

Birmingham City Council Value for Money

Year ending 31 March 2022

September 2022



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Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office (NAO) issued updated guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

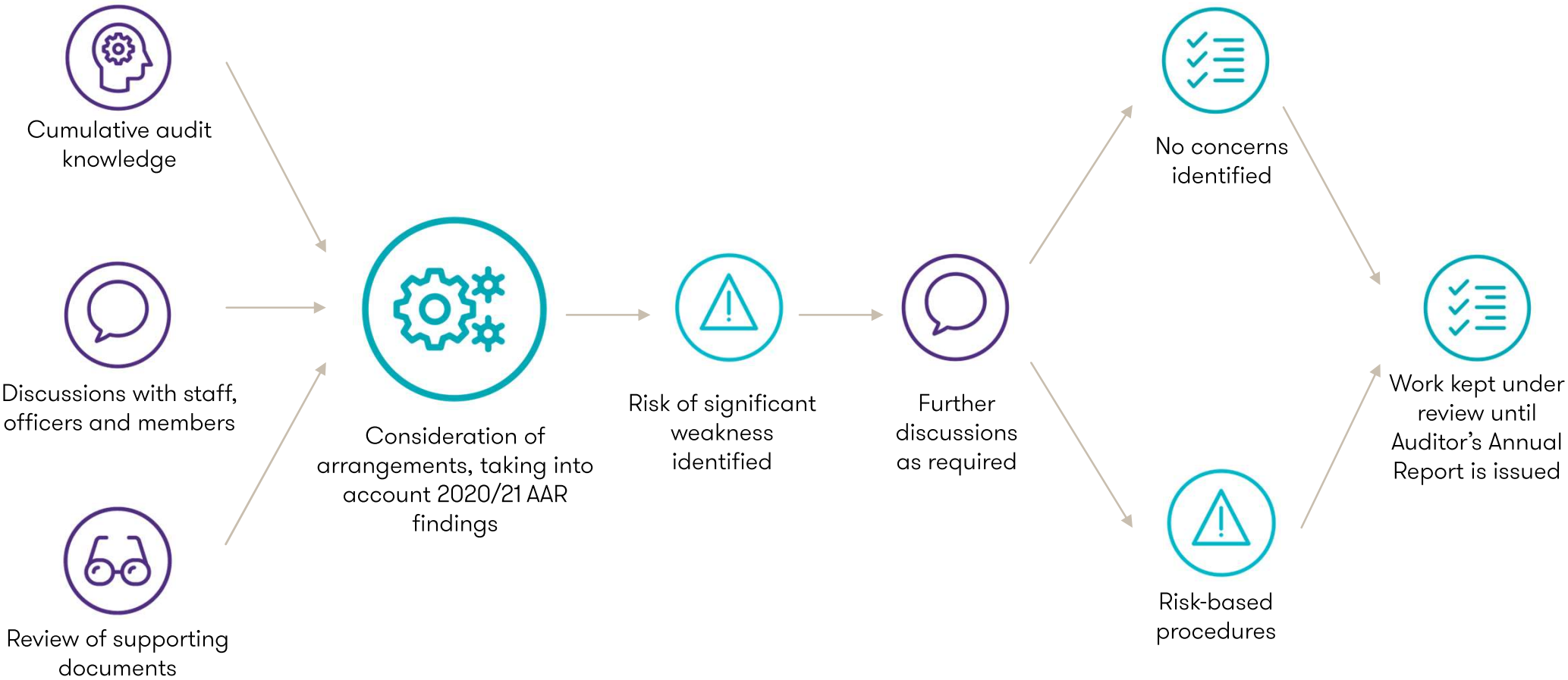


Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Approach



July

August

September onwards

Approach cont.

As set out on the previous page, we will need to hold discussions with key staff, officers and members as part of our work to consider the Council's overall arrangements. Our 2020-21 AAR was considered by Audit Committee in April 2022 and therefore some of the work to inform our 2021/22 assessment has already been undertaken as part of that process (as our AAR took into consideration progress made by the Council on the areas under review up until the time of reporting).

