

# **BIRMINGHAM CITY COUNCIL**

## **AUDIT COMMITTEE**

**TUESDAY, 29 JANUARY 2019 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 APOLOGIES**

To receive any apologies.

### **3 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.

**5 - 14**

### **4 MINUTES - AUDIT COMMITTEE 20 NOVEMBER 2018**

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

**15 - 24**

### **5 THE LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN'S ANNUAL REVIEW 2017/18**

Report of the Chief Executive.

**25 - 112**

### **6 CORPORATE RISK REGISTER UPDATE**

Report of the Assistant Director, Audit & Risk Management

- 113 - 136**      7      **AUDIT FINDINGS REPORT RECOMMENDATIONS - PROGRESS REPORT**  
Report of the Corporate Director, Finance & Governance
- 137 - 194**      8      **GROUP COMPANIES - INFORMING THE AUDIT RISK ASSESSMENT**  
Report of the Corporate Director, Finance & Governance
- 195 - 222**      9      **BIRMINGHAM AUDIT - HALF YEAR UPDATE REPORT 2018/19**  
Report of the Assistant Director, Audit & Risk Management
- 223 - 226**      10      **GRANT THORNTON - HOUSING BENEFIT ANNUAL CERTIFICATION LETTER**  
Report of the External Auditor
- 227 - 232**      11      **GRANT THORNTON - VALUE FOR MONEY PLAN**  
Report of the External Auditor
- 12      **EQUAL PAY UPDATE**  
Report of the City Solicitor.  
TO FOLLOW
- 13      **DATE OF THE NEXT MEETING**  
The next meeting is scheduled to take place on Tuesday, 26 March 2019 at 1400 hours in Committee Room 6.
- 14      **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.
- 15      **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'.
- 16      **EXCLUSION OF THE PUBLIC**  
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

## **PRIVATE AGENDA**

17 **MINUTES - AUDIT COMMITTEE 20 NOVEMBER 2018 - PRIVATE**

Item Description

18 **EQUAL PAY UPDATE - PRIVATE**

Item Description

19 **OTHER URGENT BUSINESS (EXEMPT INFORMATION)**

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.



# BIRMINGHAM CITY COUNCIL

**AUDIT COMMITTEE  
20 NOVEMBER 2018**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON  
TUESDAY, 20 NOVEMBER 2018 AT 1400 HOURS IN COMMITTEE  
ROOM 6, COUNCIL HOUSE, BIRMINGHAM**

**PRESENT:-**

Councillor O'Shea in the Chair;

Councillors Afzal, Bridle, Jenkins, Shah, Tilsley, Trickett and Webb.

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**NOTICE OF RECORDING/WEBCAST**

- 61 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.birminghamnewsroom.com](http://www.birminghamnewsroom.com)) and members of the press/public could record and take photographs except where there were confidential or exempt items.

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

**MINUTES**

- 62 **RESOLVED:-**

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

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**PARADISE CIRCUS – GOVERNANCE ARRANGEMENTS**

Clive Heaphy, Strategic Director, Finance and Governance and Rob Groves, Development Manager, Argent presented the following slides:-

(See document No. 1)

Clive and Rob provided a detailed commentary on the background and the up to date position of the Enterprise Zone and Paradise Circus. This included the financial challenges that had to be faced and the governance changes that had been put in place in order to best manage the project going forward.

In response to Members' comments the following points were captured:-

Rob made reference to the enterprise zone model and explained that the private sector since 2015 had been paying and would continue to pay business rates on council buildings that were no longer in existence, adding that there was no loss of rates to either BCC or the Local Enterprise Partnership (LEP) and that it was a significant investment return over time.

He further alluded to the income BCC received directly from the development to ensure that the city was not losing rental throughout the construction phase of the development and when the development completed, explained how BCC would have gained more freehold and subsequently explained the income that would be received from this, adding that BCC's investment during construction was effectively covered by the private sector but also getting an uplift in the Enterprise Zone and the LEP and also having secured a long-term revenue stream.

He further explained the merits of the investment for the private sector and the fact that they get an opportunity to develop buildings in what is a prime location and the expectation of a long-term revenue stream from the office development.

