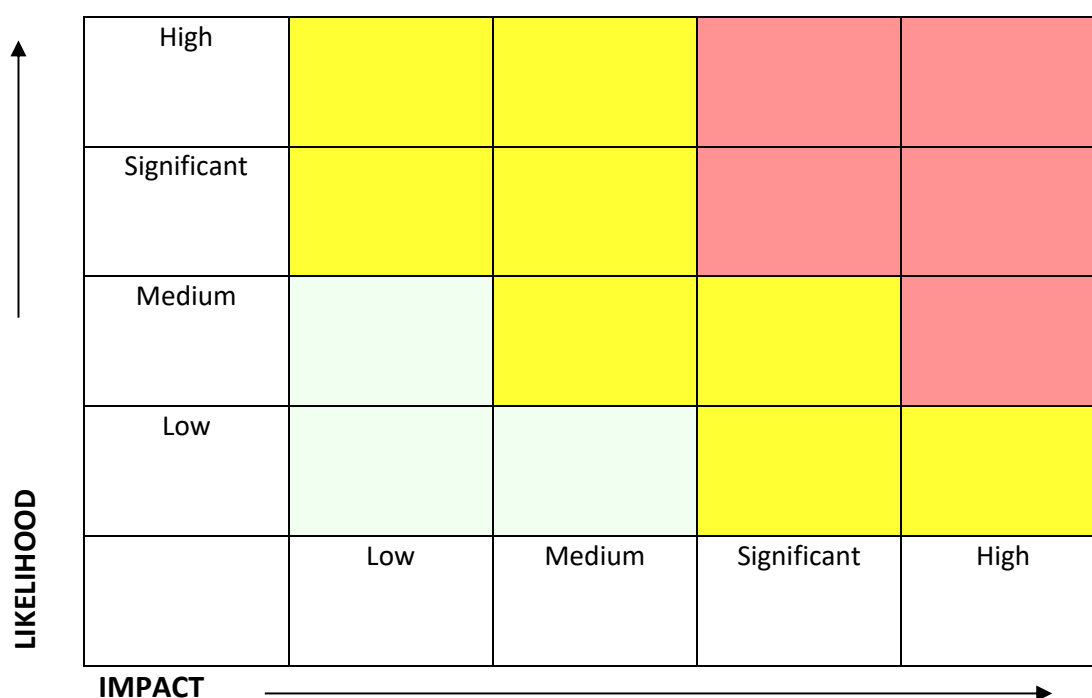
could be harnessed to provide coverage of routine operations, with internal audit activity targeted at riskier or more complex areas, See Appendix B for a description of each line of defence.

The final stage in the process is to consider and set the target risk. This is the level of risk that you are aiming to manage the risk down to. This will help in determining what mitigating actions need to be taken. The prioritisation matrix / risk heat map, below, supports the setting of an appropriate target risk.

### Step 3: Risk Prioritisation

Once risks have been assessed they can be mapped onto the prioritisation matrix/ risk heat map. The colours act as a “traffic light” system that denotes the risk appetite of the Council. A comparison of the prioritisation matrix for inherent, residual and target risk will demonstrate how controls have influenced the level of risks and where additional control may be required.

### Prioritisation Matrix / Risk Heat Map



#### Key:

Severe	Immediate control improvement to be made to enable business goals to be met and service delivery maintained / improved
Material	Close monitoring to be carried out and cost effective control improvements sought to ensure service delivery is maintained
Tolerable	Regular review, low cost control improvements sought if possible

## Step 4: Management of Risks

This involves:

- setting the risk appetite, this requires a decision to be made on the degree to which risks are acceptable. This can vary from risk aversion through to risk taking, and will depend upon the nature of the service. The result of this is to set the level at which risks can be tolerated and therefore accepted. The Council's risk appetite is shown on the risk matrix by the identification of which risks are severe (red zone), material (yellow zone) and tolerable (green zone);
- assessing whether to accept (tolerate), control (treat), modify, transfer or eliminate (terminate) the risk, or how to respond to the opportunity, based on the availability of resources;
- documenting the reasons for the decision taken;
- implementing the decision;
- assigning ownership to manage the risks / opportunity to specific officers; and
- identifying clear actions and timescales to reduce the risk to the target level.

### Approaches to managing risks:

**Accepting / Tolerating** risks means that you intend to manage the risk within your existing management routines. Risks should only be accepted where officers believe that the residual risk is tolerable to the service area, i.e. where they fall within the green zone of the matrix.

**Controlling / Treating** risk means that you identify additional action(s) to be taken that will reduce the likelihood and / or impact if the event occurred. Controls can be:

- preventative, such as physically restricting access to hazardous chemicals, insisting on two signatories, ensuring segregation of duties exist within a system, implementing authorisation limits, or restricting levels of access on IT systems. These controls will help reduce risk levels from the outset. Equality Analysis is also an example of a preventative control as they help to highlight the potential risk of discrimination.
- detective, such as quality checks, alarms, exception reports, accident reports, financial reports such as budget monitoring reports and insurance claims. These will show when something has gone wrong - perhaps a trigger event that can then alert you that the risk event is becoming more likely to occur.
- directive, such as procedure manuals, guidance notes, instructions, training. These advise on how to carry out processes safely but if they are not adhered to they will not prevent risk events occurring.



**Modifying** risks means that you change the activity or the way in which it is carried out because adding control mechanisms would not help to reduce likelihood and / or impact.

**Transferring** risk means using an insurer or other third party to cover the cost or losses should a risk materialise. However, care needs to be taken to accurately specify the risks to be covered. Making arrangements with others such as joint working, partnerships or contracting out to provide services could also be used to transfer risks. However, other risks can arise from these arrangements and the responsibility of providing the service could remain with the Council. When transferring risks to other parties, ensure that risk registers spell out where liability and accountability lie between parties.

**Eliminating / Terminating** risk means ceasing to carry out the activity because modifying it or controlling it would not reduce the risk to an acceptable level.

If the risk identified is outside your immediate control you need to ensure that business continuity plans are place in case the risk does occur.

### **Step 5: Monitor / Review**

This is a key stage of the process and should happen on a continuous basis. It is necessary to monitor the action plans developed and to regularly report on the progress being made in managing risks, or taking advantage of opportunities, so that the achievement of the Council's aims and service objectives is maximised and losses are minimised.

In addition, there needs to be an assessment of the effectiveness of risk management actions put in place to reduce the likelihood / impact of adverse risk events occurring. Alternative action will need to be taken if the initial action has proved ineffective.

Risk registers should be reviewed to ensure they remain up-to-date and relevant:

- Previously identified risks will change over time; some may become less of a hazard, for example once all the affected staff have been trained. Others may become more likely if a key milestone is approaching, such as the end of a funding stream.
- It may become necessary to escalate a risk up a level if the situation has changed or the initial assessment has proven to be inaccurate. Conversely it may be possible to delegate a risk.
- New risks identified or opportunities arising will need to be added.
- Completed actions may have resulted in new controls, helping to mitigate risks to their target.

- It may be appropriate to delete risks. However, when risks are deleted from a register there should be a record of the reasons for this decision, and what has happened to the risk e.g. it has been removed at a Directorate level but has been passed to a Business Unit to manage.

Although the exact process used will differ between management teams, the following is an example of how officers may wish to approach the review:

1. Go through the risks listed in the register to consider whether each risk is:
  - a. Still valid.
  - b. If the situation has changed in the interim period regarding the mitigating actions / controls you have in place or if it stays the same.
  - c. Record descriptions of any further mitigating actions that are being carried out now.
  - d. Use the likelihood and impact definitions to determine the amended residual risk if appropriate.
  - e. Escalate the risk, if in the light of the review it is more serious than was first thought and requires more senior management action.
  - f. Delegate the risk e.g. to service level, if in the light of the review it is relevant to that particular service and can be managed at a local level.
  - g. Decide if any risks should be deleted, and if so minute the reason for the decision.
2. Identify if any new risks have arisen, for example:
  - a. From an adverse event occurring.
  - b. By something new happening, e.g. a new partner organisation to work with, a new project starting, new / different way of delivering services.
  - c. As a result of ongoing management review, e.g. unexpected demand for a service, etc.
  - d. From changes in legislation.
3. Use the likelihood and impact definitions to determine the inherent and residual risk associated to any new risks, and capture the mitigating actions/controls currently in place.

A Risk Management process flowchart is detailed in Appendix C.

### **Risk Register & Action Plan Template**

All key risks identified should be entered onto a risk register in the standard format. This should include the actions that are required to manage the risk to its target level. The risk register template is attached in Appendix D.

## **6. Identification of Corporate Risk/ Strategic Risk/ Operational Risk**

Corporate risks are the key risks faced by the Council. There are Strategic Risks impacting on the Council's ability to achieve its strategic objectives or Operational risks significantly impacting on the day-to-day delivery of services which have reputational impact. By definition they will be of a cross cutting nature, have an impact on the delivery of one or more Council priorities and / or have a potentially significant financial impact if they were to crystallise.

## **7. Cabinet / Committee Reports**

Cabinet / Committee reports should give appropriate consideration to the management of risks and included a specific risk section. Reports should include:

- a realistic explanation of the potential risks arising from the course of action, decision, strategy or policy. It is important that risks are as transparent as possible and the challenges faced are not downplayed;
- the mitigating steps that are to be taken to manage or reduce the likelihood and impact of the identified risks; and
- an explanation of how risks are going to be managed on an ongoing basis.

A summary risk register template for inclusion in Cabinet / Committee reports is attached in Appendix E.

## **8. Business Planning**

One of the keys to successfully embedding risk management is ensuring that it explicitly supports business planning. In a robustly embedded process, proactive remedial action should be taken to mitigate risks to within the risk appetite set by Leadership of the organisation.

## **9. Business Continuity Management**

Business continuity management is the process of planning to maintain the services provided by the Council in the event of an interruption to the 'normal operation' of the Council. Business continuity is a bridge between the response to an incident and the full recovery from it.

Within any risk register there will be many risks that could have a major impact on the services' ability to provide the required outcomes. It is, however, not always possible to fully mitigate these risks, therefore it is important that the service examines these risks in detail, in advance, and develops a plan (i.e. a Business Continuity Plan), which can be used to enable service delivery to continue should a problem arise.

The business continuity plan needs to be developed in advance of an incident. This plan will be generic in so far as the basic information that it contains can be used to

cover many different risk eventualities. As a service provider, continuity of service is vital for our citizens and partners.

## **10. Annual Governance Statement**

The Annual Governance Statement is a statutory document that is published with the annual account. The Governance Statement is signed off by the Leader of the Council and the Chief Executive.

Within the Annual Governance assurance process Directors will be asked to confirm that risk management arrangements are embedded within their areas of responsibility.

## **11. Further help and support**

- [Birmingham Audit](#)
- Intranet – Further information on risk management can be found on the Council's Intranet
- E-learning package – An on-line risk management training module for all those involved with the management of risk. The e-learning will help you to:
  - Be aware of potential key risks.
  - Understand how risk can be effectively managed.
  - Appreciate the role that everyone can play in managing and minimising risk.
  - Understand the Council's procedures for managing risk.
  - Use risk management to be proactive and take advantage of opportunities.

## **Appendix A - Types/Categories of Risk**

**Reputational risks** - Arising from all risk types / categories which are considered to have an impact on how the Council is viewed by both internal and external stakeholders.

**Political risks** - Arising from the political situation. Examples of issues to look out for in local government:

- Political make-up (majority party, hung council, key opposition parties)
- Decision-making structure (elected mayor with cabinet, cabinet with leader, council and council manager, traditional committee structure)
- Leadership issues (lack of strong leadership, concentration of power into the hands of a few, imbalance of power)
- Election cycles (power shifts, undue influence on electioneering)
- Central Government initiatives impacting on Local Government

**Economic risks** - Arising from the national, local and organisation specific economic situation. Examples of issues to look out for in local government:

- Key employment sectors (e.g. over reliance on key industries / employers)
- Changing macroeconomic condition (e.g. changes in economic growth, interest rates, inflation etc)
- Poverty and deprivation indicators
- Property prices (e.g. low prices affect capital receipts, slow-down in building reduces Council Tax income growth)

**Social risks** - Arising from the national and local demographics and social trends. Examples of issues to look out for in local government:

- Demographic profile changes e.g. the growth in numbers of young children needing schools, 16 & 17 year olds in fulltime education and the growing elderly population
- Equality Analysis regarding age, disability, gender, gender reassignment, race, religion or belief, and sexual orientation.
- Leisure and cultural provision
- Crime statistics / trends
- Children at risk

**Customer / Citizen risks** - Arising from the need to effectively deliver services which meet the needs and expectations of customers and citizens. Examples of issues to look out for in local government:

- Is service delivery effective? Do residents, taxpayers, businesses and partners receive the services they require when they need them? Are expectations being managed?

- Extent and nature of consultation with / involvement of community, e.g. community groups, local businesses, focus groups, citizens' panels, etc.
- Equalities issues should be identified in relation to your service / function

**Technological risks** - Arising from technological change and the organisational technological situation. Examples of issues to look out for in local government:

- Capacity to deal with technological changes and e-government targets
- Current use of and reliance on technology
- Current or proposed technology partners
- Security and standards, e.g. on back-up and recovery, business continuity plans, response to hacking or other malicious attacks

**Information risks** – risks associated with holding and process information: Examples include:

- Security of information (manual and electronic)
- Inaccurate information
- Data loss
- Inappropriate use of information

**Legal risks** - Arising from possible breaches of legislation. Examples of issues to look out for in local government:

- Legal challenges and claims including under The Public Contracts Regulations
- Acting outside delegated powers

**Legislative / Regulatory risks** - Arising from current and potential changes and the organisation's regulatory environment. Examples of issues to look for in local government:

- Preparedness for new, and compliance with existing, legislation and regulations - including European law / regulations, e.g. Equalities legislation, Human Rights Act, Department of Enterprise, Trade and Investment (DETI) guidelines, H&S regulations
- Exposure to regulators - e.g. auditors / inspectors
- Localism Act and the various rights this gives local people such as Community Asset Transfers
- The Public Services (Social Value) Act 2012
- Welfare Reform Act 2012 and the Local Government Finance Act of 2012, covering the introduction of Universal Credit, the Benefits cap, Social Sector Size Criteria restrictions to Housing Benefit and changes to Council Tax rebate schemes

**Environmental risks** - Arising from inherent issues concerned with the physical environment. Examples of issues to look out for in local government:

- Nature of environment (urban, rural, mixed)
- Waste disposal and recycling issues
- Pollution issues, e.g. contaminated land, fly tipping, carbon tax
- Traffic problems / congestion
- Extreme weather conditions, e.g. flooding, storms, tornadoes, etc.

**Competitive risks** - Arising from the organisation's competitive spirit and the competitiveness of services.

Examples of issues to look out for in local government:

- Success in securing funding
- Opportunities for income generation
- Competition for service users, e.g. leisure, car parks
- Position in league tables
- Relationships with neighbours and partners, e.g. competitive or collaborative
- Performance indicators and inspection results

**Partnership / Contractual risks** - Arising from the nature of the partnerships and contracts. This looks at the particular risks which are faced when delivering services in conjunction with potential partners, e.g. differing local needs or contractual terms and conditions.

As part of the process of planning Birmingham's future the Council is looking at paying for services differently. Linked with this is the need to manage contracts well.

'Delivering services together' is another way the Council is focusing more on 'whole people' and 'whole places'. This is where planning, commissioning and delivering services is done in an integrated and coordinated way. Joining up services such as social care, health, housing, learning and family support makes it easier to plan what is needed and see what works best.

Examples of potential partners include private sector firms, other local authorities, the Police, the Fire Service, NHS Primary Care Trusts and hospitals, universities, central government agencies or other public sector institutions. There are new methods of service delivery being used or that could be used in the future such as Trusts, Wholly Owned Companies such as Acivico, Social Enterprises and Cooperatives to help the Council to deliver its vision and aims.

The types of risks that can arise are around service delivery, investment of time, money and expertise, meeting organisational objectives, fair procurement, risk of fraud and reputational risk. It is necessary to ensure that corporate governance arrangements are robust; particularly in terms of ensuring effective performance management and that liability and accountability frameworks are explicitly agreed in advance.