We anticipate needing to undertake meetings with the following individuals, in addition to regular meetings held throughout the year with Deborah Cadman, Rebecca Hellard, Sara Pitt, Lisa Taylor and Sarah Dunlavey.

| Individual | Role |
|------------------------|--|
| Professor Graeme Betts | Director Adult Social Care |
| Darren Hockaday | Director Human Resources (Interim) |
| Satinder Sahota | Acting City Solicitor and Monitoring Officer |
| Sue Harrison | Director Children and Families |
| Julie Griffin | Managing Director, City Housing |
| Craig Cooper | Programme Director Commonwealth Games |
| Rob James | Strategic Director, City Operations |

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on.

Risks of significant weakness are those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the body to deliver value for money.

The risks we have identified to date are detailed below.



Legacy of the Commonwealth Games

In previous years we have identified that the cost of hosting the Commonwealth Games (the Games) could impact on the Council's future financial sustainability.

In our 2020/21 Auditor's Annual Report we noted that we considered the Council had put in place an effective set of governance arrangements for the delivery of the Games and that the Games infrastructure projects remained on track for completion, supported by a detailed "delivery confidence" report produced by consultants. We found no evidence of any significant weaknesses in the Council's arrangements for planning and managing its resource to ensure it could continue to deliver its services in relation to the financial impact of the Games.

However, following completion of the Games, which we recognise were a resounding success for the City, the focus has now moved to ensuring the legacy of the significant investment made by the Council continues to benefit the city and its citizens and therefore we will review the arrangements to ensure that the ongoing revenue costs of the Games are fully funded and that plans are in place to realise benefits over the long term.



Contractual arrangements relating to the highways PFI scheme

The Council and Birmingham Highways Ltd are currently in the process of procuring a long-term subcontractor for the Council's highways PFI scheme. During this process there is the potential for significant change to the agreement between the Council and BHL, and for the level of service delivered by the future contract to be reduced.

Our VFM conclusion was qualified in this regard in 2019/20 and five improvement recommendations were raised in 2020/21.

Utilising Grant Thornton staff with specific PFI expertise, we will gain an understanding of the latest position relating to this contract, and the progress made in the retendering process. We are aware that relevant officers provided an update to the Audit Committee at its June meeting and that the tendering process is ongoing.

We will establish how the Council is identifying, managing and monitoring this risk.

Risks of significant VFM weaknesses cont.



Home to School Transport Service

An internal inquiry into the Home to School Transport service was undertaken by the Education and Children's Social Care Overview & Scrutiny (O&S) Committee in early 2020, the findings of which were presented to Council in September 2020.

Following the completion of our additional, risk-based procedures in 2020/21, we concluded that there was evidence of significant weaknesses in the Council's arrangements for delivery of its Home to School Transport service and the assurance mechanisms in place around the service. This was on the grounds that there were systemic issues identified in the independent inquiry and that recommendations made by the inquiry were still in the process of being actioned.

We will follow up the Council's progress in implementing the findings of the independent inquiry.



Housing demand

Homelessness and Housing shortage is identified as a risk on the Council's Strategic Risk Register with a significant likelihood of occurrence with a coupled with a high impact should the risk materialise.

To that end we consider it worthy of further consideration, particularly given the high-level rating* given to housing repairs by internal audit, due to a lack of clarity on spending priorities as well as weak governance arrangements as "monitoring reports were not produced and planning of work fragmented".

In considering the existence of a risk in this area, we have also taken account of the latest Annual Review letter from the Local Government & Social Care Ombudsman, in respect of the year ended 31 March 2022. Ombudsman Report into Housing complaints (dated July 2021).** It reports "systemic delay" in relation to processing applications to the housing register.

Through inquiry and a review of relevant documentation, we will gain an understanding of the processes undertaken by the Council to ensure that the city's housing needs are met.

- High-level ratings are reserved for those matters, which in the view of the Council's internal audit services, are of "high corporate importance, high financial materiality, significant reputation risk likelihood of generating adverse media attention or of potential of interest to Members".

** Available here [birmingham city council.pdf \(lgo.org.uk\)](https://www.birminghamcitycouncil.gov.uk/media/10000/10000.pdf)

Risks of significant VFM weaknesses cont.



SEND

In May 2021, the Office for Standards in Education (Ofsted) and the Care Quality Commission (CQC) revisited Birmingham to decide whether sufficient progress has been made in addressing the areas of significant weakness detailed in the Written Statement of Actions (WSOA) issued in September 2018 in relation to Special Educational Needs and Disability (SEND).

The formal findings from this revisit identified that the Council and its local NHS Clinical Commissioning Group had not made sufficient progress in addressing 12 of the 13 significant weaknesses identified at the initial inspection.