Clive highlighted that from the funders' perspective, it was ensuring that it was at a level that was consistent with its funding model for the number of jobs added and for the benefit to cost ratio. He subsequently explained how the cost ratio was a measurement of money going in verses the long-term value coming out of the site, adding that it remained strong and that they were now working on the update and would return in due course with the final figure.

Clive briefly explained the financial advantage for BCC regarding the uplift in business rates up until 2046 and how they had managed to unlock the rest of business rates due to the fact that it had been done through US TIF model.

Clive confirmed that the decision to spend Phase 1 and 2 allocations in Phase 1 was taken over time and that the decisions within the Paradise Circus Limited Partnership (PCLP) were not being communicated up through the capital side of BCC and the LEP Board.

Clive confirmed that they would be conducting a full audit across the whole range from the beginning of the scheme up until the current time, to understand exactly what had happened and how this could have been prevented. He referred to BCC and the LEP and stated that there would most likely be a joint commissioned piece of work, adding that there were learning points for both parties.

He confirmed that he became aware of the situation in the early part of the year and highlighted that was it was not an overnight problem and that it had been working its way through the system since 2013/2014, adding that he was unable to confirm the gap between decisions taken and BCC being aware of the decisions being changed.

Rob referred to the costing of the development and stated that the team running the project had not spent a penny without the PCLP approval and confirmed that everything went through a due process. Further reference was made to the additional offer from the private sector and with the anticipation of market demand whereby there will be rental increases providing the ability for money to be captured back or less of the money is required for the Phase 3 element when that comes forward.

Rob highlighted that there would be an element of attraction with jobs here and provided an example of where PwC had doubled their space in the city based on the offer they had received. He further highlighted the importance of providing quality office space and also good public places which would be a much bigger attractor for those investors that come out of London, adding that the development like this does attract more people into the city.

Rob highlighted that although EZ investment was significant, the private sector investment was massively higher which would also be the same for Phase 2 and that the values would be even greater once the development was completed.

Rob confirmed that while he had been satisfied with the information that had provided was somewhat surprised where there had been additional scopes of work which he anticipated would not have been foreseen by the team.

Clive referred to the £1m of underwriting working capital which was the current exposure and was working with KPMG advisors and the LEP advisors in this regard. He added that he would continue to monitor the exposure and should there be any increase this would be reported through the normal channels. He subsequently apologised for the lateness of this report and stated that as he wanted to provide the most up to date information and it would have been difficult to provide this a week ago.

Clive made reference to the way the LEP worked regarding the 3 criteria mentioned; the value added, the benefit cost ratio and the jobs created as the key measure of the success of the scheme which has to be evidenced that it can be delivered, and if they are satisfied the money will be provided on that basis. He highlighted that it was about making sure that BCC together with the LEP deliver the scheme properly with no more hiccups.

Clive reiterated that he would be commissioning an audit at they would be looking right back to the start of the scheme, the basic set up, the governance and what has happened in the intervening years, changes of personnel and how they have been dealt with. He referred to the reporting lines both internally and to the LEP and to ensure in going forward, there was the right structure in place and to make sure the right people see it at the right time.

He stated that within BCC there was the Capital Board chaired by the Leader and there would be regular reporting and gave assurance that Audit Committee would be alerted if there were any concerns around the project.

In response to the Chair and members' comments relating to the Commonwealth Games, Clive explained how each project within the games had its own board that was overseen by various people which included Sport England who sat on the Commonwealth Games Federation.

He referred to the Capital Programme Board which he chaired which pulled together all of the capital projects and confirmed that it enabled them to look at the interplay between all of the projects to make sure that if one was slipping it was not impacting on another. He added that there was a contingency to cover any cost increases and explained how it was managed through agreement with the DCMS in terms of the way that it was operated.

He referred to the 'dashboard' reporting, the regular monthly meetings and if there were any amber or red lights on the project plans, explained how these were addressed and how they would be escalated if necessary. He stated that there were learning points that they were now putting in place as better practice within the Commonwealth Games.

The Chair explained that Councillor Ian Ward, Leader of BCC, was invited to the meeting due to the fact the Enterprise Zone had been flagged up on the Risk Register.