Examples of issues to look out for in local government:

- Key strategic partners - from public, private and Third Sectors, and District Strategic Partnerships
- Joint ventures
- Outsourced services - particularly if the service outsourced is a statutory one so the risk of non-delivery remains with the Council

**Managerial/Professional risks** - Arising from the need to be managerially and professionally competent. Examples of issues to look out for in local government:

- Professional / managerial standing of key officers
- Stability of officer structure - particularly at the top
- Key staff changes and personalities
- Turnover, absence, stress levels
- Workforce planning
- Equalities issues, the completion of Equality Analysis and the putting in place of action plans to mitigate where changes are needed
- Managing major changes

**Financial risks** - Arising from the budgetary, financial planning and control framework. Examples of issues to look out for in local government:

- Financial situation such as areas of significant over or under spending
- Flexibility to allocate budgets to address areas where control weakness is identified
- Level of reserves and budgetary control
- Monitoring and reporting systems
- Fraud / mal-administration and corruption
- The incidence of past insurance claims are analysed and used to inform future mitigations e.g. areas where controls need improving

**Physical risks** - Arising from physical hazards associated with people, buildings, vehicles, plant and equipment. Examples of issues to look out for in local government:

- Nature and state of asset base e.g. Listed buildings and other property owned, dilapidation of leased property
- Commitment to health, safety and well-being of staff, partners and the community
- Potential physical hazards such as monitoring the condition of trees on public land or highways, and slips and trips on pavements
- Accessibility of public buildings under Equalities Legislation such as the Disability Discrimination Act requirements



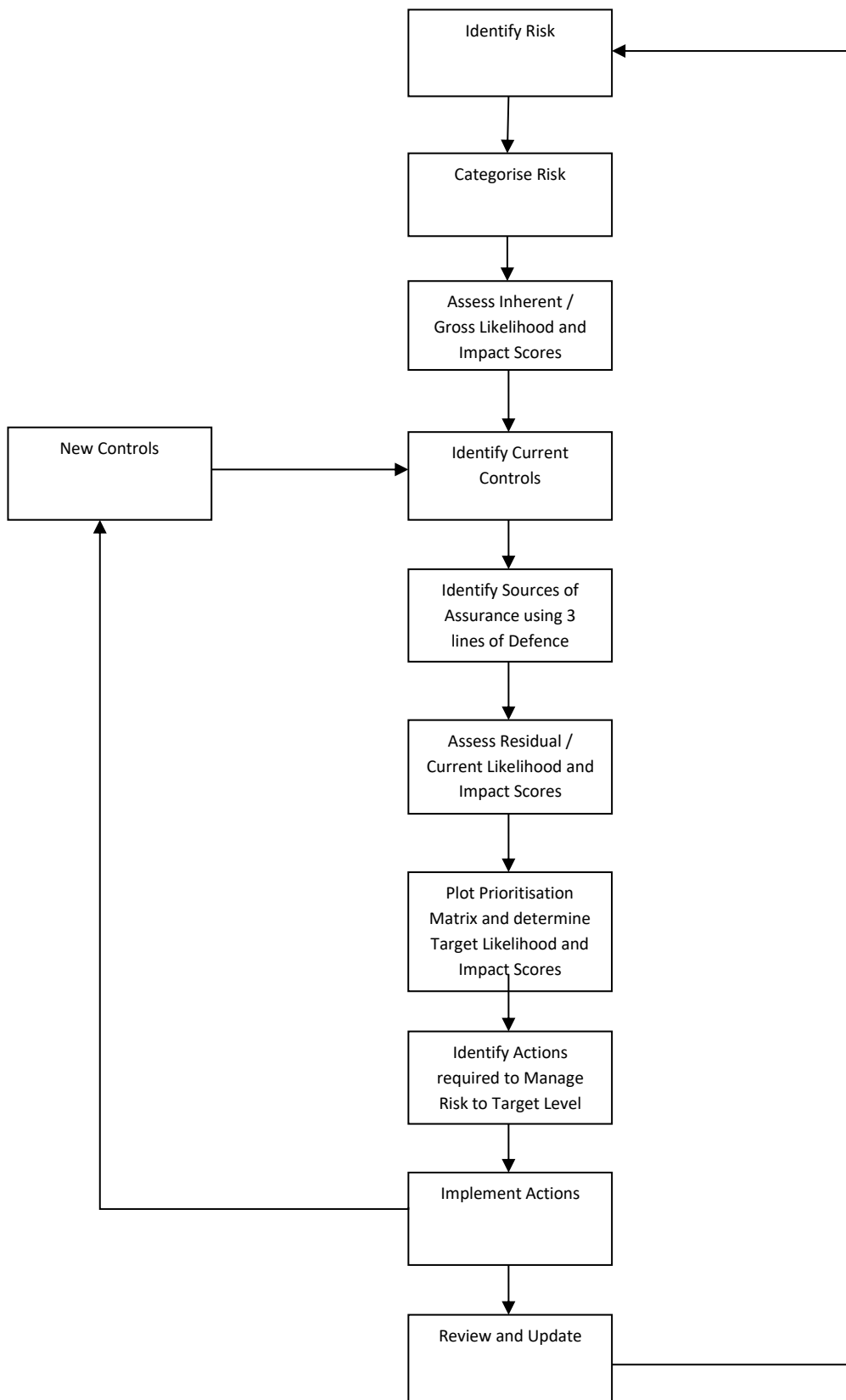
## **Appendix B – 3 Line of Defence Assurance Model**

**First line** - the 'front-line' or business operational areas, there will be many arrangements established that can be used to derive assurance on how effective controls are and how well risks are being managed; for example, good policy and performance data, monitoring statistics, risk registers, reports on the routine system controls and other management information.

**Second line** - is associated with oversight of management activity. It is separate from those responsible for delivery, limited independence of the organisation's management chain. This could typically include compliance assessments, e.g. Ofsted, or reviews carried out to determine that controls and quality arrangements are being met.

**Third line** - independent and more objective assurance and focuses on the role of Birmingham Audit, who carry out a programme of work specifically designed to provide those charged with governance with an independent and objective opinion on control effectiveness. Birmingham Audit will place reliance upon assurance mechanisms in the first and second lines of defence, where possible, to enable it to direct its resources most effectively, on areas of highest risk or where there are gaps or weaknesses in other assurance arrangements.

## Appendix C – Risk Management Process Flowchart



## Appendix D - Risk Register Template

<b>Risk No:</b>	<b>Risk Title:</b>							
<b>Risk Description:</b>								
<b>Risk Owner:</b>			<b>Risk Lead:</b>		<b>Risk Type / Category:</b> Choose an item.			
<b>Inherent / Gross Risk</b>			<b>Residual / Current Risk</b>			<b>Target Risk</b>		
<b>Likelihood</b>	<b>Impact</b>	<b>Prioritisation</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Prioritisation</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Prioritisation</b>
Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
<b>Current Controls Mitigating Inherent Risk:</b>			<b>Opportunities:</b>			<b>Sources of Assurance on Effectiveness of Identified Controls:</b>		
<b>No.</b>	<b>Actions to Reduce Risk to Target</b>		<b>Owner</b>	<b>Target Date</b>	<b>Progress</b>			<b>RAG</b>
1								Choose an item.
2								Choose an item.
3								Choose an item.
4								Choose an item.
5								Choose an item.
<b>Updated By:</b>			<b>Date:</b>					

## Appendix E – Cabinet / Committee Report Risk Template

Risk No	Risk description	Risk mitigation	Residual / current risk			Additional steps to be taken
			Likelihood	Impact	Prioritisation	
1.						
2.						
3.						
4.						

### Measures of likelihood/ Impact:

Description	Likelihood Description	Impact Description
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.	Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs and/or reputation. Very difficult to recover from and possibly requiring a long-term recovery period.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Serious impact on output and/or quality and reputation. Medium to long term effect and expensive to recover from.
Medium	Possible, might occur at some time. 20% - 50% chance.	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
Low	Unlikely, but could occur at some time. Less than 20% chance.	Minor loss, delay, inconvenience or interruption. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.

Version Control			
V1	Nov 2018	Amalgamation and rewrite of Policy, Strategy and Toolkit into a single Risk Management Framework	Assistant Director Audit and Risk Management
V2	Nov 2019	Reflect separation of strategic and operational risk registers, updating titles and latest vision	Assistant Director Audit and Risk Management

**Public Report**  
**Birmingham City Council**  
**Report to Audit Committee**  
**28 January 2020**



**Subject:** Equal Pay Update – January 2020

**Report of:** Corporate Director of Finance and Governance and the City Solicitor and Monitoring Officer

**Relevant Cabinet Member:** N/A

**Relevant O &S Chair(s):** N/A

**Report author:** Suzanne Dodd                      07892786390  
 Suzanne.Dodd@birmingham.gov.uk

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential :		
Exempt Appendix 1 is exempt from public disclosure under paragraphs 4 and 5 of Schedule 12A of the Local Government Act 1972.		

## **1 Executive Summary**

- 1.1 The purpose of this report is to provide an update to the Committee as at January 2020 in relation to the ongoing liability of the Council in respect of equal pay claims brought under the Equality Act 2010. Equal pay continues to present a challenge for the Council. It should be noted that significant progress has been made in terms of managing claims and their resolution by way of agreement and settlement.

- 1.2 Exempt Appendix 1 is exempt from public disclosure under paragraphs 4 and 5 of Schedule 12A of the Local Government Act 1972. The exemptions relied on are as follows:
- 1.2.1 Sch. 12A para. 4 – ‘Information relating to any consultations or negotiations, or contemplated negotiations, in connection with any labour relations matter arising between the authority or Minister of the Crown and employees of, or office holders under, the authority’; and
- 1.2.2 Sch. 12A para. 5 – ‘Information in respect of which legal professional privilege could be maintained in legal proceedings.’
- 1.3 These provisions apply because the equal pay claims, and the reasons for them, are subject to legal proceedings and/or are subject to negotiations with solicitors acting for the claimants.

## **2 Recommendations**

- 2.1 That the Committee note the contents of the Report and Exempt Appendix 1.

## **3 Background**

- 3.1 The Equal Pay Act 1970 (now superseded by the Equality Act 2010) was an under-utilised piece of legislation, with few claims for many years. Following the National Single Status Agreement in 1997, attention was focused on pay structures within Local Authorities and NHS Trusts. ‘No win no fee’ lawyers started issuing claims for equal pay in the late 1990s and brought equal pay into the public arena.
- 3.2 During the last 13 years, there have been significant developments as a result of decided cases, which dramatically changed the scope of the Equal Pay Act and Equality Act, and the ability of local authorities to deal with the resultant litigation.
- 3.3 The Council’s intention has always been to provide a fair salary structure. Indeed, the process of producing and implementing a fair salary structure disclosed the inequalities and inconsistencies of the pay arrangements that existed prior to the implementation of the Council’s pay and grading scheme. Equal pay claims have been issued despite the Council actively pursuing a ‘Single Status’ agenda for its employees. The Council’s pay and grading scheme was intended to prevent any further claims, as all employees were to be fairly and equally remunerated for equal work.
- 3.4 Authority for the settlement of validly pleaded equal pay claims was first granted by Cabinet on 25 July 2011. Cabinet approved the proposed decision of the Chief Executive to settle all equal pay claims issued in the Employment Tribunal by employees of the Council subject to adequate financial provision.
- 3.5 Since that time, Cabinet has supported the decision of the Chief Executive to make certain pay settlements taken under delegated authority granted by the Cabinet Report dated 25 July 2011. Further approval to an updated equal pay

strategy was granted by Cabinet in July 2014, to include the establishment of the Cabinet Equal Pay Sub-Group comprising the Leader, Deputy Leader and Chief Executive, and again in July 2015, August 2017, February 2018 and December 2018. The Chief Executive has continued to authorise certain equal pay settlements in line with the strategy approved by Cabinet and the Cabinet Equal Pay Sub-Group.

3.6 Further background information is set out in Exempt Appendix 1.

## **4 Options considered and Recommended Proposal**

4.1 This Report is for noting.

## **5 Consultation**

5.1 The Leader of the Council, Councillor Ian Ward, and the Chief Executive, Dawn Baxendale, are aware of the matters raised in this report.

## **6 Risk Management**

6.1 Please see Exempt Appendix 1.

## **7 Compliance Issues:**

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

7.1.1 This Report is for noting only.

### **7.2 Legal Implications**

7.2.1 The power conferred by section 222 of the Local Government Act 1972, 'Power of local authorities to prosecute or defend legal proceedings', enables the Council to seek to settle equal pay claims.

### **7.3 Financial Implications**

7.3.1 The Council has made provision in its 2019/20 Statement of Accounts for the settlement of, and litigation costs associated with, any outstanding, validly pleaded equal pay claims. The cost of meeting equal pay liabilities will be predominantly funded from capital receipts under the flexibilities granted by Central Government. The provision and adequacy of planned funding are kept under regular review.

7.3.2 The revenue implications of equal pay settlements have been reflected in both the budget and the Council's Financial Plan in relation to later years. This includes capital financing costs arising from previous years' capital expenditure, loss of income and other costs arising from asset sales and the repayment of any temporary borrowing from reserves.

#### **7.4 Procurement Implications (if required)**

7.4.1 N/A

#### **7.5 Human Resources Implications (if required)**

7.5.1 N/A

#### **7.6 Public Sector Equality Duty**

7.6.1 All settlement strategies to date have endeavoured to limit any adverse equality impact.

### **8 Appendices**

8.1 Exempt Appendix 1

### **9 Background Documents**

9.1 Reports to Cabinet dated July 2011, July 2014 and 2015, August 2017, February 2018 and December 2018

9.2 Reports to Audit Committee dated September 2012, November 2013, November 2016, January 2018, and, June 2019



**BIRMINGHAM CITY COUNCIL****PUBLIC REPORT**

<b>Report to:</b>	AUDIT COMMITTEE
<b>Report of:</b>	Director of Education & Skills
<b>Date of Meeting:</b>	28 January 2020
<b>Subject:</b>	Early Years Health and Wellbeing Contract
<b>Wards Affected:</b>	All
<b>Purpose of Report</b>	<ul style="list-style-type: none"> <li>a) To provide an update on the Early Years Health and Wellbeing (EYHWB) Services contract.</li> <li>b) To review progress against the actions from the Final Audit Report: 0232/014</li> </ul>
<b>Recommendation</b>	To note the contents of the report.

**Contact Officers:**

Sarah Sinclair, Improvement Consultant, Education and Skills  
 Contact details: 07530 459597, [sarah.sinclair@birmingham.gov.uk](mailto:sarah.sinclair@birmingham.gov.uk)

Chris Atkins, Strategic Commissioning and Contracts Manager, Education and Skills:  
 Contact details 07920 275501, [chris.n.atkins@birmingham.gov.uk](mailto:chris.n.atkins@birmingham.gov.uk)

## **1.0 Compliance Issues**

### **1.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies:**

The EYHWB service helps to achieve the Council objective 'Birmingham is an aspirational place to grow up in'.

### **1.2 Relevant Ward and other Members /Officers etc. consulted on this matter:**

The Chairman of the Committee and Cabinet Member have been consulted.

### **1.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):**

In line with the law, provided by the Childcare Act 2006 and summarised in the Department for Education guidance 'Sure Start Children's Centres Statutory Guidance April 2013. Local authorities are required to:

- "improve outcomes for young children and their families;
- focus, in particular, on families in greatest need of support;
- reduce inequalities in child development, school readiness, parenting aspirations, self-esteem, parenting skills, child and family health and life chances".

The local authorities (public health functions and entry to premises by local healthwatch representatives) and local authority (public health, health and wellbeing boards and health scrutiny) (amendment) regulations 2015.

This instrument amends Part 2 of the Act, Regulations 2013 (S.I. 2013/351) to require provision of five health and development assessment and reviews as set out in the Department's Healthy Child Programme1 (HCP) to be offered to pregnant mothers and children between the ages of 0 – 5.

- The Healthy Child Programme (HCP) Pregnancy and the first five years of life (DH Oct 2009) set out the key priorities for both commissioners and providers in the delivery of a universal preventive service at the same time as focusing on vulnerable babies, children and families;
- The Health Visitor Implementation Plan 2011-15 "A Call to Action" (Department of Health (DH) Feb 2011) clearly articulated that the delivery of the HCP would be led, at a local level, by Health Visitors with increasing emphasis on partnership working and the

integration of services where appropriate with the intention of bringing together Sure Start Children's Centre staff, GP's, Midwives, a range of community nurses and other relevant services dependent on local needs. At the same time the health visiting service will provide or be the gatekeeper to other services that families may need.