Following the completion of our additional, risk0baed procedures we concluded in 2020/21 AAR that there was evidence of a significant weakness in the Council's governance arrangements. This was on the grounds that as a result of the failure of the Council to address the significant weaknesses identified in the SEND service by Ofsted and the CQC in June 2018 a Commissioner was appointed by the Secretary of State in October 2021 and that the significant matters identified in the Commissioner's report are addressed.

Through inquiry and review of relevant supporting documentation we will assess the Council's progress in addressing the recommendations raised in the Commissioner's report.

We may need to make recommendations following the completion of our work. A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

We made key recommendations and improvement recommendations as part of our 2021/22 work. These are repeated here in the Appendices for information.

Logistics and team

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on the quality of our work or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete our work exceeds that agreed due to a body not meeting its obligations we will not be able to guarantee a consistent team to complete the work. Similarly, where additional resources are needed to complete work due to a body not meeting their obligations we are not able to guarantee delivery to the agreed timescales. In addition, delayed audits will incur additional fees.

Our requirements

We have included appendices to this report that set out the specified reporting criteria per the NAO's AGN03, along with the questions that we will be looking to answer through our work. We have also included sources of evidence that we have already requested to support our review.

To minimise the risk of delay, you need to ensure that you:

- consider the questions set out in this document in advance of our meetings, to enable valuable discussions to take place.
- provide copies of the supporting documents that we request in accordance with the timelines that we set, to enable us to complete our review of these in a timely manner.
- work with us to set up the meetings that we need to carry out.
- respond promptly and fully to the queries that we raise during the process.

Grant Thornton Team



Jon Roberts

Audit Partner



Guy Clifton

Director – Local Government VFM



Nicola Coombe
Senior Manager



Kirsty Lees
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GT Specialists
(as required)



Appendices
General arrangements – to be refreshed
annually

Financial sustainability

How the Council plans and manages its resource to ensure it can continue to deliver its services

Area of focus (FS-1)

How the Council ensures that it identifies all the significant financial pressures that are relevant to its short-term and medium-term plans and builds these into them.

Considerations

- What were the implications of the annual funding settlement for the Council, and how have they been addressed in the financial planning? Where applicable, are assumptions around council tax and business rate growth based on reasonable analysis (eg housebuilding plans or economic growth targets)?
- Where the Council is involved in commercial activities (eg Birmingham Airport), how has the potential for increased volatility in the commercial environment, in relation to income, expenditure, and asset values, been factored in to the Council's plans?
- How do the Council's financial plans reflect the impact of key expenditure drivers, such as population changes, demand for services, cost inflation and other uplifts?
- Has the Council undertaken cash flow forecasting? If so, what time period does this cover, eg at least 12 months? Has this identified any potential issues that require addressing?
- What arrangements were in place during 2021/22 financial year to keep the Council's financial plans under review (to reflect changes in priorities, inflation, funding, demand for services and legislative and policy changes, etc)?

Area of focus (FS-2)

How the Council plans to bridge its funding gaps and identifies achievable savings.

Considerations

- What is the Council's understanding of any short-term and medium-term financial gaps and how are these being addressed?
- What proportion of saving schemes for 2021/22 were delivered?
- How does the Council address the potential problem of having enough future savings schemes in place to meet the target even if there is slippage?
This could include having headroom in the plan (ie extra projects already identified and worked-up so that the total programme value exceeds the total target value), reducing the gross project value to expected values according to perceived risk that will identify any potential target shortfall or using reserves.
- Were stakeholders consulted during the development of savings plans? Depending on the nature of the savings plans, stakeholders could include staff, local residents, service users, the voluntary sector and local businesses.
- What were the Council's arrangements for approving savings schemes?
- Are arrangements in place to monitor the delivery of saving schemes? Is savings delivery monitored independently of basic budget monitoring at corporate level and are variances adequately challenged and mitigated? How is the quality impact of proposed savings assessed and monitored during and after implementation to assess whether any quality risks have occurred?

Financial sustainability continued

How the Council plans and manages its resource to ensure it can continue to deliver its services

Area of focus (FS-3)

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

Considerations

- How was the distinction between the cost of delivering core statutory services and discretionary areas of spend built into the Council's financial planning process during 2021/22?
- How are the corporate strategic priorities built into both the revenue and capital budgets?
- Are long term financial plans dependent on the reduction or removal of any services currently being provided?