In response to members' comments, Councillor Ian Ward, Leader, BCC, confirmed that he had been made aware of the overspend when it had been reported to Clive earlier this year, and was aware of the BCC investment in the Commonwealth Games. He referred to the areas where there had been failings which he believed were the incorrect level of governance and communication back to both BCC and the LEP when the overspend was taking place.

He stressed that there were questions to be asked regarding the fact that BCC had representatives on the Joint Venture and it was important that past mistakes could not be repeated and lessons learnt when moving forward. He was of the belief that the numbers could be explained and why they were where they are today.

He made reference to other projects that BCC were taking forward which included the Commonwealth Games Village, and highlighted that there was now a very different approach being taken to how the business case is put together rather than when this particular project was developed. He added that any lessons learnt can now be fed into further improvement on further developments that may be brought forward in the future.

He alluded to when the decision was taken to create the Enterprise Zone, there was the need to bear in mind that it was about capturing business growth rate that would not have been captured and with the retention of 50% back then, BCC was now in a different position.

He was of the opinion that when the decision was taken to develop this site, it was recognised that it was strategically important for the city and believed that it still remained the case today. He highlighted the need to ensure it had the appropriate governance in place and the changes outlined in Clive's

presentation were about addressing the deficit and ensuring that these problems do not re-occur in the future. He added that the fact there was a return to the LEP through business growth rate and there was a return to BCC outlined by Rob, believed that there was the need to find a way of ensuring that this development continued, otherwise, BCC would be left with a problem in that particular location for some years to come.

He agreed that there was the need for transparency in these matters and subsequently referred to the positive aspects of the development which were job retention and job creation, adding that they would not want to see a new office development constructed elsewhere and PwC relocate.

In response to further comments from Members, Clive explained that all developments would go through the phase of having to put costing up front to derive future benefit, and highlighted that the benefit would be on the economic prosperity of the city and subsequently detailed the ways in which this would be evidenced.

He added that the long-term benefits would be making a city where companies would want to inwardly invest albeit takes time for these developments to work through and inevitably the capital costs of any development have to be repaid before you begin to see the real financial benefits.

He confirmed that part of his role was to make sure the capital programme and other programme controls are reviewed and when undertaking a programme like this to ensure the costs and benefits are monitored and that they are delivered on budget and referred to the establishment of the Capital Board chaired in order to do that as the main mechanism, adding that it will be the guardian of everything and ensure that those controls are strengthened.

Clive confirmed that they would continue to work very closely with the LEP in terms of funding and the gap being funded by the growth in business rates and creating the economic and financial arguments to support the work that is ongoing. He referred to the work undertaken by KPMG which will result in the presentation report to the LEP in January 2019 whereupon a decision is expected at that point in time.

He stated there if they could continue to prove that there is a strong financial case underneath this and what needs strengthening is the governance, controls and reporting then would expect no reason why BCC would not be successful in the bid and the scheme to continue. He added that from a LEP Board perspective, they fully understood the importance of this scheme not just for the city but for the region as a whole and that it had the full support within the LEP in going forward.

He reiterated the importance of ensuring that the appropriate controls were in place to prevent issues repeating in the future

The Chair concluded by thanking the Leader, Clive and Rob for their attendance and presentation.

Upon further consideration it was:-

63 **RESOLVED:-**

That the Committee noted the presentation and comments.

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**HIGHWAYS PFI CONTRACT - PUBLIC**

64 The following briefing note and presentation was submitted:-

(See document Nos. 2 and 3)

Dominic DeBechi, PFI Contract Manager, Kevin Hicks, Assistant Director, Economy referred to the briefing note and slides, confirming that ultimately from the contract, there had not been the investment from Amey that there should have been.

Kevin detailed the series of events leading to the court case, the successful outcome resulting in Amey owing BCC a significant amount of money. He highlighted that Amey had not provided the programme of works that was expected and regardless of moving forward as a council which was part of the ongoing negotiations with Amey, during this time they were still obliged to fulfil their obligations within the contract.

He confirmed that they were working with all parties which was not only Amey but lenders and various government departments that supported this in order to try and find a resolution that achieved the requirements and expectations from the contract.

In response to Members' comments the following points were captured:-

Keven referred to the difficulties in extracting the appropriate information from Amey relating to the current condition of the road network. As a result of that; they were unable to place an accurate value on the level of investment that had been put in, what the true level of investment would be to correct it, and what the cost would be to bring it to the condition that it should be and what should have been expected.