1.4 Will decision(s) be carried out within existing finances and resources?

Yes

1.5 Main Risk Management and Equality Impact Assessment Issues (if any):

The EYHWB contract risk is monitored by Audit Committee in line with its consideration of the Corporate Risk Register and the Education & Skills directorate commissioning team through the EYHWB Risk Register Appendix 1.

**2. Relevant background/chronology of key events**

- 2.1 Audit Committee received a report on 26 March 2019, Appendix 2, which reviewed the risks and mitigations for the EYHWB contract, as outlined by Birmingham Audit in their EYHWB Final Audit Report: 0232/014 Appendix 3. The report provided an update on actions taken by the Education and Skills Directorate to stabilise the contract and to strengthen the existing services.

**3.0 Improvement activity**

- 3.1 Considerable work has been undertaken by the Education and Skills Directorate commissioning team to strengthen the contract management functions and in response to the issues raised in the audit report. This is summarised in Appendix 4.
- 3.2 Key strands of improvement activity include:
- a) A strengthened performance framework that reflects the current requirements around services for under-fives;
  - b) A strengthened approach to property utilised as part of the contract; and
  - c) A revised service specification that more clearly sets out the service delivery expectations and standards.

- 3.3 The 18 property hub sites are currently operating under license. Draft leases are with Birmingham Community Healthcare NHS Foundation Trust (BCHCT) legal team for their final review prior to signing.
- 3.4 BCHCT are providing monthly performance reports against all the mandated contractual performance targets. In line with the strengthened contractual performance framework, a plan has been agreed with BCHCT to increase the performance and quality assurance reporting into the Council. This will take place from January 2020.
- 3.5 Agreement was made at the Birmingham City Council September 2019 Cabinet (ref. 005639/2018) for the employment of 103 Council staff to be transferred to BCHCT on 01 January 2020. 94 staff transferred on the 01 January 2020 to BCHCT (9 staff had left employment of the Council). These Council employees have been on secondment to BCHCT's sub-contractors since January 2018.
- 3.6 Birmingham City Council has 35 Department for Education (DfE) capital funded Children's Centre buildings that are not part of the current delivery arrangements for the EYHWB contract. The Council is undertaking a review of this estate to determine the best option for the future use of these buildings. This will be shared and agreed with the DfE in January 2020.
- 3.7 There is much strengthened governance and oversight of the contract. A monthly contract review meeting is held with BCHCT to monitor contract compliance and performance standards as part of the overall contract governance arrangements. The contract review arrangements also oversee performance submissions and considers any contractual matters relating to service delivery.
- 3.8 The Public Health Commissioning Board, chaired by the Director of Public Health, receives a quarterly update report on the EYHWB contract performance and monitors the impact of the contract from a financial and strategic outcomes perspective, ensuring that the contract is in line with public health priorities.
- 3.9 An EYHWB Public Health Outcomes Improvement Board has been also established. This Outcomes Board brings together the Council, BCHCT, Birmingham Forward Steps providers and Public Health England to focus on practical steps that need to be taken across the agencies and partners in the city to improve health and well-being outcomes for children aged 0-5 years.
  - a. The Council has worked with BCHCT to develop a 'Single Improvement Plan' Appendix 5 to support the improvement of the current EYHWB contract performance.

- b. The Councils EYHWP contract manager has undertaken joint visits to children's centre hubs in conjunction with BCHCT representatives. This has provided an opportunity to review the impact of services, meet staff and talk to parents. Further visits are planned to all hub sites to continue this approach and to support an increase in both performance and the quality of services.

#### **4.0 Next steps**

- 4.1 Finalise and sign off the EYHWP contract variation by 31 March 2020.
- 4.2 Complete and sign off property leases for the 18 hub sites by 31 March 2020.
- 4.3 Determine the building status for the children's centres no longer in use and identify any risks or costs prior to liaising with the DfE.
- 4.4 Increase the level of performance reporting by BCHCT, against the new performance framework from February 2020.
- 4.5 Implement and monitor the actions from the 'Single Improvement Plan' to support the EYHWP contract improvement journey.

#### **5.0 Appendices**

- 1. EYHWP - Risk Register dated 7 January 2020
- 2. Audit Committee report dated 26 March 2019
- 3. Final Audit Report: 0232/014
- 4. EYHWP Audit Report - Summary of improvement actions dated 7 January 2020
- 5. EYHWP - Single Improvement Plan - January 2020



Day Opportunities - RISK REGISTER									
Senior Responsible Officer	Melanie Brooks			Project Officer			Laura Clinton		

Early Years Health and Wellbeing Service - RISK REGISTER 07.01.19													
Risk ID	Project	Date identified	Risk title and description	Risk Owner	Opening Risk Score			Mitigating Actions	Current Risk Score			Status	Comments / Progress
					Likely-hood	Impact	Risk score		Likely-hood	Impact	Risk score		
EYHWB1	EYHWB	30/04/2019	<b>Transfer of BCC staff to BCHCT:</b> There is a risk that the staff transfer scheduled for January 2020 does not take place	Claire Riley	2	3	5	Extend Secondment	1	1	2	closed	06.12.19 - The transfer of staff from the Council to BCHCT is scheduled for 1st January 2020 07.01.20 - 94 staff were successfully TUPE transferred to BCHC on the 1st January 2020.
EYHWB2	EYHWB	30/09/2018	<b>Capital Clawback:</b> The council has a number of closed children's centres. If arrangements to defer the capital clawback costs with DfE are not agreed then the council has a considerable liability	Jaswinder Didially / Lindsey Trivett	3	4	7	Agree deferral of all closed sites with DfE	2	3	5	Open	07/01/20 – An Early Years Assets workstream has been established. This will consider and document actions required to manage the entire EY estate and enable a clear picture of future building use and any potential clawback position. Recommendations on future use of buildings will be progressed through the directorate and corporate capital boards to minimise the liability. The DfE have contacted the council about changes to the GIAS systems. The work on this will be undertaken in Jan 2020.
EYHWB3	EYHWB	30/04/2019	<b>Property leases:</b> The Hub sites are currently operating under license as the leases have not been completed	Jaswinder Didially	3	3	6	Leases are agreed	3	3	6	Open	06/12/19 - BCC legal services are awaiting a response from Birmingham Forward Steps (BFS) legal team.
EYHWB 4	EYHWB		<b>Performance:</b> Current KPI performance against the Performance Framework is below many of the targets set, and only the mandated KPIs for Health Visiting are being reported	Chris Atkins	3	4	7	Increase the level of performance reporting by BCHCT, against the new performance framework from February 2020	3	3	6	Open	07/01/20 - Work to finalise the new performance framework has been undertaken and BCHCT will begin to report on further KPIs in the new year. This will be increased in the first quarter with a view to reporting on all KPIs

Item 12





## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

**Report to: AUDIT COMMITTEE**

**Report of: Director of Education & Skills**

**Date of Meeting: 26 March 2019**

**Subject: Early Years Health and Wellbeing Contract**

**Wards Affected: All**

**1. Purpose of Report**

1.1. The Early Years Health and Wellbeing (EYHWB) Services contract was added to the corporate risk register in July 2018 after escalation from the Directorate risk register.

1.2. A detailed review of the risks associated with the contract by Audit Committee was requested at the January 2019 meeting to take place by April 2019.

**2. Recommendation**

2.1. To note the report.

**Contact Officers:**

Interim Assistant Director – Sarah Sinclair – 07530 459597

Strategic Commissioning Manager – Chris Atkins - 07920275501

### 3. **Compliance Issues**

#### 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies:

The EYHWB service helps to achieve the Council objective 'Birmingham is an aspirational place to grow up in'. The contract strategy for the provision of Early Years Health and Wellbeing Services was approved by Cabinet on the 28<sup>th</sup> June 2016.

#### 3.2 Relevant Ward and other Members /Officers etc. consulted on this matter:

The Chairman of the Committee and Cabinet Member have been consulted.

#### 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):

In line with the law, provided by the Childcare Act 2006 and summarised in the Department for Education guidance 'Sure Start Children's Centres Statutory Guidance April 2013. Local authorities are required to:

- "improve outcomes for young children and their families;
- focus, in particular, on families in greatest need of support;
- reduce inequalities in child development, school readiness, parenting aspirations, self-esteem, parenting skills, child and family health and life chances".

The local authorities (public health functions and entry to premises by local healthwatch representatives) and local authority (public health, health and wellbeing boards and health scrutiny) (amendment) regulations 2015.

This instrument amends Part 2 of the Act, Regulations 2013 (S.I. 2013/351) to require provision of five health and development assessment and reviews as set out in the Department's Healthy Child Programme<sup>1</sup> (HCP) to be offered to pregnant mothers and children between the ages of 0 – 5.

- The Healthy Child Programme (HCP) Pregnancy and the first five years of life (DH Oct 2009) set out the key priorities for both commissioners and providers in the delivery of a universal preventive service at the same time as focusing on vulnerable babies, children and families;
- The Health Visitor Implementation Plan 2011-15 "A Call to Action" (Department of Health (DH) Feb 2011) clearly articulated that the delivery of the HCP would be led, at a local level, by Health Visitors

with increasing emphasis on partnership working and the integration of services where appropriate with the intention of bringing together Sure Start Children's Centre staff, GP's, Midwives, a range of community nurses and other relevant services dependent on local needs. At the same time the health visiting service will provide or be the gatekeeper to other services that families may need.

3.4 Will decision(s) be carried out within existing finances and resources?

Yes

3.5 Main Risk Management and Equality Impact Assessment Issues (if any):

The EYHWB contract risk is monitored by Audit Committee in line with its consideration of the Corporate Risk Register.

4. **Relevant background/chronology of key events:**

- 4.1. In January 2018 the Children and Young People Directorate (now Education and Skills Directorate) entered into a contract with the Birmingham Community Health Care NHS Foundation Trust (BCHCT) for the delivery of its early years services.
- 4.2. This is a five year contract with an annual value of approximately £33M with BCHCT sub-contracting services to four partners; with an expected savings target of £10.1M on previous levels of spending in these service areas.
- 4.3. In April 2017 Cabinet gave approval to award the contract for EYHWB services to BCHCT, with a planned start date of September 2017. However, due to delays the contract didn't start until January 2018. This delay caused immediate pressures of approximately £4M on the achievement of the planned £10.1M savings.
- 4.4. The contract was transferred for on-going management to the then Children's and Young People directorate in January 2018. In May 2018 commissioning review was undertaken which identified that there were wider risks relating to the construction of the contract and a lack of robust contract management arrangements. No Contract Management Plan was in place and the CPS Supply Chain Methodology had not been used.
- 4.5. Additionally there was no budget monitoring systems in place and there were a number of outstanding estates issues. Following this directorate review a request was made to Internal Audit to undertake further review and audit.

- 4.6. The Corporate Risk Register defines the risk with the contract as:
- The assumed financial savings from the contract will not be fully realised due to unforeseen costs and possible grant claw backs. Previous unforeseen costs have been identified in relation to estates and staffing issues;
  - There are also wider risks relating to the construction of the contract itself and the lack of robust contract management arrangements;
  - All risks have been increased due to a lack of permanent commissioning and contract management arrangements.
- 4.7. There is no Intelligent Client Function (ICF) in place and also no capacity or clear lines of responsibility within the service area to manage the contract. The Programme Board was disbanded too soon and as a result there were a number of high risk concerns that were unresolved when the contract started.
- 4.8. There is one hundred and forty Council staff that has been seconded to one of the four sub-contractor partners for a period of twelve months. The Secondment Agreement also sets out a series of Council liabilities that relate to the secondment situation, including liability for redundancy costs and any potential future claims.
- 4.9. A range of KPIs was established to measure and monitor the performance of BCHCT and its partners. These have been reviewed and revised and form part of the contract variation.
- 4.10. The sub-contractors were given the choice of property that they wanted rather than the Council identifying which properties they wanted the services to be provided from. This has left some properties empty and others unsuitable for the services that were being provided. No condition surveys have been undertaken and no budget allocated for any remedial work.
- 4.11. No leases have been drawn up and instead the properties have been occupied on a licence.
- 4.12. It was identified that there was a risk of claw back of grant by Department for Education (DfE), as some properties are no longer being used for the purposes for which the funding was provided. To offset this, smaller ad hoc outreach services are being provided from these properties but this means they are being under-utilised and it is proving difficult to let these properties outside of the hours that outreach services are being provided.

- 4.13. There are a range of discrepancies in the Estates Schedule with a number of buildings not being utilised as agreed in the contract.
- 4.14. There is a risk around VAT liability due to staff secondment arrangements. This cost has been picked up by the council and has created an additional budget pressure that was unfunded.
- 4.15. A number of mitigations have been established as follows:
- 4.15.1. A newly established Children's and Young People's Commissioning Board which has cross directorate senior representation;
  - 4.15.2. A Monthly EYHWB Programme Board was established and due diligence undertaken. Officers report formally about progress against the key actions required;
  - 4.15.3. Contract Governance mechanism in place that incorporates a Monthly Contract Management Review to hold BCHCT to account for contract performance against the metrics;
  - 4.15.4. A review of contract is underway with specific focus on performance measurement, estates, finance, employment and service specifications to be complete by end of March 2019;
  - 4.15.5. Discrepancies in the Estates Schedule are being jointly revised to ensure the correct buildings are in use or where appropriate changes made to correct these, following the process set out in the Change Control Schedule;
  - 4.15.6. The revised contract and schedules has been sent to the Councils legal services as part of a contract variation;
  - 4.15.7. There are formal Contract management arrangements in place through the recently established Intelligent Client Function (ICF) commissioning team in the Education and Skills directorate;
  - 4.15.8. A recent agreement has been reached with BCHCT to take on the staff currently seconded to BCHCT's sub-contractors from the end of June 2019;
  - 4.15.9. Monthly employee reports are being shared by HRBP to each of the sub-contractors to capture staffing data including resignations, changes to hours, moves, maternity, LTS, etc.;
  - 4.15.10. Discussion with the DfE around the Capital Clawback position with the children's centres is required.
- .....



## Birmingham Audit

Final Audit Report: 0232/014

Early Years Health and Wellbeing Contract

Children and Young People

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Date 29<sup>th</sup> January 2019

### Contents:

1. Objectives and Scope
2. Executive Summary
3. Control Objectives and Conclusion
4. Action Plan

Information is gathered on a confidential basis and should not be released in response to a DP or FOI request without prior consultation with Birmingham Audit.

## **1. Objectives and Scope**

### **Background:**

In January 2018 the Children and Young People Directorate entered into a contract with Birmingham Community Health Care NHS Foundation Trust (BCHT) for the delivery of its early years health and well-being services. This is a 5 year contract with an annual value of approximately £33M with BCHT sub-contracting services to 4 partners, with forecast savings of £10.1M and services being provided in City Council properties. There are 140 BCC staff that have been seconded to one of the 4 sub-contractor partners for a period of 12 months. We were informed that it was accepted by all parties that this was a TUPE situation, however due to late concerns expressed in relation to Collective Bargaining rights, staff have been seconded and not TUPEd. A Secondment Agreement is in place that sets out the expectation that secondees are TUPE'd over in January 2019. The Secondment Agreement also sets out a series of BCC liabilities that relate to the secondment situation, including liability for redundancy costs and any potential future claims.

### **Objective of Review:**

To provide assurance that the directorate has established sufficient controls to ensure the Early Years Health and Wellbeing contract is properly mobilised and managed and delivering high quality cost effective services.

### **Scope of Review:**

This review was undertaken via management assurance, discussions with officers and examination/verification of documentation where required. The scope will include:

- Establishing whether the contract has been properly commissioned, appropriately authorised and its contents reviewed in relation to the required governance, finance, HR and legal requirements.
- The relevant staff have been properly and legally transferred to BCHT and its sub-contractor partners.
- There is sufficient capacity, and clear lines of governance and responsibility to manage the performance and delivery of the EYH&W contract.
- There is a strong performance management framework in relation to service delivery.
- There is a robust financial management framework in place.
- The use of Council Property has been properly planned, managed and controlled.