Area of focus (FS-4)

How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.

Considerations

- How does the Council ensure that approved financial plans are aligned to the expectations set out in the workforce plan?
- How does the Council ensure that the ongoing revenue costs of major capital investments are properly reflected in the revenue budget (eg the running costs as well as the financing costs)?
- How does the Council ensure that treasury management finds an appropriate balance between mitigating risk and optimising the contribution to the financial plan?

Area of focus (FS-5)

How the Council identifies and manages risks to financial resilience, eg unplanned changes in demand, including challenge of the assumptions underlying its plans.

Considerations

- What arrangements does the Council have for incorporating risks into its financial plans and discussing them with the Cabinet (or equivalent)?
- How has the Council taken into account uncertainty, potential volatility and other financial risks, that could lead to worse than expected financial outcomes (eg through scenario analysis and/or potential mitigating strategies)?
- What other resources did the Council have to manage variances to the 2021/22 outturn, and to what extent were these methods relied upon? These could include: budgeted contingencies (can be overt or implicit within budgets); cost underspends - these can be incidental, or contrived (eg deliberately not filling vacant posts); income over budget - again these can be incidental, or contrived (eg not budgeting for business rate growth); one-off benefits; earmarked or other reserves set aside to manage financial risk; or earmarked or other reserves set aside for other purposes, but which can be re-purposed.

Governance

How the Council ensures that it makes informed decisions and properly manages its risks.

Area of focus (Gov-1)

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

Considerations

- What arrangements does the Council have in place to identify strategic risks, understand them, record them within the Council's risk management system and assess/score them?
- What arrangements are in place to report risks to the Council and its supporting committees? How are risks identified and reviewed to provide assurance that they are being appropriately managed?

Area of focus (Gov-2)

How the Council approaches and carries out its annual budget setting process.

Considerations

- How does the Council understand potential sensitivities and alternative scenarios as part of the budget setting process?
- How is the medium-term financial plan incorporated into the annual budget setting process?
- What arrangements are in place for internal and external engagement in the budget setting process?
- What are the Council's arrangements for the approval of its annual budget, at all levels involved?

Area of focus (Gov-3)

How the Council identifies and manages risks to financial resilience, eg unplanned changes in demand, including challenge of the assumptions underlying its plans.

Considerations

- What arrangements are in place for finance teams to engage with budget holders to review financial performance and identify actions to resolve adverse variances?
- Is financial performance a key objective for senior managers? Does it form part of the Council's performance management processes to ensure formal and effective accountability for the delivery of budgets?

Governance continued

How the Council ensures that it makes informed decisions and properly manages its risks.

Area of focus (Gov-4)

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

Considerations

- What arrangements are in place for the challenge of key strategic decisions before they are taken? How does the Council ensure that all relevant information is provided to decision makers before major decisions are made?
- How is service user feedback taken into account when significant changes to services are proposed?
- When developing partnership working across the local health economy, has the Council put appropriate governance arrangements in place to support system working? Is sufficient information and reports on systems working being made available to decision makers?

Area of focus (Gov-5)

How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Considerations

- What arrangements does the Council have in place to monitor compliance with legislation and regulatory standards? How does the Council communicate to its staff what behaviours are expected/not expected of them?
- Have there been any instances of non-compliance with the Council's constitution? Have there been any breaches of legislation or regulatory standards during the year that has led to an investigation by any legal or regulatory body?
- Were there any data security breaches during 2021/22?
- Have any senior officers signed compromise agreements upon leaving the Council's employment?

Improving economy, efficiency & effectiveness

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Area of focus (3Es-1)

How financial and performance information has been used to assess performance to identify areas for improvement.

Considerations

- Are key performance indicators provided to Cabinet to enable monitoring of the Council's performance and identify areas for improvement?
- How is assurance obtained over the accuracy of financial and performance data reported to the Council and its sub-committees?
- Are arrangements in place to benchmark costs and performance against similar bodies? If so, how is this information used?
- Does the Council have arrangements in place to learn from other local government organisations to improve its performance?

Area of focus (3Es-2)

How the Council evaluates the services it provides to assess performance and identify areas for improvement.