He added that the value of work that has been put in was one question, however, explained that with the funding going into the various resources, the problem was whether it had been allocated into the appropriate areas of work which was what the dispute was about on how the money had been spent.

Kevin referred to the project and confirmed that whilst performance had been poor, and the investment having been the major legal issue in this regard, the project has been well-managed by way of BCC making the contractor accountable in order to ensure that all the obligations of the contract were being enforced, and all money due is paid.

At this juncture, the Committee agreed to exclude the public in order to discuss issues relating to the Highways PFI Contract.

**The web-streaming of the meeting was suspended during the private discussion.**

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**EXCLUSION OF THE PUBLIC**

65 **RESOLVED:-**

That, in view of the sensitive nature of the discussion due to take place relating to the PFI Contract, the public be now excluded from the meeting.

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**PUBLIC**

66 For ease of reference all of the public part of the meeting has been kept together in the Minutes.

At 1620 hours, after representations in private concerning the PFI Contract (Minute No 74 refers), the Committee returned to the public agenda.

**The web-streaming of the meeting re-commenced.**

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**LOCAL INNOVATION FUND**

The following report of the Head of Service – Neighbourhood Development and Support Unit was submitted:-

(See document No. 4)

Councillor Bridle provided a brief overview of the Local Innovation Fund (LIF) by highlighting the objective of the scheme was working with partners in bringing about sustainable solutions to local problems. She made reference to issues relating to transparency and learning and the need for these to be flagged up, adding that if an evaluation of the scheme is commissioned then there should be some public scrutiny.

She suggested that when the final evaluation did take place that it would be helpful to know what was achieved in terms of public outcomes and the need to know what has not worked, and suggested that after the second evaluation report is completed, that elected members meet up to discuss.

At this juncture, Karen Cheney, Head of Service – Neighbourhood Development and Support Unit provided a comprehensive breakdown of the report which included; the interim external evaluation and an outline of the final external evaluation of LIF from October 2018 – February 2019.

In response to Councillor Bridle's request that when the next report was commissioned that there was the opportunity for elected members to meet and discuss achievements and innovation, Karen confirmed that it had already been requested to be included within the next evaluation report.

The Chair commented that it was an informative and honest report.

Upon further consideration it was:-

67 **RESOLVED:-**

The Committee noted the update report and comments.

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Due to the over-running of the meeting, Councillor Webb submitted an apology for having to leave the meeting due to a further commitment.

**CORPORATE RISK REGISTER UPDATE**

68 Due to time constraints, the above-mentioned item was deferred until the next meeting.

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**BIRMINGHAM AUDIT – HALF YEAR UPDATE REPORT 2018/19**

69 Due to time constraints, the above-mentioned item was deferred until the next meeting.

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**AUDIT FINDINGS REPORT RECOMMENDATIONS – PROGRESS REPORT**

The following report of the Corporate Director – Finance and Governance was submitted:-

(See document No. 5)

Martin Stevens, Head of City Finance Accounts, made introductory comments to the report. He highlighted the recommendation that was also to be considered at Cabinet Committee Group Company Governance relating to subsidiaries, and the importance of it being considered there and for any comments then to be fed into this committee.

Upon further consideration it was:-

70 **RESOLVED:-**

That the Committee:-

Noted 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 July 2018.

Seek updated reports to future meetings of this Committee on the continued progress in implementing the management actions proposed.

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**AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The report of the external auditor was submitted:-

(See document No. 6)

Tess Barker-Phillips, Grant Thornton made introductory comments to the report and sector update.

The Chair concluded by thanking Tess for attending the meeting and presenting.

Upon further consideration it was:-

71 **RESOLVED:-**

The Committee noted the report.

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**DATE OF NEXT MEETING**

72 The next meeting was scheduled to take place on Tuesday, 20 January 2019 at 1400 hours in Committee Room 6.

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**AUTHORITY TO CHAIRMAN AND OFFICERS**

73 **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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The meeting ended at 1705 hours.