## 2. Executive Summary

Assurance:

**Level 4**

Risk Rating for Council:

**High**

Risk Rating for Service Area:

**High**

This review has identified significant concerns with the mobilisation and management of the EYH&WB contract, in particular, the late decision to second rather than TUPE staff and the potential litigious implications thereof; delays and mobilisation issues mean the forecast savings are unlikely to be achieved; no budget monitoring for the first 5 months; no ICF in place nor capacity in the directorate to monitor the contract; KPIs not fit for purpose, front line staff dealing directly children that had not had DBS checks undertaken and the risk of claw back of grant funding from the Dfe due to a change in the use of some properties.

These findings collectively have impacted on the assurance and risk levels of this report which have been allocated to reflect the seriousness of the issues, their implications and the risks that the City Council is now exposed to. The key issues are highlighted in the top issues for management section, with additional details provided within section 3 and the action plan, section 4, of this report.

The top issues for management are:

- The £10M of savings forecast from the mobilisation of this contract almost certainly won't be achieved. Whilst there are a number of issues and complexities that have contributed to this, the delay in starting the contract 4 months late has cost an additional £4.7M alone.
- The late decision to second rather than TUPE staff in order to retain collective bargaining rights has exposed the City Council to significant risks of employment litigation.
- No budget monitoring information was available for the first 5 months of the contract. The absence of this information meant there has been no effective monitoring and control on spending until September 2018.
- A number of front line staff who had direct involvement with children had not had appropriate DBS checks undertaken.
- The contract went live in January 2018 without an Intelligent Client Function (ICF) or any real capacity within the directorate to monitor and manage the contract. Whilst it is expected that an ICF will be in place by the end of September 2018, this means that the contract has not been effectively monitored for almost 9 months.
- The KPIs established at the outset of the contract are not fit for purpose and are being fundamentally reviewed.
- No leases have been drawn up and instead the partners are occupying on a licence to occupy and paying a peppercorn rent.
- No condition surveys were undertaken prior to the contract start date which meant that the partners were occupying buildings which needed improvement and remedial work for which no budget had been allocated.
- The Programme Board was closed down too early after the contract started with a number of their key recommendations still outstanding.
- The change of services delivered at some properties has exposed the City Council to the risk of claw back of grant funding from the Dfe.

### 3. Control Objectives and Conclusion

Control Objective	Conclusion	Rationale
01. The contract with BCHT has been appropriately authorised and its contents reviewed in relation to the required governance, finance, HR and legal requirements.	Partially Met	In April 2017 Cabinet gave approval to award the contract for EYH&WB services to BCHT, with a planned start date of September 2017. However, due to delays the contract didn't start until January 2018. This delay caused immediate pressures on the achievement of the planned £10M savings. A Programme Board was established and due diligence undertaken. Reports on the costs, benefits and risks associated with the contract have been provided to Cabinet. However, officers from some key business areas weren't included on the Programme Board early enough and their absence meant that specialist knowledge was not always available when making key decisions. No Contract Management Plan was in place and the CPS Supply Chain Methodology was not used <b>(See recommendations 1-3)</b> .
02. All relevant staff have been properly and legally transferred to BCHT.	Partially Met	It was decided late in the contract process that staff would be seconded and not TUPE'd as originally planned, so that collective bargaining rights could be retained. This has exposed BCC to a number of unacceptable risks in relation to employment litigation, which includes unfair dismissal claims. There were also issues with the secondment processes and not all staff were correctly transferred as there were instances where staff were found to be at home rather than their new place of work <b>(see recommendation 4)</b> .

Control Objective	Conclusion	Rationale
03. There is sufficient capacity and clear lines of responsibility are in place to manage the EYH&W contract.	Not Met	There is no Intelligent Client Function (ICF) in place and also no capacity or clear lines of responsibility within the service area to manage the contract. The Programme Board was disbanded too soon and as a result there were a number of high risk concerns that were unresolved when the contract started ( <b>see recommendations 5-8</b> ).
04. There is a strong performance framework in relation to service delivery.	Partially Met	A range of KPIs has been established to measure and monitor the performance of BCHT and its partners. However, these are currently being reviewed, as they are considered to be inadequate to appropriately measure performance. It is unclear why such inappropriate KPIs were established when it is largely the same services being provided but by outside providers. DBS checks had not been undertaken on all staff whose role required them have one and due to IT issues, sickness monitoring systems weren't in place at the partner organisations and the contract did not specify that BCHT and its partners were liable to pay sick for the seconded employees. As a result BCC is now invoicing BCHT and its partners to recover these charges ( <b>see recommendations 9-12</b> ).
05. There is a robust financial management framework in place.	Not Met	There are no budget monitoring systems in place which means that the service managers are unable to establish and monitor how much has been spent to date. This also means that it is not possible to determine whether the planned savings are on target to be achieved. This is particularly concerning, given that there have been a number of pressures (e.g. delayed start date, partners not paying sick pay) which are likely to mean that the planned savings will not be achieved ( <b>see recommendations 13-15</b> ).

Control Objective	Conclusion	Rationale
06. The use of Council Property has been properly planned and managed.	Not Met	<p>The partners were given the choice of property that they wanted rather than BCC identifying which properties they wanted the services to be provided from. This left some properties empty and others unsuitable for the services that were being provided. No condition surveys have been undertaken and no budget allocated for any remedial work. As a result, some of the work has been funded from other budgets but other work has been undertaken as an unfunded liability. No leases have been drawn up and instead the properties have been occupied on a licence. It was also identified that there was a risk of claw back of grant, as some properties are no longer being used for the purposes for which the funding was provided. To offset this, smaller ad hoc outreach services are being provided from these properties but this means they are being under-utilised and it is proving difficult to let these properties outside of the hours that outreach services are being provided. This is adding to the budget pressures. There is also dispute over the type of services to be provided and charged at some sites, which again is adding to the budget pressures. <b>(see recommendations 16-23).</b></p>

#### 4. Action Plan

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
01	Whilst it is acknowledged that a "core" of staff will need to consistently sit on the Programme Board, the mix of staff should be reviewed to ensure that appropriate members of staff from the different service areas, with the required knowledge /expertise, attend as and when required.	High	Agreed in full and to be address as part of an overall programme review.	<b>Officer Responsible:</b> Assistant Director, Education and Early Years.  <b>Agreed Implementation date:</b> July 2019.
02	A Contract Management Plan (covering the key areas detailed in the Sheffield Toolkit) should be in place for all future contracts.	High	Agreed in full and a complete Contract Management plan in place.	<b>Officer Responsible:</b> Early Years Commissioning Manager.  <b>Agreed Implementation date:</b> Complete - already implemented.
03	The Corporate Procurement Services (CPS) Supply Chain Methodology should be used for all future contracts.	High	Agreed.  Noted and agreed as a recommendation for future activities	<b>Officer Responsible:</b> Relevant DMT lead in conjunction with procurement/ commissioning lead.  <b>Agreed Implementation date:</b> As and when required.

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
04	When transferring staff to a new place of work, additional controls must be in place to account for all staff to ensure they are at their correct place of work.	High	<p>Monthly employee reports are being shared by HRBP to each of the Partners to capture staffing data including resignations, changes to hours, moves, maternity, LTS, Etc.</p> <p>To be incorporated in mobilisation plans.</p>	<p><b>Officer Responsible:</b> Claire Riley, HR Business Partner.</p> <p><b>Agreed Implementation date:</b> On-going from September 2018.</p>
05	An ICF is established as a matter of urgency. This must have a clear remit, documented Terms of Reference (TOR), clear lines of responsibility, clear reporting lines and a documented escalation process for when performance is below standard.	High	<p>Commissioning for Early Years in place.</p> <p>Contract Management board in place and operational.</p>	<p><b>Officer Responsible:</b> Assistant Director, Education and Early Years.</p> <p><b>Agreed Implementation date:</b> Complete – already implemented.</p>
06	The Project Board should remain in place and operational during the early stages of a contract, (e.g. first six months of the contract) to oversee and help embed its initial implementation.	High	Agreed - to be reviewed in July 2019 as per overall programme review.	<p><b>Officer Responsible:</b> Relevant DMT lead in conjunction with Project Manager.</p> <p><b>Agreed Implementation date:</b> As and when required &amp; review in July 2019.</p>

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
07	Any recommendations made in a closedown report of a Programme Board should be implemented to help ensure the contract's successful implementation. Initially this could be monitored by the Programme Board as part of its hand over during the initial stages of the contract.	High	<p>Recommendations from closedown report implemented where possible.</p> <p>Outstanding matters being addressed by the programme board.</p> <p>Clear lines of accountability between contract management and programme board recommendations for future activities.</p>	<p><b>Officer Responsible:</b> Relevant DMT lead in conjunction with Project Manager.</p> <p><b>Agreed Implementation date:</b> As and when required.</p>
08	Wherever possible contracts should not start unless there is an ICF or there is existing capacity in place within the service to monitor and manage it. If this is not possible, the Programme Board should undertake this role until the board has closed down or the ICF is in place.	High	<p>Noted and agreed as a recommendation for future activities.</p>	<p><b>Officer Responsible:</b> Relevant DMT lead in conjunction with Procurement/Commissioning lead.</p> <p><b>Agreed Implementation date:</b> As and when required.</p>

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
09	The review of the existing KPIs should be completed as soon as possible so that performance / service delivery of BCHT and its partners can be measured effectively.	High	Agreed and review nearly complete and draft KPIs are with provider for review.  This is being monitored via the Contract Management Board	<b>Officer Responsible:</b> Early Years Commissioning Officer.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.
10	The contract and its terms and conditions should be amended so that it clearly specifies which party is liable to pay sickpay.	High	Complete – this has been addressed in the amended seconded agreement where it relates to BCC seconded staff.  The provider is liable for any sick pay when it relates to other staff.	<b>Officer Responsible:</b> Assistant Director, CYP Commissioning. <b>Agreed Implementation date:</b> Complete – already implemented.
11	DBS checks should be undertaken and kept up to date for all staff whose role requires one. Where this is not possible, a risk assessment should be undertaken and short term compensating controls such as shadowing an employee should be put in place until the DBS disclosure has been undertaken.	High	DBS checks have now been completed and drop in sessions held over the last two months for those who originally held CRBs but had not completed DBS disclosures and for PSS staff who are now required to hold a valid DBS. For those on LTS a risk assessment is in place for their return so that they are not working with children on a one to one basis until they are able to complete a DBS form. For those whose DBS is about	<b>Officer Responsible:</b> Claire Riley, HR Business Partner.  <b>Agreed Implementation date:</b> Complete – implemented on an on-going basis.



Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
			to expire, declaration forms are to be completed. A monthly check of those about to expire is being produced and shared with Partners so that declarations can be completed.	
12	Sickness recording and monitoring systems should be in place when the contract starts or at least within 1 month of the contract start date.	High	Sickness monitoring has been in place since the start of the secondment. Mark Cohen BCC/HR has been inputting absence data on behalf of managers. Mark produces a LTS/Maternity report on a monthly basis which is shared with Partners and BCC Finance colleagues so that Partners are not being charged incorrectly for these secondees.	<b>Officer Responsible:</b> Claire Riley, HR Business Partner. <b>Agreed Implementation date:</b> Complete – implemented on an on-going basis.
13	A review of the contract should be undertaken to establish whether alternative savings can be identified to offset any that will not be delivered due to the issues and delays with the mobilisation of the contract.	High	Review of contract underway with specific focus on performance measurement, estates and service specifications to be complete by end of March 2019.	<b>Officer Responsible:</b> Interim Finance Business Partner. <b>Agreed Implementation date:</b> 31 <sup>st</sup> March 2019.

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
14	Bi-monthly reports should be produced and used to monitor progress on delivering forecast savings. If forecast savings are not being achieved, then the reasons why need to be established and wherever possible corrective action taken.	High	Agreed – this is being address via the Contract Management Board.	<b>Officer Responsible:</b> Interim Finance Business Partner.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.
15	Budget monitoring systems should be in place before the contract start date or no later than the end of the first month after the contract start date. This should include; the allocation of budgets to individual budget holders; the production of profiled individual monthly budget monitoring reports; and regular monitoring systems to ensure spending stays within the available budget and any relevant savings targets are being met.	High	Noted and agreed as a recommendation for future activities.	<b>Officer Responsible:</b> Relevant DMT lead in conjunction with Procurement/Commissioning lead.  <b>Agreed Implementation date:</b> As required for the future.
16	All leases and their commercial terms and conditions should be agreed and in place prior to the contract starting.	High	Noted and agreed as a recommendation for future activities.	<b>Officer Responsible:</b> Relevant DMT lead in conjunction with Corporate Property Management and Legal.  <b>Agreed Implementation date:</b> As required for the future.

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
17	When a contract requires services to be delivered from a City Council property, the decision as to which property these will be delivered from should be made by the City Council and not by the contractor. This will ensure both the condition and suitability of the property is sufficiently adequate to deliver the services.	High	Agreed – this is being considered as part of the review of the estates schedule.	<b>Officer Responsible:</b> Early Years Commissioning Officer.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.
18	A wider review of the properties where there has been a change in the type / level of services (e.g. outreach rather than full-day) should be undertaken to determine the feasibility of keeping these sites open and operational.	High	Agreed as above for recommendation 17.	<b>Officer Responsible:</b> Early Years Commissioning Officer.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.
19	The risk of grant claw back should be investigated and the potential level of exposure quantified prior to any decision to change the use of a property.	High	This has been undertaken and communication taking place with DfE and the provider.  Recommendations to be developed.	<b>Officer Responsible:</b> Early Years Commissioning Officer.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.
20	An up to date asset condition survey should be undertaken early within the contract, to allow sufficient time for any necessary work to be undertaken and establish which budget will fund this work.	High	Completed.	<b>Officer Responsible:</b> Head of Education Infrastructure.  <b>Agreed Implementation date:</b> Complete – already implemented.

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
21	The dispute over the services (e.g. hub or outreach) and the relevant charges for the services provided at Storywood and Newhall should be resolved as soon as possible. As not to do so is adding to the budget pressures as well having adverse implications on the delivery of services which could lead to potential reputational damage.	Medium	Agreed – this is being considered as part of the review of the estates schedule.	<b>Officer Responsible:</b> Early Years Commissioning Officer.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.
22	Those sites / buildings where multiple services had been provided by other parties prior to this new contract (e.g. Midwife service) should be reviewed to ensure that the service providers are now being appropriately charged.	Medium	Agreed – this is being considered as part of the review of the estates schedule.	<b>Officer Responsible:</b> Early Years Commissioning Officer.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.
23	A long term plan should be established to determine what should be done with those buildings which are under utilised as they are only providing out-reach services.	Medium	Agreed – this is being considered as part of the review of the estates schedule.	<b>Officer Responsible:</b> Early Years Commissioning Officer.  <b>Agreed Implementation date:</b> 1 <sup>st</sup> April 2019.

## EYHWB Audit Report – Summary of improvement actions – January 2020

The table below gives an update against the recommendations contained within the Final Audit Report 0232014R001 and should be read in conjunction with the latest Audit Committee reported dated 28 January 2020.