Considerations

- How does the Council review and challenge strategic priorities and cost-effectiveness of existing activities?
- How does the Council ensure that it is achieving progress on recommendations raised, either as a result of previous external audit recommendations, or those from another regulator or inspectorate?

Area of focus (3Es-3)

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Considerations

- What does the Council consider to be its most significant partnerships?
- How are any strategies developed at a partnership level translated into actions to be delivered by the Council?
- How is the work of partnerships fed back to and overseen by Cabinet in order to maintain overall decision-making responsibility for matters affecting the Council?
- How does the Council collaborate with significant partners about performance so that it can build up a shared understanding of common challenges and design improvements to address them?

Improving economy, efficiency & effectiveness continued

How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Area of focus (3Es-4)

Where the Council commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

Considerations

- Has the Council entered any significant contracts during the year?
- Where the Council is involved in, or about to enter in to, complex or unusual activities, how does it ensure that it obtains appropriate expert advice or knowledge where necessary?
- What arrangements are in place to monitor the performance of key service providers or sub-contractors and resolve any issues arising?
- For major capital projects, what arrangements are in place to monitor, control and report on costs?

Appendices

Prior year recommendations



Summary of conclusions

The table below sets out the risks of significant weakness that we identified in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources from our 2020/21 work. Additional work was completed in relation to each of these risks, and our conclusions are summarised here. The recommendations raised are on the following pages along with the management response per the action plan taken to Audit Committee in April 2022. We have requested evidence from the Council that these actions have been undertaken and will report formally at a later Audit Committee once responses have been received.

| Risk identified | Linked to reporting criteria | Conclusion & recommendations |
|--|---|--|
| Independent reports into issues related to the Home to School Transport Service | Financial sustainability Governance Improving economy, efficiency & effectiveness | Two significant weaknesses have been identified in relation to service delivery and assurance mechanisms. We have made two key recommendations and no improvement recommendations. |
| Arrangements in relation to required improvements in SEND services | Financial sustainability Governance Improving economy, efficiency & effectiveness | A significant weakness has been identified in relation to the delivery and governance of SEND services. We have made one key recommendation and no improvement recommendations. |
| IT Audit findings and planned changes to the Council's general ledger | Financial sustainability Governance Improving economy, efficiency & effectiveness | A significant weakness has been identified in relation to system access. We have made one key recommendation, and a further four improvement recommendations, of which three have already been actioned. Only those not actioned are repeated here. |
| Contractual arrangements relating to the highways PFI scheme | Financial sustainability Governance Improving economy, efficiency & effectiveness | No significant weaknesses in arrangements identified. Five improvement recommendations made. |
| Potential impact of a lack of stable leadership due to significant level of turnover of key staff and officers | Financial sustainability Governance Improving economy, efficiency & effectiveness | No significant weaknesses in arrangements identified. Two improvement recommendations made. |
| Waste service continuity and industrial relations | Financial sustainability Governance Improving economy, efficiency & effectiveness | No significant weaknesses in arrangements identified. One improvement recommendation made. |
| Financial impact of the Commonwealth Games | Financial sustainability Governance Improving economy, efficiency & effectiveness | No significant weaknesses in arrangements identified. No recommendations made. |
| Financial impact of equal pay claims | Financial sustainability Governance Improving economy, efficiency & effectiveness | No significant weaknesses in arrangements identified. No recommendations made. |

Home to School Transport Service

Significant weakness

| Key recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|---|--|--|
| The independent inquiry that the Council commissioned into the Home to School Transport Service made a series of recommendations that amounted to a significant level of change within the Council's service provision. We recommend that the Council continues to prioritise implementation of the agreed recommendations to address the systemic issues identified. | The service recognizes the requirements to implement the recommendations contained with the report, a number of these have been commenced and new senior interim management appointed to deliver the change and improvement. (SUE HARRISON) | TBC |
| The independent report that the Council commissioned into the assurances given to Council and its Committees in early 2020 in relation to the Home to School Transport Service identified significant issues within the service, and made a series of recommendations to address these. We recommend that the Council continues to prioritise implementation of the recommendations to address the underlying issues identified | Agreed, the service will continue to prioritise implementation of the recommendations to address the underlying issues identified as those affecting the service. They are being incorporated into a service improvement plan which will be signed off and monitored by the DCS and her leadership team and reported to members as part of the usual reporting processes - Cabinet, Overview and Scrutiny Committee and Audit Committee. (SUE HARRISON) | TBC |