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CHAIRMAN



**BIRMINGHAM CITY COUNCIL**

**PUBLIC REPORT**

<p><b>Report to: Audit Committee</b></p> <p><b>Report of: Dawn Baxendale, Chief Executive</b></p> <p><b>Date of Meeting: 29 January 2019</b></p> <p><b>Subject: The Local Government and Social Care Ombudsman's Annual Review 2017/18</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 2017/18.</b></p>

### **3. Annual Review: Key Issues**

#### **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 to Parliament his Annual Report. 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 2017/18 and specific information about the Council's Ombudsman complaints.

#### **3.2 Volume of Complaints**

The Annual Review shows that there were 17,452 complaints and enquiries to the Ombudsman last year, compared to 16,863 in 2016/17.

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

The number of complaints about Birmingham determined by the LGSCO in 2017/18 was 455, a fall of just ten cases from 2016/17. But, in addition, the Housing Ombudsman investigates complaints against the Council and she determined 55 complaints during the year, resulting in a total of 510 Ombudsman determinations in 2017/18, a fall of 15 cases overall. The numbers do not 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, Highways and Housing all 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 were traditionally our largest category. That is true for 2017/18 at 102 cases, followed by Revenues and Benefits.

Appendix 1 is provided by the LGSCO and gives two different forms of information. The first demonstrates the subject matter and numbers of complaints received and determined by the Ombudsman about Birmingham in 2017/18. However, it is misleading in that we will not have received the 455 referred to by the LGSCO, as 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 category the LGSCO has used – for instance, ASB complaints appear as ‘Environmental Services, Public Protection and Regulation’, because they may concern noise nuisance. But we usually find that they are housing complaints, because as they tend to be between tenants and will have been responded to by the Housing Service.

### **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 221 cases, this is close to half of the complaints they receive.

The LGSCO closed 93 cases after carrying out initial enquiries and undertook detailed investigations in 72 cases. Of these, 43 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 2016/17, the LGSCO has undertaken fewer detailed investigations (there were 101 last year) and upheld fewer complaints, too – there were twenty more in 2016/17. The LGSCO has advised that he has had a backlog for most of the year and this may account for the drop in determinations, but it is always highly unpredictable.

### **3.7 Reports**

The LGO issued 42 reports in 2017/18, mostly about Education and Children’s Services, Adult Social Care and Housing.

None of these were against Birmingham, but the LGSCO has indicated that there could be a report this year. We last received a report four years ago, so there has been a lengthy period of resolving complaints locally.

### **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 Ombudsman upheld 43 complaints in 2017/18, no complaint resulted in a local settlement of this magnitude. We made 39 financial settlements during the year and the total compensation paid was £12,435 (including 9 cases determined by the Housing Ombudsman, which resulted in compensation.) This sum is less than half the cost in 2016/17, when 55 financial settlements cost us £27,619. Again, this is something that cannot be predicted from year to year.

The most expensive settlement of the year was £6,300 for a complaint concerning the handling of a housing benefit claim back in 2011. A failure to re-instate the claim promptly then contributed to the complainant's eviction from a Housing Association property. This could probably have been avoided, but the complainant became ill at this stage and did not act in his own best interests for a time. The Council offered him a property which he accepted, but by then he had been homeless for three years. The Ombudsman asked the Council to pay £4,500 to the complainant for the period of homelessness and distress due to the eviction and loss of his possessions and £1,800 to the Housing Association for the rent arrears resulting from the failure to re-instate the claim for housing benefit.

Revenues and Benefits take a pragmatic approach to resolving complaints. Having reviewed this thoroughly, they concluded that poor administration of housing benefit in 2011/12 had caused this complaint and by 2017, when it was determined, many improvements had been made. These included an eviction panel for our own tenants and strong liaison agreements with registered social landlords. The high level of compensation was due to the length of time involved. Most of the Revenues and Benefits complaints, where the Ombudsman finds against the Council, result in payments of £200 to £300, so this case was very unusual. The Council has not received an Ombudsman report about a revenues and benefits complaint since 1993, so they have a strong record of local settlements where a claim does go wrong.

### **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.

David Connolly was the Interim Housing Ombudsman until August 2018. He issued an annual report and accounts for 2017/18 but has now been

succeeded by another interim post holder, Andrea Keenoy. The report notes that 14,445 complaints and enquiries were received by Housing Ombudsman Service (HOS) this year, a fall of 600 cases on the previous year.