Rec No.	Recommendation	Actions undertaken as of 7 <sup>th</sup> January 2020
01	Whilst it is acknowledged that a "core" of staff will need to consistently sit on the Programme Board, the mix of staff should be reviewed to ensure that appropriate members of staff from the different service areas, with the required knowledge /expertise, attend as and when required.	The EYHWB Programme Board consists of key officers from EdI, property services, Early Years, BCC Comms, contracts and legal services whom attend as subject matter experts and provide highlight reports on programme activity, whilst monitoring the strategic and operational delivery of the contract.
02	A Contract Management Plan (covering the key areas detailed in the Sheffield Toolkit) should be in place for all future contracts.	A Contract Management Plan is in place and updated by the EYHWB Contract Manager and complies with guidance provided in the Sheffield Toolkit.
03	The Corporate Procurement Services (CPS) Supply Chain Methodology should be used for all future contracts.	Supply chain methodology is in place and close working arrangements with CPS are in place to ensure methodology is used in this and all future contracts.
04	When transferring staff to a new place of work, additional controls must be in place to account for all staff to ensure they are at their correct place of work.	94 staff were successfully TUPE transferred to BCHC on the 1st January 2020. Prior to this period the council maintained a close oversight with HR colleagues and officers in Early Years to oversee that monthly employee reports are being shared by HRBP to each of the Partners which captures staffing data including resignations, changes to hours, moves, maternity, LTS, Etc.
05	An ICF is established as a matter of urgency. This must have a clear remit, documented Terms of Reference (TOR), clear lines of responsibility, clear reporting lines and a documented escalation process for when performance is below standard.	Contract governance is overseen through a monthly Contract Review meeting where performance is closely monitored by the ICF Commissioning team in the Education & Skills Directorate.
06	The Project Board should remain in place and operational during the early stages of a contract, (e.g. first six months of the contract) to oversee and help embed its initial implementation.	The EYHWB Board continues to meet quarterly and has worked to oversee the operational aspects of the programme and ensure work is closely monitored. The group receive regular highlight reports on progress from officers.
07	Any recommendations made in a closedown report of a Programme Board should be implemented to help ensure the contract's successful implementation. Initially this could be monitored	The EYHWB Board oversees the operational aspects of the programme and its implementation. The group receive regular highlight reports on progress from officers to ensure all closedown activity is

Rec No.	Recommendation	Actions undertaken as of 7 <sup>th</sup> January 2020
	by the Programme Board as part of its hand over during the initial stages of the contract.	undertaken and completed.
08	Wherever possible contracts should not start unless there is an ICF or there is existing capacity in place within the service to monitor and manage it. If this is not possible, the Programme Board should undertake this role until the board has closed down or the ICF is in place.	The EYHWP programme Board in conjunction with CPS has ensured and overseen the ICF arrangements are in place for this contract, and that this will be part of the planning for all future contracts.
09	The review of the existing KPIs should be completed as soon as possible so that performance / service delivery of BCHT and its partners can be measured effectively.	The Performance Framework is in place and through contract review meetings is carefully monitored. There are some KPIs that are yet to be reported and these will be incrementally added to the monthly reporting process from January 2020.
10	The contract and its terms and conditions should be amended so that it clearly specifies which party is liable to pay sick pay.	94 staff were successfully TUPE transferred to BCHC on the 1st January 2020 so this is no longer relevant. Prior to this sick pay was addressed in the amended secondment agreement where it relates to BCC seconded staff. The provider was liable for any sick pay when it relates to other staff.
11	DBS checks should be undertaken and kept up to date for all staff whose role requires one. Where this is not possible, a risk assessment should be undertaken and short term compensating controls such as shadowing an employee should be put in place until the DBS disclosure has been undertaken.	94 staff were successfully TUPE transferred to BCHC on the 1st January. DBS checks are being completed prior to the transfer of all 94 council staff on 1 January 2020. These were done 12 months ago but in order to ensure all staff are registered on the DBS ID Checker service these have been redone as part of the current transfer process.
12	Sickness recording and monitoring systems should be in place when the contract starts or at least within 1 month of the contract start date.	Sickness monitoring was in place and led by staff from BFS at an operational level and supported by the council since the start of the secondment. Nominated HR officers had been inputting absence data on behalf of managers. An LTS/Maternity report was produced on a monthly basis which is shared with Partners and BCC Finance colleagues so that Partners were not being charged incorrectly for these secondees. Amended secondment agreements were produced and agreed with BCHCT and its sub-contractors that reflected these arrangements.
13	A review of the contract should be undertaken to establish whether alternative savings can be identified to offset any that will not be delivered due to the issues and delays with the mobilisation of the contract.	CPS undertook a contract review, and this is currently in the process of sign off with both BCHCT and BCC legal teams. Alongside this work and as part of the monthly contract review meetings the performance of contract has been closely monitored to ensure value for money.

Rec No.	Recommendation	Actions undertaken as of 7 <sup>th</sup> January 2020
14	Bi-monthly reports should be produced and used to monitor progress on delivering forecast savings. If forecast savings are not being achieved, then the reasons why need to be established and wherever possible corrective action taken.	Regular reports are produced and monitored as part of the contract management process. Where savings can be achieved these have been identified and agreed.
15	Budget monitoring systems should be in place before the contract start date or no later than the end of the first month after the contract start date. This should include; the allocation of budgets to individual budget holders; the production of profiled individual monthly budget monitoring reports; and regular monitoring systems to ensure spending stays within the available budget and any relevant savings targets are being met.	Budget monitoring is undertaken as part of the contract management process. Where savings can be achieved these have been identified and savings targets met.
16	All leases and their commercial terms and conditions should be agreed and in place prior to the contract starting.	The leases are awaiting sign off with BCHCT. This has been delayed and is being urgently followed up by the council to ensure they are completed by 31 March 2020.
17	When a contract requires services to be delivered from a City Council property, the decision as to which property these will be delivered from should be made by the City Council and not by the contractor. This will ensure both the condition and suitability of the property is sufficiently adequate to deliver the services.	EdI and Early Years have established a cross-service group that looks at the estates portfolio and arrangements are now in place to ensure decisions about the use of buildings are made by the council and this is supported by the new ICF team established to oversee commissioning and contracts.
18	A wider review of the properties where there has been a change in the type / level of services (e.g. outreach rather than full-day) should be undertaken to determine the feasibility of keeping these sites open and operational.	The contract manager has undertaken a full review of the buildings to be utilised as part of the EYHWB contract and agree a Final estates list which includes the operational status of these sites. This will enable informed discussions to take place with the DfE.
19	The risk of grant claw back should be investigated and the potential level of exposure quantified prior to any decision to change the use of a property.	This has been undertaken now that the final list of properties in use by the contract has been established. Conversations with the DfE will be taking place in January 2020 to agree any deferral conditions and any potential liabilities should they arise. Work has been undertaken on GIAS system to close and update details for children's centres.
20	An up to date asset condition survey should be undertaken early within the contract, to allow sufficient time for any necessary work to be undertaken and establish which budget will fund this work.	EdI commissioned an asset condition survey for all the properties utilised by the contract. A copy of this has been requested.
21	The dispute over the services (e.g. hub or outreach) and the relevant charges for the services	Final consultation outcomes established the status of sites where changes were proposed. These have

Rec No.	Recommendation	Actions undertaken as of 7 <sup>th</sup> January 2020
	provided at Storywood and Newhall should be resolved as soon as possible. As not to do so is adding to the budget pressures as well having adverse implications on the delivery of services which could lead to potential reputational damage.	now been resolved and a final list of sites and their operational status confirmed and agreed.
22	Those sites / buildings where multiple services had been provided by other parties prior to this new contract (e.g. Midwife service) should be reviewed to ensure that the service providers are now being appropriately charged.	EdI has undertaken a review of multiple-occupancy sites and where necessary the appropriate hire charges have been proposed and agreed. In some case occupiers have now exited properties and as part of the cross-service estates group led by early Years and EdI they are reviewing the current usage.
23	A long term plan should be established to determine what should be done with those buildings which are under utilised as they are only providing out-reach services.	This is being considered as part of the review of the estate's utilisation by the cross-service group led by Early Years and EdI. This work links to the conversation taking place with the DfE planned for January 2020.



BFS

Ref	Theme	Objective	Actions Required	Outputs	Timescale	Lead	Links to CQC S31 Action Plan	Updates	other
1.1	1. Workforce	Establish and understand a baseline of current roles and responsibilities	Roles, responsibilities and expectations are clearly defined for all BFS representatives/staff at a strategic and district level.	Report of all roles and responsibilities	1st March 2020	BCHCT	1. HV recruitment and retention		
1.2			BFS to undertake a baseline of the existing roles and responsibilities across the services						
1.3		Provide BCC with a Workforce Development Plan	BFS to develop and share a Workforce Development Plan with BCC that includes the training planned for all BFS staff	Training Plan	1st March 2020	BCHCT			
1.4		Undertake a Skills Audit for all BFS staff	Clearly define skills and expertise needed to undertake agreed roles	Skills Audit Matrix	1st Feb 2020	BCHCT			
1.5		Develop organisational structure chart	Baseline of staff in post and current vacancies	Organisational Structure Chart	1st Feb 2020	BCHCT			
1.6		Transfer staff from BCC to BCHCT by 1st Jan 2020	Effective transfer if staff from BCC to BCHCT and subsequent secondment to BCHCT subcontractors	Transfer of all identified BCC staff	1st Jan 2020	BCC and BCHCT HR		07.01.2020 - Transfer was completed on 1st Jan 2020 with 94 staff moving across to BCHCT	
1.7		BFS working as an integrated system	Effective working arrangements in place between BCHCT and all BFS sub-contractors to ensure integrated working is happening and successful	Delivery of integrated services against the EYHWB model	March 31st 2020	BCHCT			
2.1	2. Systems and Process	Implementation of integrated model of service delivery	Clearly defined referral and allocation pathways between HV teams and sub-contractors	Referral and Allocation Pathways	31st March 2020	BCHCT	2. System and process in place to support safe delivery of care		
			A clear mechanism in place utilised by all BFS to manage workload priorities	Workload priorities plan	1st Feb 2020	BCHCT			
2.2		Develop up to date policies and procedures	BCHCT to ensure policies and procedures are kept up to date and shared with BCC	Policies and procedures	31st March 2020	BCHCT			
2.3		Establish clear communication/connections with wider system	Clarify patient pathways between health visitors and midwives.	Clear pathways	31st March 2020	BCHCT			
			Support better intelligence /communications with those CYP and families new to city/new to country/transient populations to BFS to facilitate timely access to these groups.	Improve understanding and access to relevant groups	31st March 2020	BCHCT			
			Improve links between BFS and early years education providers.	better links between providers	31st March 2020	BCHCT			
2.4		Develop and improve connectivity between service providers	Support work to improve connections via badgernet (between maternity and early years providers).	Policies and procedures	31st March 2020	BCHCT			
2.5		Establish clear management arrangement for BFS sub-contractors	BCHCT has clear governance arrangements, systems and contracts in place to effectively manage sub-contractors.	Governance arrangements and Contracts	31st March 2020	BCHCT			
2.6		Assess and monitor risk	BCHCT and BFS to develop and maintain Risk Management Logs	Risk Management Log	31st Jan 2020	BCHCT			
3.1	3. Operational delivery and improvement	Service Delivery is in line with Service Specification	BCHCT to ensure BFS undertake service delivery in line with the Service Specification and BAFO	Delivery Plans	31st March 2020	BCHCT			
3.2		Working Day Model	A New Working Day model is implemented in each district	Working Day model	31st March 2020	BCHCT	3. New Working Day		
3.3		Service mobilisation plans in place	Develop a mobilisation plan for the services in line with the service specification and any delivery plans for:  >Community Engagement >Universal >Universal Plus >Additional Needs >Complex and Significant Needs >Service Delivery	Mobilisation Plan	31st Jan 2020	BCHCT	6. Embed and sustain the BFS integrated service model		
3.4		Ensure service delivery is in line with the contract intentions	Identify areas of activity, in HV teams and the wider BFS partnership that are out of scope of current service specification and contract intentions	Out of scope service activity	31st Jan 2020	BCHCT			
3.5		Clarify and explore safeguarding systems and responsibilities	Define role of BFS/social care/other key agencies in context of wider early years system	Roles clarified	31st March 2020	All			
			Explore further issues/concerns around safeguarding agenda		31st March 2020	All			
			Explore concerns around safeguarding referrals from A&E to HV – check electronic referral		31st March 2020	BCHCT			
3.6		Support the ongoing development and delivery of Early Years networks	BFS to attend and actively support and engage in all district Early Years Networks.	EYrs Network minutes	31st March 2020	BCHCT			
3.7		Implement plans/actions identified at EY Improvement Board	Support and monitor the implementation of all agreed actions.	Action Plans	31st March 2020	BCHCT			
3.8		Use outcome based accountability (OBA) strategies	Use OBA strategies and tools in planning and designing services	Outcome focused planning and actions	31st March 2020	BFS			
4.1	4. Performance Management and Improvement	Develop and deliver performance trajectories that demonstrate service improvement over time	BCHCT to provide trajectories that show how service performance will improve over a given period and in what incremental amounts	Performance Trajectories	1st Dec 2019	Damon Harris		07.01.2020 - Trajectories have been shared and approved by the council. These show improvement against key targets up to August 2020	
4.2		BCHCT understand the contractual performance reporting requirements as set out in EYHWB contract between BCC and BCHCT	BCC to ensure BCHCT provide timely performance reports and narrative as defined in the contract	Better understanding of performance requirements by BCHCT	ongoing monthly reporting schedule at CRM	Chris Atkins			
4.3		BFS understand the contractual performance reporting requirements as set out in the contract between BCHCT and BFS subcontractors	BCHCT to ensure BFS provide timely performance reports and narrative as defined in their contractual relationship, that describes the impact of any interventions etc	Better understanding of performance requirements by BFS	Ongoing reporting	Damon Harris			
4.4		Ensure there is accurate and detailed data quality in all reporting by BCHCT and BFS	The quality and accuracy of data is checked by BCHCT and BFS before being provided to BCC (particularly PHE data returns)	Improved data quality	Ongoing	Damon Harris			
4.5			Explore the learning from other areas of RiO and ma	Improved data quality	Ongoing	Damon Harris			
4.6		BCHCT Improvement plan agreed and in place for data quality and performance management (section 31 oversight group actions - 6 plus 1)	Up to date improvement plan in place and updated regularly	Improvement plan	31st Dec 2019	BCHCT Rep		07.01.20 - S31 plan has been shared in a presentation. Hard copy requested.	
4.7		Establish current performance against contractual performance framework	Ensure that there is ongoing assessment of performance against contract metrics. Ensure that data quality is accurate when reporting	Improved performance against metrics	Ongoing	Damon Harris			
4.8		Provide a range of good practice examples	Provide a range of case studies, good practice models to support the effectiveness and impact of services	Case studies and models of good practice	Ongoing	BFS			
		BCC engaged at a partnership board level with BFS	Re-establish the partnership board representation by BCC - EYrs as stated in the BAFO	Attendance at Partnership meetings	March 31st 2020	Chris Atkins			



## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

**Report to: Audit Committee**

**Report of: Director Education and Skills**

**Date of Meeting: 28 January 2020**

**Subject: Travel Assist - Commissioning, Safeguarding and Quality Assurance**

**Wards Affected: All**

**1. Purpose of report**

1.1.To outline the findings of the internal audit of home to school transport dated 2 October 2019.

1.2.To summarise the actions taken by Education and Skills and progress made as a result of the Audit report.

**2. Recommendation**

2.1.To note the report.

**Contact Officer: Nichola Jones**  
**Assistant Director SEND and Inclusion**  
**E-mail address: [Nichola.jones@birmingham.gov.uk](mailto:Nichola.jones@birmingham.gov.uk)**

### 3. BACKGROUND

- 3.1. In September 2018 Birmingham City Council had been made aware that its largest provider of home to school transport, Accessible Transport Group (ATG), was experiencing financial difficulties. These difficulties were cited at the time as being cash flow issues. In response an advance payment was agreed and paid. Payments then reverted to the normal cycle and the company's position appeared to have stabilised until further contact in late February 2019, when ATG made a request for a loan citing cash flow issues. They had also contacted Transport for West Midlands (TfWM), who ultimately agreed an advance payment to alleviate cash flow issues.
- 3.2. In March 2019 Birmingham City Council was informed by ATG that they were insolvent, and subsequently they went into administration.
- 3.3. As it was the Council's largest provider of home to school transport, ATG's administration threatened considerable disruption. ATG's administrators continued to run transport services with little disruption during the administration period until the end of the summer term in July 2019, with considerable support from Education and Skills officers.
- 3.4. Work was immediately undertaken to identify and appoint a new provider. This resulted in National Express completing the purchase of ATG and launching National Express Accessible Transport (NEAT) to run home to school services from 1 August 2019. More information is available in Cabinet reports of 26 March 2019, 22 May 2019 and 15 July 2019.
- 3.5. Following ATG entering administration in March 2019, the Education and Skills directorate immediately commenced a review of the robustness of the other home to school transport providers. Initial work identified weak governance in relation to commissioning and contract management within the directorate. Due to the nature of these concerns, the Education and Skills directorate commissioned Internal Audit to undertake an urgent audit of this area.
- 3.6. The scope of the audit was to establish the extent to which:
  - A commissioning framework is in place for the selection and procurement of transport providers for children and young people.
  - There are formal procedures in place covering the commissioning and managing of home to school transport providers for children and young people.
  - Appropriate due diligence checks have been carried out on all home to school transport providers.
  - Robust safeguarding checks have been undertaken on all transport providers and their drivers and guides.
  - Effective and on-going contract management and quality assurance processes are in place for home to school transport providers.
  - Children and young people are only transported with approved providers appearing on the Education and Skills Directorate's commissioning framework.
  - Extension of the contract was appropriately authorised.