SEND

Significant weakness

| Key recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|--|--|--|
| <p>As a result of the failure of the Council to address the significant weaknesses identified in the SEND service by Ofsted and the CQC in June 2018 a Commissioner was appointed by the Secretary of State in October 2021.</p> <p>We recommend that the Council works with the Commissioner to deliver the recommendations in the Commissioner's report, to be published in Spring 2022, in addition to delivering the actions in the SEND Improvement Accelerated Progress Plan which are the responsibility of the Council to address these significant weaknesses to ensure that an adequate SEND service is provided to Birmingham's children, young people and their families/carers.</p> | <p>Recommendation agreed and we will be working with the appointed commissioner to deliver the recommendations. (SUE HARRISON)</p> | <p>TBC</p> |



Significant weakness

| Key recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|---|---|--|
| In August 2021, following our IT Audit team's review of the Council's IT general control environment, we recommended that the Council should undertake an immediate review of roles and users within SAP and that it should take action as appropriate in line with the detailed recommendations of our IT Audit report. The Council should ensure that it has the capability to manage user roles and identify segregation of duty breaches and should utilise the lessons learned from the findings relating to the current SAP environment in defining roles for the new general ledger system. These roles should be appropriately defined with sufficient time before "Go Live" for these to be appropriately reviewed | <p>The Council acknowledges the key recommendation made in this report and has taken it on board for inclusion in the new Oracle system which is being implemented now and due to go live in April 2022. A review of roles and responsibilities has been commissioned.</p> <p>(REBECCA HELLARD)</p> | TBC. This recommendation is being followed up by our IT Audit Team colleagues as part of their annual review of the Council's IT general controls. |

Improvement recommendation

| Recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|--|---|--|
| We recommend that the Council ensures that appropriate training is given so that managers understand the access rights that they are approving each month. | <p>Access can only be requested by managers and there are checks and balances in place in line with the Council's Scheme of Delegation before approval is granted. There is also an automatic lock out of the system for users who haven't used the system for more than 100 days.</p> <p>Managers are reminded on Yammer and via the Managers Bulletin of the importance of notifying the systems team of user changes in a timely manner.</p> <p>With only a few weeks before SAP is frozen for new transactions due to the implement of the new Oracle System, this is seen as a low risk.</p> <p>(PETER BISHOP)</p> | TBC as above. |

Financial sustainability

Improvement Recommendation

Recommendation

Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to members and published on the web.

Management Responses to auditor for 2020/21 audit

As we now commence the work to set a balanced budget for 2023/24 we will consider how best we can make a clearer distinction between statutory and discretionary spend in information provided to members and citizens.
(REBECCA HELLARD)

Update on actions taken with supporting evidence

TBC

Governance

Improvement Recommendations

| Recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|--|--|--|
| <p>All COVID-19 grant payments to business should be reviewed, and Members should check and confirm whether payments were made to any personally related parties and if so, whether any additional declarations of interest are required to be made by them.</p> <p>The Legal Services Department should develop and implement a framework to ensure that the Council captures any significant non-compliance with its constitution.</p> | <p>In the first instance we will check COVID grant payments against any declared interests (excluding those which are Council appointments). At the start of the new Municipal year, as a one-off, we will advise Members alongside the annual Declaration of Interests process that</p> <p>COVID related payments from the Council to personally related parties should be declared (SATINDER SAHOTA)</p> <p>Council Management has implemented steps in order to firstly avoid and secondly address identification of any significant non-compliance with the Council's Constitution in the form of the following:</p> <p>All Council Directors to receive sign posting containing their respective delegations and sub-delegations and also include the following from the Council's Constitution:</p> <ul style="list-style-type: none"> • Key accountability documents • An Accountability Framework for each Director • Financial Regulations • Financial Accountability Arrangements to deliver sound financial management • Procurement framework • HR Framework • Explanation of the role of Elected Members • Explanation of the role of the S.151 Finance Officer; and • Explanation of the role of Directors. <p>In addition:</p> <ul style="list-style-type: none"> • each Directorate will hold and complete on an ongoing basis, a delegated Officer decision log • Every Chief Executive Urgent Decision report, Cabinet Member decision report and Cabinet report is subject to an approvals process comprising Legal/Governance; HR (if applicable), Finance and Procurement technical clearance by Officers. • In relation to capturing non-compliance (in addition to the above 'decision log') with the Constitution, Legal Services works closely with Finance and Internal Audit colleagues to investigate incidents of non-compliance, remedial action and lessons learned with assurance reporting through to the Corporate Leadership Team (CLT). <p>(SATINDER SAHOTA)</p> | <p>TBC</p> |