The Interim Housing Ombudsman highlights the fact that the service works with landlords to try to resolve complaints without a formal determination. 5467 complaints were resolved locally while 1742 were determined formally by the HOS.

Some 43% of complaints to the Housing Ombudsman are about repairs, by far the largest category. For Birmingham, the vast majority of complaints received from the Housing Ombudsman concern repairs.

The service had hoped to reach the target of determining complaints within six months, but only reduced it from nine months to eight months in 2017/18. The delay in determination is the most common complaint against the HOS. This is not surprising as it is much slower than the LGSCO. Whilst it does not affect the Council, it must be very frustrating for complainants.

The Housing Ombudsman enquired about 55 complaints against Birmingham in 2017/18, 27 of them were premature complaints which we resolved ourselves directly with the complainant. Of the remaining 28, the Housing Ombudsman found in the Council's favour in 11 cases, 4 were outside her jurisdiction and 9 resulted in 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 cost of settlements was low, at £1485 for the nine settlements. They range from £450 down to £85. Five complaints were settled at £150 each.

The Housing Ombudsman 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 Housing Ombudsman will investigate.

The Housing Ombudsman also differs from the LGSCO in that when she does investigate, she can order a landlord to take action or to make a payment if she 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 Local

Government Ombudsman. Police and Crime Panels, insofar as they are a committee of a local authority, also fall within the Local Government Ombudsman'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 2017/18.

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

Members will be aware from the Learning from Complaints report to this Committee in March 2015 that 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 Housing Ombudsman.

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 are: 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 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.

**Dawn Baxendale**  
**Chief Executive**

**Contact officer: Miranda Freeman, Senior Liaison Management Officer, Legal Services**

**Telephone No: 303 2033**

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



**Local Authority Report:** Birmingham City Council  
**For the Period Ending:** 31/03/2018

For further information on how to interpret our statistics, please visit our website:  
<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

### 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
51	97	18	49	93	29	102	13	3	455

### Decisions made

Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Detailed Investigations		Total
				Not Upheld	Upheld	
21	34	221	93	29	43	441
<b>Notes</b> Our uphold rate is calculated in relation to the total number of detailed investigations. The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.				<b>Complaints Remedied</b>		<b>Uphold Rate</b> 60%
				<b>by LGO</b>	<b>Satisfactorily by Authority before LGO Involvement</b>	
				28	8	



## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>Audit Committee</b>
<b>Report of:</b>	<b>Assistant Director, Audit &amp; Risk Management</b>
<b>Date of Meeting:</b>	<b>29th January 2019</b>
<b>Subject:</b>	<b>Corporate Risk Register Update</b>
<b>Wards Affected:</b>	<b>All</b>
<b>1. Purpose of Report</b>	
1.1	To update the Audit Committee on the management of risks and issues contained within the Corporate Risk Register (CRR); Appendix A. An index of risks, showing the direction of travel, together with a risk heat map are also included.
1.2	To obtain approval of the revised Risk Management Framework; Appendix B.
<b>2. Recommendations</b>	
2.1	That the Audit Committee reviews the Corporate Risk Register and decide if the risk ratings are reasonable, if the action being taken is effective, or if further explanation/information is required. Approval is sought for the: <ul style="list-style-type: none"> <li>• deletion of risk No 35 - GDPR implementation by May 2018. The wider information management and assurance programme being incorporated and captured within risk No 11; and</li> <li>• inclusion of risk No 46 Universal Credit.</li> </ul>
2.2	Audit Committee approve the revised Risk Management Framework.
<b>3. Background Information</b>	
3.1	Members have a key role within the risk management and internal control processes.

- 3.2 The Audit Committee terms of reference, sets out its responsibilities and in relation to risk management these are:
- providing independent assurance to the Council on the effectiveness of the risk management framework and the associated control environment;
  - whether there is an appropriate culture of risk management and related control throughout the Council;
  - to review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management; and
  - to give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.

#### **4. Corporate Risk Register Update**

- 4.1 The CRR is aligned to the corporate objectives of the Council and identifies the key risks to be managed at a corporate level.
- 4.2 The Council Management Team (CMT) and the Deputy Leader now review the CRR on a monthly basis to strengthen oversight arrangements and have agreed to the above changes.