In addition to the above, internal audit worked with the Education and Skills directorate to establish solutions to the issues identified.

#### **4. AUDIT RECOMMENDATIONS AND ACTION TAKEN BY EDUCATION AND SKILLS**

- 4.1. Whilst the audit was underway, the Education and Skills directorate established a response team to oversee the running of ATG's transport routes during administration, work on identifying a new provider to take these routes over and ensure progress was made against the actions identified. The response team comprised of senior officers from home to school transport, audit, commissioning, data and intelligence with other officers joining the team when necessary and a programme manager monitoring and driving progress. During this period there was also close liaison with TfWM.
- 4.2. The audit report Appendix 1 made 19 recommendations to manage the risks that had been identified.
- 4.3. Audit's recommendations, and the action taken by the Education and Skills directorate to ensure all the recommendations have been met, are set out below and in Appendix 1.

*4.3.1 An up to date commissioning framework should be developed as part of the new contractual arrangements being put in place. Only providers on that framework should be used and on-going checks must be carried out by the Head of Service and their line manager to ensure compliance to this framework.*

An up to date commissioning framework has been developed and is now in place for the implementation of a Dynamic Purchasing System (DPS) from January 2020. Only providers that have passed the entry requirements onto the DPS will be used. Ongoing checks are being carried out to ensure compliance.

*4.3.2 Contracts should only be extended for a maximum of one year unless there are circumstances that preclude this from happening and this must be approved in advance by the Director of Education & Skills and authorised by Cabinet.*

The new commissioning framework sets out that contracts are not extended without proper authorisation as set out above. The National Express Accessible Transport (NEAT) contract, which commenced on 1 August 2019, will run for two years with no extension period.

*4.3.3 Wherever possible, the Education and Skills Directorate should use Corporate Procurement Services (CPS) when commissioning new contracts or contract renewals. This will help ensure the contents of the contract meet all legal requirements, best practice and the correct procedures are followed.*

CPS have seconded two members of staff to Education and Skills with part of their time dedicated to home to school transport. All new contracts will be commissioned using CPS.

- 4.3.4 *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.*

A variation to the T23 Framework was made on 1 August 2019 which immediately strengthened safeguarding requirements for all providers. All suppliers are being visited to provide them with information, advice and guidance on safeguarding with the largest operators visited first. The programme of visits will be complete by the end of January 2020. Strengthened requirements have been included in the NEAT contract and will be of the same high standard in the DPS.

- 4.3.5 *Formal procedures of the processes that need to be followed in relation to home to school transport must be drawn up. This will give staff a clear understanding of the processes that need to be followed. The development of these procedures provides an ideal opportunity to identify any unnecessary processes or where additional controls are needed. The procedures should be reviewed and where necessary updated on an annual basis.*

Processes have been mapped to improve the customer journey and facilitate more efficient working practices. Work has commenced to implement any immediate improvements and testing is underway about the feasibility of digitising the service and the possibilities for introducing efficiencies.

- 4.3.6 *Due diligence checks must be undertaken on all transport providers before entering into a contract with them. This must include the financial stability and the suitability of the provider to deliver home to school transport. Regular re-tendering of this contract will drive on-going due diligence checks.*

Comprehensive due diligence checks on providers take place as part of the DPS procurement process. This includes financial stability and suitability to deliver home to school transport.

- 4.3.7 *The Education and Skills Directorate must continue to cleanse and correct the driver and guides management information (the safeguarding/DBS information) to ensure it is complete, accurate and up to date.*

The driver and guide information was cleansed and corrected by July 2019. This data continues to be reviewed and updated and the directorate is considering a digital system to make this process more efficient.

- 4.3.8 *The current process of recording safeguarding checks on different records must cease and a Single Central Record showing providers, drivers, routes, children, guides and the safeguarding checks must be established, monitored and kept up to date.*

A single record of all routes is now in place and is being maintained and updated, linked to the new Dynamic Procurement System that was implemented in January 2020. The Assistant Director for SEND and Inclusion, working with ICT, has undertaken a review of the systems required, with the intention of implementing one system across the directorate.

- 4.3.9 *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 certificates. Records of the audits must be retained, and the results reported to the appropriate Assistant Director.*

Providers were notified of their safeguarding responsibilities via a contract variation in August and visits are underway to provide them with additional guidance. A programme of audits is underway and will be completed by the end of January 2020. These audits RAG rate the providers' compliance with their contractual obligations.

- 4.3.10 *The Head of Service should introduce arrangements to ensure the key management information in relation to drivers, providers, routes, children and safeguarding is accurate, up to date and complete. It is suggested that this is achieved through monthly verification checks. The results of these checks should be reported to the appropriate Assistant Director.*

This action has been completed and the key management information is in place. In addition, the Assistant Director for SEND and Inclusion, working with ICT, is undertaking a review of the wider systems required to improve the service. This review will be complete by the end of January 2020.

- 4.3.11 *The Education and Skills Directorate must introduce a new safeguarding / DBS checking process for assessing positive disclosures.*

Based on legal advice and recognised good practice from elsewhere in the country, the revised contractual arrangements require contractors to make decisions over the suitability to employ drivers who have positive disclosures. This was previously undertaken by Birmingham City Council Human Resources. Separately, Birmingham City Council's corporate policy for Disclosure and Barring Service (DBS) checks is being reviewed. As set out above, a programme of visits is underway to confirm suppliers are complying with their safeguarding obligations.

- 4.3.12 *A review of the Council's corporate DBS policy and arrangements (including those in relation to commissioned services) must be carried out to ensure they are robust, fit for purpose and do not expose BCC and its service users to unacceptable risks.*

The directorate follows the corporate DBS policy for all its staff. Responsibility for the council's corporate DBS policy and arrangements sits with BCC HR who have confirmed a review is underway that they will be reporting on separately.

- 4.3.13 *The serious incident (referred to in the report) by one of the commissioned transport providers, in relation to the DBS and safer recruitment process must be independently formally investigated to establish how this occurred as well as identifying how the systems can be improved to prevent it from happening again.*

In November 2019 the Council commissioned an independent senior officer to look into the issues around the incident referred to in the report. This investigation made a number of recommendations which the Education and Skills Directorate is now taking forward, with BCC HR. A deeper investigation of the issues identified is underway and will be completed by the end of January 2020.

- 4.3.14 Quality assurance checks in relation to the drivers and the providers must be introduced as soon as possible to monitor and manage the quality of services. The results of these should be recorded and results analysed, and issues rectified.*

A programme of quality assurance checks is underway with the largest operators visited first. The quality assurance checks will be complete by mid-January 2020.

- 4.3.15 KPIs should be drawn up to measure the achievement of key service delivery objectives and MI produced on a monthly basis to monitor the results. For example; quality assurance checks – target to actual. These should be reviewed by the Head of Service and appropriate Assistant Director on a monthly basis.*

KPIs have been drawn up and were included within the new contractual arrangements when they commenced (from 1<sup>st</sup> January 2020). These will be monitored on a monthly basis by the Head of Service and Assistant Director for SEND and Inclusion.

- 4.3.16 Dedicated contract management capacity should be put in place to manage home to school transport contracts.*

A dedicated contract management team is in place to manage home to school transport contracts. This team includes a commissioning and contracts manager on secondment from CPS.

- 4.3.17 Any sub-contracting of routes must only be undertaken once all legal and contractual requirements have been met and proper approval has been given. This must not be done based on a verbal agreement.*

This practice was immediately stopped upon discovery and the Council formalised all subcontracting in line with the contractual requirements.

- 4.3.18 Any future contracts, where Cabinet delegate approval for their extension to the Directorate must be actioned and authorised by the Director of Education & Skills. The reasons for extending the contract must also be recorded as part of any approval and reported to Cabinet once complete.*

The dedicated contract management team is responsible for ensuring that appropriate approval is obtained for future contracts.

- 4.3.19 Where required, amendments made to contracts should be done through a Deed of Variation to ensure these variations are legally enforceable. The use of CPS will help ensure this is done correctly.*



The dedicated contract management team also has responsibility to ensure that amendments are actioned correctly.

## **5. CONCLUSION**

The actions highlighted in this report to address issues in relation to commissioning, safeguarding and quality assurance of provision part of a wider service response to improving the support and provision for children and young people who access city wide Home to School Transport.

The Directorate continues to prioritise its work to improve Home to School transport services. An extensive work programme is underway to address whole system improvements linked to the wider transformation of SEND services.

## **6. APPENDICES**

Appendix 1: Final Audit Report: Travel Assist – Commissioning, Safeguarding and Quality Assurance



## Birmingham Audit

Final Audit Report: 0504/022

Travel Assist – Commissioning, Safeguarding and Quality Assurance

Education and Skills

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Date 2<sup>nd</sup> October 2019

### Contents:

1. Objectives and Scope
2. Executive Summary
3. Control Objectives and Conclusion
4. Action Plan

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Information is gathered on a confidential basis and should not be released in response to a DP or FOI request without prior consultation with Birmingham Audit.

## 1. Objectives and Scope

### Background:

In March 2019, ATG, a provider of statutory home to school transport services for children and young people within Birmingham went bankrupt. This threatened considerable disruption for the service, as ATG provided transport for approximately 48% of journeys. As a result of this, the Education and Skills Directorate immediately reviewed the robustness of the other transport providers in the current framework, the robustness of contract management and the quality of the due diligence. Their initial work identified some potentially serious cross-/council issues in relation to the commissioning, contract management, due diligence, safeguarding and quality assurance processes, and requested we undertake an audit of these areas. During the audit a significant safeguarding issue was also discovered which resulted in the Education and Skills Directorate putting in place a Response Team, which included an officer from Birmingham Audit, to put in place actions to mitigate the immediate safeguarding risks, with the audit running along-side.

### Objective of Review:

To provide assurance that robust and effective commissioning, due diligence, safeguarding and quality assurance processes are in place for the statutory home to school transport of children and young people in Birmingham.

### Scope of Review:

This review was undertaken via management assurance, discussions with officers and examination/verification of documentation where required. The scope included establishing whether:

- A commissioning framework is in place for the selection and procurement of transport providers for children and young people.
- There are formal procedures in place covering the commissioning and managing of home to school transport providers for children and young people.
- Appropriate due diligence checks have been carried out on all home to school transport providers.
- Robust safeguarding checks have been undertaken on all transport providers and their drivers and guides.
- Effective and on-going contract management and quality assurance processes are in place for home to school transport providers.
- Children and young people are only transported with approved providers appearing on the Education and Skills Directorate's commissioning framework.
- Extension of the contract was appropriately authorised.

In addition to the above, we continue to work with the Education and Skills Directorate to establish solutions to any issues identified, to provide safe and secure transport for children and young people.

## 2. Executive Summary

Assurance: **Level 4**

Risk Rating for Council: **High**

Risk Rating for Service Area: **High**

This audit was requested by the Education and Skills Directorate following concerns in relation to safeguarding, commissioning, contract management and quality assurance within Travel Assist – statutory home to school transport service. **Our initial work quickly confirmed the Education and Skills Directorate's concerns, in particular the extent of the cross cutting concerns across the Council in relation to safeguarding and Safer Recruitment practice, specifically the management of Disclosure and Barring Scheme (DBS) checks**

During the early stages of our work BCC were alerted to a serious incident by one of the commissioned transport providers, in relation to the DBS process. Following this a Response Team was immediately formed by the Education and Skills Directorate, which included an officer from Birmingham Audit, to put in place actions to mitigate any immediate safeguarding risks, with the audit review running along-side. This team has now been disbanded as the Education and Skills Directorate have now established a recovery plan and are mobilising additional resources to resolve these issues and strengthen the controls within Travel Assist. The speed at which the Education and Skills Directorate responded to this issue must be commended, and we have included a summary of their on-going actions in section 3 of this report.

**Our work has identified some very significant cross-council concerns in a range of areas.**

**In the Education and Skills Directorate our findings indicate a poor understanding of the importance of safeguarding, inadequate safeguarding arrangements, poor management control, no real contract management, poor quality management information and an absence of KPIs.** These issues are particularly concerning given the nature of the services being provided in transporting some of our most vulnerable children and young people. The Education and Skills Directorate needs to address these issues urgently, and in some cases already has, as part of our work.

**In Corporate HR, the findings indicate a poor understanding of the importance of safeguarding, concerns relating to safeguarding and Safer Recruitment and the status of the DBS policy and its implementation.** These significant safeguarding concerns relating to the work of Corporate HR also must be addressed as a matter of urgency.

The incident alerted to BCC by one of the commissioned transport providers, in relation to the DBS process potentially has very serious cross cutting implications across the Council and needs separately investigating. It also raised concerns about the robustness of the wider corporate DBS process and safeguarding practice in HR and across the Council which needs to be urgently reviewed.

The following page highlights the top issues for the Education and Skills Directorate and for Corporate HR management to consider when moving

forward in establishing more appropriate, effective and accountable processes. We have made 19 recommendations which if implemented will help management to better manage the risks identified during this work.

It should be noted that this audit has been carried out in partnership with the Education and Skills Directorate and there has been clear leadership, drive and commitment to strengthen the controls and improve service delivery.

The top issues identified for management within the Education and Skills Directorate are:

- The initial contract for this service dates back to 2009 and has been extended year on year since then, with the last extension actioned without the completion of the required approval documentation. This is now being rectified by the Education and Skills Directorate.
- A significant number of the routes have been sub-contracted without approval and without any quality assurance checks on the suitability of the sub-contractor, and therefore exposing children and young people to unacceptable safeguarding risks. This was in breach of the contract.
- The safeguarding arrangements in place are inadequate.
- The management information used to monitor this process is out of date, and had significant key information missing (e.g. over 500 driver DBS disclosure numbers were missing). It was also held within several different records, rendering it unreliable as well as ineffective.

- No quality assurance checks are carried out to ensure the transport providers are delivering services to the right standard.
- There appears to be an absence of any real management control, as we could not confirm any KPIs to monitor performance, a lack of management information and no documented procedures in relation to safeguarding, commissioning and quality assurance.
- Whilst we have been informed that vehicle safety checks have been carried out, no information or evidence to support this was provided. Given the extent and seriousness of other issues that Travel Assist were resolving, we were unable to test this area but will do so in our follow up work.

The top issues identified for Corporate HR are:

- The processes for dealing with positive DBS disclosures must be strengthened urgently.
- The serious incident, referred to in the report, by one of the commissioned transport providers in relation to the safer recruitment and DBS process must be formally investigated.
- The Council's corporate DBS policy and arrangements must be reviewed to ensure they are robust, fit for purpose and do not expose BCC and its service users to unacceptable risks.