Governance continued

Improvement Recommendations

| Recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|--|--|--|
| <p>The Council should consider the creation of a central, online register of members' interests. This would enable a review of the interests of the Cabinet or of a specific Committee as a whole.</p> | <p>A central register already exists but is not currently published online.</p> <p>From the start of the new municipal year (2022/23) this will also be published on the Council's website alongside the Members individual registers. It is also proposed that the central register will have links to each of the Members pages, so that it becomes a more useful reference tool.</p> <p>(SATINDER SAHOTA)</p> | TBC |
| <p>The Council should consider providing training to its employees to reduce the risk of significant data breaches occurring</p> | <p>The Council requires staff to complete a number of mandatory training modules on an annual basis, currently including two that cover information governance obligations. Currently, these focus on 'Understanding GDPR' and 'Cyber Security'. The content of the modules is reviewed each year to ensure that material remains relevant to the risks and issues the Council faces. In addition, each Assistant Director is required to undertake mandatory training on their role as an Information Asset Owner, which includes dealing with data breaches within their services and their role in ensuring staff within the service are appropriately trained.</p> <p>Data breaches are reported to the Council's Data Protection Officer (DPO) and reviewed against data breach criteria to determine whether the Information Commissioner's Office (ICO) notification is required. Quarterly and annual reports are prepared and discussed at the Council's Information Assurance Board (IAB), chaired by the Senior Information Risk Owner (SIRO). The IAB includes senior representation from Legal Services, HR, IT, Corporate Procurement as well as the Caldicott Guardian and the DPO.</p> <p>Each data breach reported to the ICO and any subsequent response with ICO recommendations is reviewed at the IAB and any improvements to the data breach processes, training or changes are implemented.</p> <p>We encourage staff to be open about any data breaches to ensure we learn and improve as a Council.</p> <p>(PETER BISHOP)</p> | TBC |

Highways PFI

Improvement Recommendations

| Recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|---|---|--|
| <p>The Council needs to ensure that any necessary extensions to the ISC are approved on a timely basis to avoid risks to service delivery</p> | <p>While this recommendation is accepted, it should be noted that the Interim Service Contract (ISC) is BHL's contract, not the Council's. The Council approved an extension to the ISC by BHL to August 2023 on 16 March 2021. In line with this decision, the ISC was extended by BHL on 31 March 2021 and 9 December 2021, in line with Cabinet's decision.</p> <p>(KEVIN HICKS)</p> | <p>We are aware that an update has been provided to a recent audit committee and have requested copies of the slides in addition to narrative and supporting evidence below.</p> |
| <p>The Council should strengthen its arrangements to ensure that appropriate formal approval is provided for key decisions before any necessary submission to significant third-parties, including Government</p> | <p>This recommendation is accepted and the Council has already resolved this. It put in place a revised project governance structure from August 2021, which introduced:</p> <ul style="list-style-type: none"> • A Programme Board, chaired by the Senior Responsible Officer (SRO – the Assistant Director, Highways and Infrastructure) and comprising senior officers from the Council leading the five thematic workstreams (contract management, procurement, asset management, legal and finance and commercial). • A Sponsoring Board, to whom the SRO reports, and comprising the Cabinet Members for Transport and Environment and Finance and Resources, together with the Managing Director, City Operations, Director of City Management and City Solicitor. | <p>TBC</p> |
| <p>We recommend that the Council implements a more formal process to ensure that its understanding is consistent with Government Departments, when dealing with such matters in future, to reduce the risk of setbacks caused by a difference in expectations</p> | <p>Project submissions are developed by the workstreams, agreed by the Programme Board and recommended to the Sponsoring Board for formal approval.</p> <p>(KEVIN HICKS)</p> <p>We accept that the Council could have set out its understanding of expectations regarding the Updated Business Case (UBC) more formally to DfT and have subsequently sought to do so on all DfT's requirements. It is implicitly acknowledged within the recommendation that this in itself can only reduce the risk and does not ensure that expectations are clearly shared with the Council.</p> <p>(KEVIN HICKS)</p> | |