#### **5. Risk Management Framework**

- 5.1 The Council's Risk Management Strategy, Policy and Toolkit have been reviewed and consolidated into a single Risk Management Framework.
- 5.2 This revised Framework places greater emphasis on the actions that are required to manage risks to their target level.

#### **6. Embedding Risk Management**

- 6.1 There are directorate risk registers in place supported by individual risk registers for service areas. Monthly updates are facilitated through the Directorate Risk Representatives.
- 6.2 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.

6.3 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.

6.4 Risk management is also covered within the Annual Governance Statement.

6.5 To support the above arrangements the risk register format is being simplified so it is more action focused. Audit are also attending Directorate Magement meetings to further embed the review and update of the CRR.

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

7.1 The work carried out is within approved budgets.

## **8. Equality Impact Assessment Issues**

8.1 Risk management forms an important part of the internal control framework within the Council.

8.2 The Council's risk management strategy has been Equality Impact Assessed and was found to have no adverse impacts.

## **9. Compliance Issues**

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

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**Sarah Dunlavey**  
**Assistant Director, Audit & Risk Management**

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## INDEX OF RISKS – PREVIOUS UPDATES

## Safeguarding / Welfare

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
2	Not responding fully and effectively to the improvement agenda for children - Failure to improve children's safeguarding and children's social care.	1	H/H ↑	H/H ↑	S/H ↓	S/H ↔	S/H ↔
32	Risk of significant disruption to Council services and failure to effectively manage and respond to emergency incidents, including acts of terrorism.	2	S/H ↔	S/H ↔	S/H ↔	S/H ↔	S/H ↔
33	Failure of the Council to make its contribution to deliver a step change to the Health and Social Care system resulting in an improvement to the health and well-being of Birmingham citizens.	4	S/S ↔	S/S ↔	S/S ↔	S/S ↔	S/S ↔
42	Travel Assist There are risks within the service over the cost of the provision and ability to deliver the agreed level of service within the agreed budget.	5			S/H	S/H ↔	S/H ↔
43	Early Years Health and Well Being contract There are risks that the assumed financial savings from the contract will not be fully realised due to unforeseen costs and possible grant claw-backs.	7			H/S	H/S ↔	H/S ↔

## Statutory Responsibilities / Compliance with Statutory Responsibilities

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
1	Management of equal pay claims.	9	H/H ↔	S/S ↓	S/S ↔	S/H ↑	S/H ↔
26	Failure to comply with all of the requirements of the Counter Terrorism and Security Act (2015) and the Prevent Duty.	10	H/H ↔	H/H ↔	H/H ↔	H/H ↔	H/H ↔
31	Increased pressure on the statutory homeless service.	13	H/H ↔	H/H ↔	H/H ↔	H/H ↔	H/H ↔
34	Risk of fines being passed down to Local Authorities in relation to air quality / ongoing fines related to not meeting air quality compliance.	16	H/M ↔	H/M ↔	H/M ↔	H/M ↔	H/M ↔
12	Failure to comply with all the requirements of the Equality Act 2012 and the Public Sector Equality Duty.	19	M/S ↔	M/S ↔	M/S ↔	M/S ↔	M/S ↔
25	Failure to comply with statutory timescales in relation to DoLS (Deprivation of Liberty) referrals, which could lead to legal challenge and result in financial loss to the Council.	21	M/S ↓	M/S ↔	M/S ↔	M/S ↔	M/S ↔
11	The loss of significant personal or other sensitive data	23	L/H ↓	L/H ↔	L/H ↔	M/H ↑	M/H ↔
35	Risk of failure to implement GDPR. <b>Nominated for Deletion</b>	24		H/H	M/H ↔	M/H ↔	M/H ↔
36	Failure to respond positively and effectively to the required outcomes of the Grenfell Tower enquiry once known.	25		L/M	L/M ↔	L/M ↔	L/M ↔

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
37	Homelessness Reduction Act – Insufficient council resources to meet the requirements of the Act fully.	27		M/H	M/H ↔	M/H ↔	M/H ↔