### 3. Control Objectives and Conclusion

Control Objective	Conclusion	Rationale & Initial response
01. A Commissioning Framework is in place for the selection and procurement of safe transport providers for children and young people.	Not Met	<p><b>Rationale</b> - there is a commissioning framework in place but this is out of date and ineffective. The current framework was established as part of the original contract in 2009 and the contract has been extended year on year since then (6 extensions). However, the commissioning framework has not been updated. The use of Corporate Procurement (CPS) over extending the contract has been inconsistent and the safeguarding requirements for providers and their drivers in the contract are inadequate and not sufficiently robust. The consistent use of CPS will ensure that all key requirements are included and the relevant procedures complied with (<b>see recommendations 01, 02, 03 &amp; 04</b>).</p> <p><b>Education and Skills Directorate's initial response</b> – work is underway into procuring a new contract and commissioning framework and in securing an alternative provider for the routes that had been provided by ATG. This is being done in conjunction with CPS and to be in place for when the current framework expires in October 2019. Additional resources are being deployed with a contract manager from CPS being seconded to oversee and strengthen contract management arrangements in Travel Assist.</p>
02. There are formal procedures covering the commissioning and managing of home to school transport.	Not Met	<p><b>Rationale</b> - there are no formal procedures in place covering the commissioning and managing of home to school transport (<b>see recommendation 05</b>).</p> <p><b>Education and Skills Directorate's initial response</b> – as part of the recovery plan, resources have been re-directed to map and document the current processes in place. These are under construction and will be reviewed, evaluated and the processes amended as required to strengthen the controls. An experienced contracts manager has</p>

Control Objective	Conclusion	Rationale & Initial response
		been put in place to oversee all contract management until permanent contract management arrangements are put in place.
03. Appropriate due diligence checks have been carried out on all home to school transport providers.	Not Met	<p><b>Rationale</b> - The contract has been extended year on year since 2009 and no due diligence checks have been undertaken since then (<b>see recommendation 06</b>).</p> <p><b>Education and Skills Directorate's initial response</b> – work is underway into procuring a new contract and establishing a commissioning framework. This is being done in conjunction with CPS and will include appropriate due diligence checks on the contractors which should ensure more robust providers. Immediate action has been taken to provide a due diligence baseline for all providers with remedial improvement actions taken when required.</p>
04. Robust safeguarding checks have been undertaken on all transport providers, their drivers and guides.	Not Met	<p><b>Rationale</b> - Robust and up to date safeguarding checks, as required in the contract, have not been undertaken on the transport providers and drivers. There have been significant contract breaches that were not previously known by the service. The management information maintained to monitor safeguarding had significant missing information and was out of date. At the time this was tested, 568 out of 599 records did not have a DBS clearance number, 48 records showed no DBS clearance number as well as no DBS clearance date, and 157 records were shown as sub-contracted routes, 62 had no Driving Licence Number and 33 had no Vehicle Registration number recorded. It is of concern that the incident alerted to BCC by one of the commissioned transport providers, in relation to the DBS process, had very serious implications – this requires a separate investigation. It also raised concerns about the wider DBS process which need to be reviewed. Now that corporate HR has withdrawn support from elements of the DBS process, the Education and Skills Directorate needs to put in place alternative arrangements, as a matter of urgency. Corporate HR must also strengthen its processes in relation to dealing with positive disclosures.</p>



Control Objective	Conclusion	Rationale & Initial response
		<p>A separate record of the safeguarding checks undertaken on the guides is maintained but this not mapped/linked to the routes and children, as this is recorded separately. A comparison of the two established that there were 35 guides who did not appear on the list of guides that had been safeguarded checked. No single central record showing providers, drivers, routes, children, guides and the safeguarding checks is maintained. Therefore until this is done, no assurance can be provided that all children are adequately safeguarded <b>(see recommendations 07,08,09,10, 11, 12 &amp; 13)</b></p> <p><b>Education and Skills Directorate's initial response</b> – The Incident Response Team was formed with the priority of identifying missing, out of date or inaccurate information and putting in place mitigating actions to minimise the potential safeguarding risks. This included using alternative drivers, guides, providers and co-ordinating work to obtain the required information. This work is on-going due to the incomplete, inaccurate and out of date information that is maintained by Travel Assist and further issues are being discovered as the separate pieces of information are joined together. A single central record is being developed. The Directorate are also in discussions with Corporate BCC HR over the revised procedures.</p>
05. Effective and on-going contract management and quality assurance processes are in place for all home to school transport providers.	Not Met	<p><b>Rationale</b> – Whilst we have been informed that vehicle safety checks have been carried out, no information to support this was able to be provided. Given the extent and seriousness of other issues that Travel Assist were resolving, we were unable to test this area as their time and resources were taken up with more immediate concerns. Instead we will undertake testing in this area as part of our follow up work. No quality assurance checks in relation to delivery of the service are undertaken, no contract management takes place and there are no KPIs in place to measure and monitor the delivery of</p>

Control Objective	Conclusion	Rationale & Initial response
		<p>services (<b>see recommendations 14,15 &amp; 16</b>)</p> <p><b>Education and Skills Directorate's initial response</b> – as part of the Education and Skills Directorate's recovery plan, additional resources are being deployed with a contract manager from CPS being seconded to oversee and strengthen contract management. This will include strengthening the contract management processes within Travel and the procurement of the new contract.</p>
06. Children and young people are only transported with approved providers appearing on the Education and Skills Directorate's commissioning framework.	Not Met	<p><b>Rationale</b> - No assurance can be provided in relation to this, as there is no up to date commissioning framework in place, unapproved sub-contracting has taken place, and the master driver list has key information missing and is out of date. Unapproved sub-contracting without any quality assurance checks on the provider is exposing the Education and Skills Directorate and the City Council to unacceptable safeguarding risks. Breach of contract has occurred that had not been identified by the service (<b>see recommendation 17</b>).</p> <p><b>Education and Skills Directorate's initial response</b> – Immediate action has been taken to address unauthorised subcontracting by the providers and to ensure contract compliance. The Directorate's recovery plan will include putting in place a robust contract management plan and contract management capacity and a data expert who is joining up all the data to provide one single central record which can be used to effectively manage the service.</p>

Control Objective	Conclusion	Rationale & Initial response
07. Extension of the Home to School Transport contract has been appropriately authorised	Partially Met	<p><b>Rationale</b> – in 2018 Cabinet gave delegated authority for the then Director of Children and Young People to approve extension of the contract. However, we have been unable to confirm that the required actions have taken place. It is unclear why this did not take place, however, this rendered the contract illegal. Amendments were also made to the contract but without any Deed of Variation, making the contract almost unenforceable, as well as illegal. However, upon discovering this, the Education and Skills Directorate are in the process of retrospectively approving the contract (<b>see recommendation 18 &amp; 19</b>).</p> <p><b>Education and Skills Directorate's initial response</b> – As reported in 01 above, work is underway into procuring a new contract and establishing a commissioning framework. This is being done in conjunction with CPS and to be in place for when the current contract expires in October 2019. This will include properly authorising the contract.</p>
08. Robust approval processes are in place to ensure invoiced charges/journeys agree to the journeys/charges detailed in the contract.	N/A	Given the extent and seriousness of other issues that Travel Assist were resolving, we were unable to test this area as their time and resources were taken up with more immediate concerns. Instead we will undertake testing in this area as part of our follow up work.
09. Strong payment authorisation and budget monitoring processes are in place.	N/A	Given the extent and seriousness of other issues that Travel Assist were resolving, we were unable to test this area as their time and resources were taken up with more immediate concerns. Instead we will undertake testing in this area as part of our follow up work.

#### 4. Action Plan

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
01	An up to date commissioning framework should be developed as part of the new contractual arrangements being put in place. Only providers on that framework should be used and on-going checks must be carried out by the Head of Service and their line manager to ensure compliance to this framework.	High	<p>Recommendation fully accepted. A commissioning framework has been developed as part of the on-going re-procurement. A contract management plan will be in place to manage the new contacts from initial mobilisation. This will include specific requirements for safeguarding and information governance. Dedicated contract management in place but this is currently an interim arrangement</p> <p>16.07.19 update Draft contract management plan in place. Action on track.</p>	<p><b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education &amp; Skills.</p> <p><b>Agreed Implementation date:</b> Framework and interim contract management in place by the end of June 2019 – complete.</p> <p>Contract management plan in place by the end of July 2019.</p>
02	Contracts should only be extended for a maximum of one year unless there are particular circumstances that preclude this from happening and this must be approved in advance by the Director of Education & Skills and authorised by Cabinet.	High	<p>Recommendation fully accepted. Any extension to be in line with agreed contract term with the relevant approvals in place. This to be included in the Contract management plan.</p> <p>16.07.19 update Action on track.</p>	<p><b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education &amp; Skills.</p> <p><b>Agreed Implementation date:</b> 31<sup>st</sup> July 2019</p>

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
03	Wherever possible, the Education and Skills Directorate should use CPS when commissioning new contracts or contract renewals. This will help ensure the contents of the contract meet all legal requirements, best practice and the correct procedures are followed.	High	Recommendation fully accepted. Interim contract management in place via CPS.	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills.  <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.
04	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.	High	Recommendation fully accepted. Appropriate safeguarding provisions to be included in the contracts. Specialist input from Subject Matter Expertise in home to school transport safeguarding. This also to be reflected in contract management plan. Specific training to be provided to team on information governance and safeguarding. There will also be a wider safeguarding review of other contracts held in the Education and Skills Directorate.  16.07.19 update Action on track. Specific safeguarding provisions have been added to the ATG replacement	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills.  <b>Agreed Implementation date:</b> 31 <sup>st</sup> October 2019

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
			contract. These have been reviewed by the SME. These provisions will be duplicated in the DPS contract.	
05	Formal procedures of the processes that need to be followed in relation to home to school transport must be drawn up. This will give staff a clear understanding of the processes that need to be followed. The development of these procedures provides an ideal opportunity to identify any unnecessary processes or where additional controls are needed. The procedures should be reviewed and where necessary updated on an annual basis.	High	<p>Recommendation fully accepted. Work to take place on process mapping current processes and identification of areas for improvement. Revised process maps to be put in place, underpinned by formal written service procedures and training.</p> <p>16.07.19 update Action on track. Process mapping workshops have taken place. These have enabled comprehensive mapping of current systems and processes. Early improvement wins have been actioned. Next steps are to improve and re-define these processes.</p>	<p><b>Officer Responsible:</b> Jennifer Langan, Team Manager – Travel Assist Lead</p> <p><b>Agreed Implementation date:</b> 31<sup>st</sup> July 2019</p>
06	Due diligence checks must be undertaken on all transport providers before entering into a contract with them. This must include the financial stability and the suitability of the provider to deliver home to school transport. Regular re-tendering of this	High	Recommendation fully accepted. This will be included within the procurement and contract management processes.	<p><b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education &amp; Skills.</p>

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
	contract will drive on-going due diligence checks.		16.07.19 update Action on track.	<b>Agreed Implementation date:</b> 31 <sup>st</sup> October 2019
07	The Education and Skills Directorate must continue to cleanse and correct the driver and guides management information (in particular the safeguarding/DBS information) to ensure it is complete, accurate and up to date.	High	Recommendation fully accepted.  16.07.19 update Action completed. Single data set established from cleansed and verified data.	<b>Officer Responsible:</b> Jennifer Langan, Team Manager – Travel Assist Lead <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.
08	The current process of recording safeguarding checks on different records must cease and a Single Central Record showing providers, drivers, routes, children, guides and the safeguarding checks must be established, monitored and kept up to date.	High	Recommendation fully accepted.  16.07.19 update Action complete. Single Central record now in place.	<b>Officer Responsible:</b> Jennifer Langan, Team Manager – Travel Assist Lead <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.
09	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.	High	Recommendation fully accepted.  16.07.19 update Action on track.	<b>Officer Responsible:</b> Jennifer Langan, Team Manager – Travel Assist Lead <b>Agreed Implementation date:</b> 31 <sup>st</sup> July 2019

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
10	The Head Of Service should introduce arrangements to ensure the key management information in relation to drivers, providers, routes, children and safeguarding is accurate, up to date and complete. It is suggested that this is achieved through monthly verification checks. The results of these checks should be reported to the appropriate Assistant Director.	High	Recommendation fully accepted.  16.07.19 update Action complete. New arrangements in place underpinned by quality assurance protocols. Repeat Audits set at quarterly intervals.	<b>Officer Responsible:</b> Jennifer Langan, Team Manager – Travel Assist Lead <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.
11	The Education and Skills Directorate must introduce a new safeguarding / DBS checking processes for assessing positive disclosures.	High	Recommendation fully accepted.  16.07.19 update Action complete. BCC and providers to follow relevant provisions as set out in the contract. Providers are contractually responsible for their own recruitment and safeguarding arrangements, in line with the expectations set out in the contract.	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills & Glen Knott, HR Business Manager. <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.
12	A review of the Council's corporate DBS policy and arrangements (including those in relation to commissioned services) must be carried out to ensure they are robust, fit for purpose and do not expose BCC and its service users to unacceptable risks.	High	A review of the Council's corporate DBS policy is currently being undertaken by HR along with a review of current DBS protocol and practice. A Task and Finish Group is being set up, led by HR, to review the revised policy and procedure and finalise these and the accompanying	<b>Officer Responsible:</b> Craig Scriven, (new) Assistant Director, Human Resources <b>Agreed Implementation date:</b> 31 <sup>st</sup> October 2019.



Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
			Guidance Notes to ensure DBS arrangements are robust and minimise risk to BCC and its service users.	
13	The serious incident (referred to in the report) by one of the commissioned transport providers, in relation to the DBS and safer recruitment process must be independently formally investigated to establish how this occurred as well as identifying how the systems can be improved to prevent it from happening again.	High	Commissioning Officer – Clive Heaphy. Independent Investigating Officer outside of the service will be undertaken to investigate the incident cited in original Audit Report. Recommendations on system improvement to be included in Investigation Report.	<b>Officer Responsible:</b> Craig Scriven, (new) Assistant Director, Human Resources <b>Agreed Implementation date:</b> Investigation report to be produced by 4 November 2019
14	Quality assurance checks in relation to the drivers and the providers must be introduced as soon as possible to monitor and manage the quality of services. The results of these should be recorded and results analysed and issues rectified.	High	Recommendation fully accepted.  16.07.19 update Action complete. New arrangements in place underpinned by quality assurance protocols. Repeat Audits set at quarterly intervals.	<b>Officer Responsible:</b> Jennifer Langan, Team Manager – Travel Assist Lead. <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019.

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
15	KPIs should be drawn up to measure the achievement of key service delivery objectives and MI produced on a monthly basis to monitor the results. For example; quality assurance checks – target to actual. These should be reviewed by the Head of Service and appropriate Assistant Director on a monthly basis.	High	Recommendation fully accepted.  16.07.19 update Action on track.	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills.  <b>Agreed Implementation date:</b> 30 <sup>th</sup> September 2019
16	Dedicated contract management capacity should be put in place to manage home to school transport contracts.	High	Recommendation fully accepted.  16.07.19 update Action complete.	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills.  <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.
17	Any sub-contracting of routes must only be undertaken once all legal and contractual requirements have been met and proper approval has been given. This must not be done on the basis of a verbal agreement.	High	Recommendation fully accepted.  16.07.19 update Action complete. Unauthorised sub-contracting routes have ceased. Contract compliance checks in place.	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills.  <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete

Rec No.	Recommendation	Priority	Management Response	Responsible Officer / Implementation Date
18	Any future contracts, where Cabinet delegate approval for their extension to the Directorate must be actioned and authorised by the Director of Education & Skills. The reasons for extending the contract must also be recorded as part of any approval and reported to Cabinet once complete.	High	Recommendation fully accepted.  16.07.19 update Action complete. Retrospective approvals have been made where this is possible, and where this was identified as a gap.	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills.  <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.
19	Where required, amendments made to contracts should be done through a Deed of Variation to ensure these variations are legally enforceable. The use of CPS will help ensure this is done correctly.	High	Recommendation fully accepted.  16.07.19 update Action complete. This is included in the contract management plan and arrangements.	<b>Officer Responsible:</b> Nichola Jones, Assistant Director SEND and Inclusion – Education & Skills.  <b>Agreed Implementation date:</b> 30 <sup>th</sup> June 2019 – complete.



## BIRMINGHAM CITY COUNCIL

**AUDIT COMMITTEE  
16 DECEMBER 2019**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON  
MONDAY, 16 DECEMBER 2019 AT 1000 HOURS IN COMMITTEE  
ROOM 2, COUNCIL HOUSE, BIRMINGHAM**

**PRESENT:-**

Councillor Grindrod in the Chair;

Councillors Bridle, Quinnen and Jones.

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**NOTICE OF RECORDING/WEBCAST**

- 170 The Chairman 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](http://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.**

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**APOLOGIES**

- 171 Apologies were submitted on behalf of Councillors Tilsley, Webb and Jenkins for their inability to attend the meeting. Councillor Jones would be arriving late to the Committee and join accordingly.
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**DECLARATIONS OF INTEREST**

- 172 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.

No interests were declared.

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At this point in the proceedings the Chairman proposed and Members agreed to move into Private session to discuss the item on Travel Assist and members of the public were excluded from the room.

**EXCLUSION OF THE PUBLIC**

173 **RESOLVED:-**

That, in view of the nature of the business to be transacted, which includes exempt information of the category indicated, the public be now excluded from the meeting:-

Exempt Paragraph 7

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At this point in the proceedings it was noted that the meeting was in 'Public' session to which members of the public were invited back into the room.

**PUBLIC MINUTES – AUDIT COMMITTEE 24 SEPTEMBER 2019**

174 **RESOLVED:-**

That the Public Minutes of the last meeting be confirmed and signed.

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**CORPORATE RISK REGISTER UPDATE**

The following report of the Assistant Director, Audit and Risk Management was submitted:-

(See document No. 1) – (Page 13)

Sarah Dunlavy, Assistant Director for Audit and Risk Management, introduced the report and gave an update on the management of risks and issues contained within the Corporate Risk Register.