Highways PFI continued

Improvement Recommendations

| Recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|---|--|--|
| <p>The Council should develop its business case training to key officers to enhance the Council's ability to strengthen its arrangements for preparing effective business cases</p> | <p>The Council has significantly enhanced its approach to the development of business cases and the Corporate Programme Office (CPMO) has been working with the finance team and procurement colleagues to enhance business case templates and provides training for officers completing templates. To date the focus of training has been for those officers as they need to complete templates, we accept that there needs to be more training to strengthen and develop staff on the delivery of business cases and this training has continued to take place this year.</p> <p>As per government requirements, the Highway Maintenance and Management PFI project is supported with external advisors with extensive experience of developing business cases with government.</p> <p>While this recommendation is accepted, it should be noted that this action would not have changed the position regarding the Updated Business Case submission. The content of this submission was agreed with DfT as being outside the Better Business Case structure.</p> <p>(KEVIN HICKS)</p> | <p>TBC</p> |
| <p>The Council should consider including some scenario planning on changes in road use when preparing the OBC to future proof the re-procurement process.</p> | <p>Changes in road use are part of the condition risks on roads that the council is seeking to transfer to its Highway Maintenance and Management PFI Service Provider. This means that the Service Provider is required to maintain the condition requirements of roads even if their use changes during the contract. As an example, where a significant development such as the HS2 terminal changes the road use, with a greater volume of heavier vehicles damaging the road, the Service Provider is still required to achieve the same condition requirements, despite the increased damage.</p> <p>We consider that this is an appropriate way to manage this risk. It is the Service Provider, not the Council, that then needs to take into account potential scenarios for road use change in planning and submitting its bid. The Council and BHL will review the robustness of this as part of the re-procurement process to validate that bidders can reasonably be expected to deliver their bid and have provided sufficient capacity to take into account changing circumstances.</p> <p>The condition requirements to which roads are maintained need to be set out within the contract and will not change during the contract. In that respect, the Council cannot "future-proof" reprocurement; such changes will need to be taken into account in the re-procurement of the succeeding contract(s).</p> <p>(KEVIN HICKS)</p> | <p>TBC</p> |

Key staff

Improvement Recommendations

| Recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|---|--|--|
| <p>We recommend that the Council puts in place formal arrangements to ensure that the Chief Executive and other CLT officers have a clear framework to support the development of positive relationships with the political leadership</p> | <p>The Chief Executive is working with the Senior Leadership team – both Officers and Members to strengthen positive relationships with regular briefing meetings and a monthly ECLT meeting, attended by both Cabinet members and the Corporate Leadership team.</p> <p>The Chief Executive is in the process of developing a monthly exception based report based on 5 P's – People, Pounds (£), Performance, Programmes and Partnerships. This report will be used to aid conversations.</p> <p>(DARREN HOCKADAY)</p> | <p>TBC</p> |
| <p>We recommend that the Council needs to identify key individuals, such as the former Head of City Finance, and ensure that appropriate succession planning is put in place to avoid future issues caused by the loss of corporate memory. Such arrangements should include the maintenance of a library of file notes, explaining the key technical areas where an individual's understanding would be lost to the organisation should they leave</p> | <p>Each department and team is responsible for ensuring that they have appropriate succession planning in place and management teams will be making succession plans as part of their business continuity plans and workforce planning.</p> <p>As the Auditors have specifically mentioned a post – the Former Head of City Finance – we have detailed the work taking place in the finance team. The management team has been strengthened and a number of key posts have been recruited to on a permanent basis building security and continuity for the teams. Where interim workers continue to fill roles, they are required to develop their teams and put in place a lasting legacy.</p> <p>(DARREN HOCKADAY)</p> | <p>TBC</p> |

Waste Services

Improvement Recommendations

| Recommendation | Management Responses to auditor for 2020/21 audit | Update on actions taken with supporting evidence |
|--|--|--|
| <p>We recommend that the Council works effectively with Wood to develop new Waste Service delivery models as soon as the Government's requirements for future collection programmes have been finalised and ensures that it can maintain effective and consistent relations with its trade union partners regardless of any future changes to the Waste Service delivery mode.</p> | <p>The Council accepts this recommendation and will work to implement it when Government's requirements for future collection programmes have been finalized.</p> <p>[ROB JAMES]</p> | <p>TBC</p> |