The following key points were noted:

- 1) Amendment to the risk 17 on page 46 – Reworded from 'Ineffective Corporate Risk Marker IT' to 'Staff harm by not sharing data effectively'.
- 2) In relation to risk 17, a project group is being established to develop a supporting action plan.
- 3) The Members have a key role within the risk management and internal control processes.
- 4) The Deputy Leader and the Council Leadership Team (CLT) review the Corporate Risk Register on a monthly basis in order to strengthen oversight arrangements.
- 5) The Non-executive advisors are now in place.
- 6) In order to give greater focus to risks, CLT had been developing a Strategic Risk Register which will be brought to the Audit Committee in early 2020.

- 7) The risk Management Framework will come back to Audit Committee in January 2019.
- 8) The full form of risk register will be available in March 2020.
- 9) Main change in the risk register is on page 52 (Risk 15) around property assets) which requires a fundamental strategic focus as there are operational and strategic issues.
- 10) This will be given the same level of priority as the HS2 and Commonwealth Games – Athletes Village.

The Chair stated there is a long list of risks and questioned if there was a coherent way to link these. It was felt that wider discussions needed to take place of how this Committee engaged with the risk register and this would be discussed in the January meeting.

An example of this would be the governance on the waste crisis in which the risk had now reduced and look at why this risk had been reduced.

Sarah Dunlavy shared that a report to CLT was delivered on a monthly basis in which it looked at where the risk was going every month therefore monitoring the reduction. It was noted that there were various systems across the Council which had risk markers embedded. However, only one system at a time could be accessed and could not be accessed by all users. The original risk marker solution did not work. The audit data warehouse had been updated and there was now a temporary solution for people to go out to properties safely.

Upon consideration, it was:

175

**RESOLVED:-**

- (i) That the CPR updates detailed in Section 3 of the report be noted;
- (ii) That the Committee had reviewed the CRR and assessed that no further action be required.

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**BIRMINGHAM AUDIT HALF YEAR UPDATE REPORT 2019/20**

The following report of the Assistant Director, Audit and Risk Management was submitted:-

(See document No. 2) – (Page 95)

Sarah Dunlavy, Assistant Director for Audit and Risk Management, provided information on the outputs and performance measures in relation to the provision of the internal audit service during the first half of the year of 2019/20.

It was noted that internal Audit Service had sought to add value to the organisation.

- 1) 36% of the planned jobs have been delivered and the aim is to complete 95% by 31<sup>st</sup> March 2020.

- 2) There had been 104 final reports issued to date of which 2 reports were given a high-risk rating.
- 3) In total 24 social housing properties had been recovered to date and 5 grant audit certificates had been issued.
- 4) Expenditure is being monitored on 3 European Grants.

The 2019/20 Audit Plan was approved by the Audit Committee at its March 2019 meeting. There is ongoing work with the Children's Directorate to develop a more focused approach to support the challenge of dealing with financial management in schools. Education and Skills Directorate was undertaking a Directorate wide review of safeguarding to establish whether safeguarding is embedded in commissioned services. Several fraud awareness courses have been delivered. A protocol of sharing reports is in place to which all reports are given a risk rating.

The Assistant Director, Audit and Risk Management referred to point 3.3 of Birmingham Audit Half Year Report 2019/20 in which a summary of reactive investigations activity (referrals) of the team for which the sub team had been assigned to tackle.

The number of properties recovered had decreased from 87 in 2017/18 to 24 in 2019/20 in the first half of this year.

The highest investment is in Cultural Change Programme and workshops had taken place.

Appendix A of the report, linked the Council's priorities and repeated ratings with follow up reports.

Appendix B indicated there is a high-risk rating to 2 red reports;

- Adult Social Care Directorate – Placement, Supported Living as they have not been reviewed for several years.
- Neighbourhoods Directorate – Budget Management and Monitoring – The Directorate still appear to come across significant financial pressures.

It was noted that School Visits there is a need to respond to financial pressures and ensure effective financial planning remains. Any school at level 3 assurance and high-risk rating would receive a visit at 3 monthly intervals to enforce actions. Following 9 months, if insufficient action had taken place then the School Finance Governance Board would be notified and a warning notice be issued.

Councillor Bridle queried if the schools referred to in the report were all Birmingham Local Authority Schools. It was confirmed by Sarah Dunlavy that this was the case.

The Chair questioned what further actions needed to be taken. The Committee was informed the draft reports would be issued in March 2020 and jobs are scheduled accordingly. If there is no co-operation by officers, then this would be escalated back to Sarah Dunlavy to resolve. The revised protocol would be brought back to Committee in January 2020.



Councillor Quinnen referred to page 16 of the report. In particular to Neighbourhoods Directorate Budget Management and Monitoring as this was highlighted in 'red'. The question arose as to the cause of this rating. Sarah Dunlavy clarified this report incorporates 18/19 budget and finalised in 19/20. This is based on the previous year and highlights temporary accommodation where mitigating actions did not come into place to relieve budget pressures.

Rebecca Hellard, Interim Chief Finance Officer added that a report will be going to Cabinet in March 2020 and significant work is taking place in the Star Chamber.

The Chair questioned if there was a culture of risk awareness and what kind of barriers are raised upon this. In response, it was clarified that there are a number of risk representatives and they need to be brought together. Operational risks would have a clear escalation route and will be part of the Risk Strategy brought back to Audit Committee in January 2020.

It was noted that there are 2 red risk reports and the Committee will need to know how this is managed and monitored. Residual risk is reported to CLT on a monthly basis, followed by a quarterly report to Audit Committee.

Point 3.3.4 of the report mentioned that properties recovered had decreased and how is this reflected on the Council Tax charged. Officers clarified this is a half year overview rather than a full year illustration. Figures for 17/18 have been higher than it has ever before. There is no responsibility on Housing benefits.

In addition to this, it was noted that this is linked to a data warehouse where anomalies can be identified.

Upon further consideration, it was:-

176

**RESOLVED:-**

- (i) That the level of audit work and assurances provided be noted.

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**GRANT THORNTON – ANNUAL AUDIT LETTER**

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

(See document No. 3) – (Page 115)

Rebecca Hellard, Interim Chief Finance Officer advised that Martin Stevens, Head of City Finance Accounts would provide the update as she was not in post for the relevant period.

Martin Stevens made introductory comments to the report. Grant Thornton (BCC's External Auditors) were required to produce an Annual Audit Letter which is shared with all members of the Council.

It was noted that the external auditor concluded that the Council has a number of weaknesses which were identified through value for money assessments. There had been significant improvements over the last year by the Council, however it was concluded that value for money risks have been generally mitigated. The Audit Letter for 2018 that considered mitigations up to 31 March 2019 are related to:

- 1) Budget Delivery and Reserves Management,
- 2) Common Wealth Games,
- 3) Services for Vulnerable Children
- 4) Management for Schools

The Highways Maintenance and Management PFI contract had been mitigated for the year ending 31 March 2019. In addition to this, the Waste Service and Governance are other areas where the value for money had not been sufficiently mitigated.

Paul Dossett, Engagement Leader, Grant Thornton added this is based on the Audit findings in July and finalised in September. The Accounts were completed on 8<sup>th</sup> October. Several audits are still to be assigned to 18/19 Audit and this was a summary of the situation in September 2019. Audits on Waste is the only area that has not been migrated as there were ongoing governance processes relating to that. Paul summarised by saying that this is a positive story even though it is complex however, now moving into a positive direction.

Councillor Bridle queried around the Commonwealth Games and the risk opposed to the Council. Members felt that this is crucial to keep on the agenda as there are always ongoing new financial challenges occurring to which Birmingham City Council must pay for. Assurances are required to make sure the Council's delivery on Services are not affected.

Paul Dossett responded the Council had a clear process for mapping the risk. Revenue impact and scale of risk was relatively small. Clive Heaphy, Interim Chief Executive for BCC, added that in relation to the external funding 55 million has been secured. The Commonwealth Games has been given the same category and priority as the HS2. Over the course of 2 days, there had been a focus on the delivery of the capital infrastructure. It had been identified that the City Council were well in advance of where it needed to be considering it was a 4-year plan when normally it is over 7 years. In summary the position was positive even though there will be challenges in which the impact will need to be reduced.

The Chair referred to the governance of waste service and how this translated to wider governance. It was noted that Grant Thornton in conjunction with BCC was looking for an arrangement to manage a clear process to control risks. Previously, the Waste Service never had adequate processes in place which were reported or concluded. That led to various industrial actions during 2018/19. Clear governance is required to manage this and mitigate risks. The Chair added consideration needed to be given to the wider governance lessons and what had been learnt in order to change the approach.

In response, Paul Dossett stated that previously issues were not addressed widely enough and this was now an opportunity to 'reset the dial'.

Clive Heaphy concluded the discussion by stating that the Waste Management Service is very complex and citizens deserve the best possible service. The Wood Review is currently going through Government and will be shared at Cabinet. Industrial relationships are constructive and by collaborations, the workforce can provide the best service for the Council.

The Chair thanked colleagues from Grant Thornton and BCC for the work on this.

177

**RESOLVED:-**

That the Annual Audit Letter be received and noted.

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**GRANT THORNTON – EXTERNAL AUDITOR UPDATE**

The following presentation from Grant Thornton was submitted:-

(See document No. 4) – (Page 141)

Paul Dossett, Engagement Leader, Grant Thornton, delivered a powerpoint presentation on the Redmond Review December 2019. The Redmond Review was a National review and not local.

At this point (10.55am), Councilor Josh Jones joined the Audit Committee.

Paul Dossett summarized that Audit across the board had been under immense scrutiny since the closures of companies such as Carillion, Thomas Cook and many others. Government are undertaking a series of reviews in order to regulate role and look at the impact and effect. Government had been reviewing the market structure and audit quality. This is being led by Sir Tony Redmond who was a former President of CIPFA. Originally launched in 17 September 2019 and the report to the Secretary of State had been extended to Summer of 2020.

There were concerns around the time to implement the reform since it was felt this is currently very slow.

The length of the financial statements (excluding opinions) had increased from 91 pages in (2008/09) to 219 pages to (2018/19). Local government had changed over the years and there are now longer more complex accounts and lower fees applied.

Key points highlighted:

- 1) Accounts have grown more complex
- 2) Authorities are engaging more innovative/ unusual transactions

- 3) Austerity had reduced the ability of many authorities to prepare high quality accounts and working papers
- 4) Audit fees have fallen to an unsustainably low level
- 5) The sign off date of 31 July is too tight
- 6) Retention of key people is very difficult in this environment
- 7) Authorities are not getting the service they deserve
- 8) Radical and urgent reform is needed.

In response to the review, it is proposed that a 'system wide' solution is needed that include:

- The establishment of a separate regulator for the local audit
- Rebasing of audit fees to a level which reflects the additional work we are now undertaking
- A simplified CIPFA Code/ tiered approach
- Revised approach to Value for Money
- Move the target publication date for LG accounts back to 30 September.

The Chair thanked Paul for a comprehensive overview.

Councillor Bridle welcomed the way forward on this. CIPFA were going to arrange an event for Councillors to be trained on this however this was cancelled. Members would want this training for audit in order to maximise their role on the Committee. This would also be a chance to see how other authorities are undertaking this area of work.

Jon Roberts, Grant Thornton indicated that the external auditors are looking to spend time with Audit Committee members and strengthen that work. Rebecca added that there are conversations taking place with CIPFA to support the Committee and review future ways of working.

Councillor Jones queried whether a change to the deadline for signing off the accounts would have a significant impact as only 75% of accounts for 2018/19 had been signed off by this date.

It was noted that there is constant slippage due to movement of deadline and more will need to be invested in people carrying out the audit. Effective planning needs to take place by allocating specialist staff to cover the work.

The Chair thanked and appreciated the work undertaken by Grant Thornton and look forward to the ability for the Secretary to deliver this audit review. An effective Audit letter would be required and it would be interesting to do an expanding piece of work on this. A response from BCC has been submitted with relevant associations. It was felt that a good level of competence was required in order that Committees could work effectively.

Clive Heaphy welcomed the report and appreciated that there have been resource constraints in relation to closing down processes quickly. His closing remarks were that it is crucial to obtain audit assurance and to avoid end of year panic. Members of the public are not interested in the technical details but the delivery of services and value for money that was sustainable in the long term.

178

**RESOLVED:-**

That the presentation be received and noted.

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**AUDIT FINDINGS REPORT RECOMMENDATIONS – PROGRESS REPORT**

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

(See document No. 5) – (page 157)

Rebecca Hellard, Interim Chief Finance Officer delegated the reporting to Martin Stevens, Head of City Finance Accounts as she was not present during this timeframe.

He advised that, at the 24 September 2019 Audit Committee, Members had considered the External Auditor's Audit Findings Report following the audit of the Council's financial statements for 2018/29 which included six recommendations for management to consider and action.

The Council identified that eight separate feeder files from two subsidiary systems relating to 2019/20 were posted in period 16 of the 2018/19 general ledger in error. Those entries were not reflected in the accounts and had been amended appropriately in the ledger, so that there is no impact on the 2018/19 accounts. It was ensued that this issue will not occur again in the future and will be closely monitored.

As part of the review, IT Controls on SAP user access had been identified as too wide. Therefore, this will be monitored on a daily basis.

There were two issues around asset valuation on which there were 3 recommendations in total. This would be undertaking a formal review to which external valuers are overlooking. Payments were assigned to the wrong year and workflow on voyager will be closely reviewed. Hotspots are being identified on which guidance will be given.

A further report will be shared at Committee which will identify and address those issues.

179

**RESOLVED:-**

- (i) That the progress in implementing management actions, attached as Appendix 1 of the report, to address the recommendations set out by the External Auditors in his Audit Findings Report issued in September 2019, be noted;
  - (ii) That updated reports be submitted to a future meeting of the Committee on the continued progress in implementing the management actions proposed.
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**TRAVEL ASSIST**

180

**RESOLVED:-**

That this item be deferred for consideration at the Committee meeting on 28 January 2020.

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**SCHEDULE OF OUTSTANDING MINUTES - 2019**

The following schedule of Outstanding Minutes was submitted:-

(See document No. 6) – (Page 167)

The Chair introduced the Schedule of Outstanding Minutes.

**Minute 99 – Early Years Health & Wellbeing Risk** – Deferred to January 2020.

**Minute 147 – HRA – To Fund the Waste Service during Industrial Action Strike 2017** – Discharged. It was agreed a written statement will be sent to Councillor Jones.

Upon further consideration it was

181

**RESOLVED:-**

That the remaining Outstanding Minutes be continued.

The Chair suggested the Audit Committee agendas should be structured so that both the Directorate and Cabinet Portfolio members are questioned and have particular focus on their specific areas.

It was proposed to have an Annual report of the Audit Committee report to City Council. That would assist in linking the value for money and risk register work.

There are a number of reports that come to Committee routinely and there is now a requirement for these to be condensed i.e. reports could be noted for information to allow more focused discussions on individual audits of Directorates.

Upon further consideration it was

182

**RESOLVED:-**

That a discussion on the future ways of working for the Audit committee to take place at the 28 January 2020 meeting.

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**DATE AND TIME OF NEXT MEETING**

The next meeting was scheduled to take place on Tuesday 28 January 2020 at 1400 hours in Committee Room 6.

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**AUTHORITY TO CHAIRMAN AND OFFICERS**

183

**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.

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**EXCLUSION OF THE PUBLIC**

184

**RESOLVED:-**

That, in view of the nature of the business to be transacted, which includes exempt information of the category indicated, the public be now excluded from the meeting:-

Exempt Paragraph 3





**BIRMINGHAM CITY COUNCIL****AUDIT COMMITTEE****28 JANUARY 2020****SCHEDULE OF OUTSTANDING ACTIONS**

<b>MINUTE NO./DATE</b>	<b>SUBJECT MATTER</b>	<b>COMMENTS</b>
99 26/03/2019	<b><u>Early Years Health and Wellbeing Risk</u></b> The Director, Education and Skills requested to provide an update report.	Report due in 28 January 2020
147 30/07/2019	<b><u>HRA – To Fund the Waste Service during Industrial Strike 2017</u></b> <del>Report of the Strategic Director, Finance to be provided</del>	Discharged at 16 Dec 2019 Committee.  Written statement to be sent to Councillor Jones.