### Financial Resilience

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
29	Not developing sufficiently robust plans to support setting a balanced budget (including in the medium term), and not containing net spending within the approved budget.	29	S/S ↑	S/S ↔	H/H ↑	H/H ↔	H/H ↔
15	Not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery.	30	S/M ↔	S/M ↔	S/M ↔	S/M ↔	S/M ↔
38	Management of the Enterprise Zone Programme in line with its delivery plan	33			H/H	M/H ↓	M/H ↔
41	School Deficits National funding arrangements have resulted in real term funding reductions	34			H/H	H/H ↔	H/H ↔
46 New Risk	Universal Credit risks	37					M/H

## Political

Risk No.	Risk Title	Appendix A Page No.	Actual Rating July 2017 L / I	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating Nov 2018 L / I
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None.

## Technology

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
16	That web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services.	39	S/M ↔	S/M ↔	S/M ↔	S/M ↔	S/M ↔
17	Ineffective Corporate Risk Marker IT solution.	41	L/M ↔	L/M ↔	L/M ↔	L/M ↔	L/M ↔

## Transformation

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
7	Lack of capacity and capability to respond to employee relations tensions, poor service, performance issues, sickness absence levels and poor morale due to organisational downsizing and pay freezes.	43	S/S ↔	S/S ↔	S/S ↔	S/S ↔	S/S ↔

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
10	Not building on the recently agreed collaborative approach with the Improvement Panel to deliver change following the Kerslake Report	44	M/S ↔	M/S ↔	M/S ↔	M/S ↔	M/S ↔
18	Failure to adequately evaluate the costs and benefits of alternative delivery models.  Failure to fully implement the decisions made to change policy and service delivery.	45	M/M ↔	M/M ↔	H/H ↑	M/M ↓	M/M ↔
44	Allowance payments	46			M/M	M/M ↔	M/M ↔

### Service Delivery

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
6	Failure to achieve all of the services required including delivery of significant investment into the Highway network within the first five years of the contract.	48	H/S ↔	H/S ↔	H/S ↔	H/S ↔	H/S ↔
39	HS2 Delivery of HS2 following Royal Assent of HS2 Act. BCC role to help facilitate delivery of new railway (including Curzon Station and depot). Maximise benefits for City and minimise/mitigate impact during construction.	49			S/S	S/S ↔	S/S ↔

Risk No.	Risk Title	Appendix A Page No.	Actual Rating Nov 2017 L / I	Actual Rating March 2018 L / I	Actual Rating July 2018 L / I	Actual Rating November 2018 L / I	Actual Rating Jan 2019 L / I
40	Commonwealth Games – Athletes Village Delivery of the Athletes Village dependant on the funding & acquisition of land in addition to potential changes to sporting schedules affecting the village's capacity to accommodate athletes.	50			M/M	M/M ↔	M/M ↔

### Risk Map – December 2018

Risk Map – December 2018					
<b>Likelihood</b>	<b>High</b>		<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Risk of fines re air quality (R34)</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Highways PFI – Core Investment deliverables (R6)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">The Early Years Health and Well Being Contract (R43)</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Compliance re Counter Terrorism &amp; Security Act (R26)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Containing expenditure within approved budget (R29)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Statutory homeless service (R31)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Schools Deficits – National funding arrangements have resulted in real term funding reductions (R41)</div>
	<b>Significant</b>		<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Not divesting of property assets (R15)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Malicious attacks of web based services (R16)</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Employee relations/ sickness absence levels (R7)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Delivery of HS2 following Royal Assent of the HS2 Act (R39)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Failure of STP to deliver change/improve health &amp; wellbeing (R33)</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Equal Pay claims (R1)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Improving children’s safeguarding (R2)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Responding to emergency incidents including acts of terrorism (R32)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Travel Assist – cost of provision and ability to deliver the agreed level of service (R42)</div>
	<b>Medium</b>		<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Evaluation of service deliver options (R18)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Commonwealth Games – Athletes Village (R40)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Allowance Payments (R44)</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Responding to Kerslake Report (R10)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Compliance to Equality Act 2010 &amp; PSED (R12)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Compliance to timescales for DoLS referrals (R25)</div>	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Loss of personal/ sensitive data (R11)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Homeless Reduction Act (R37)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Management of the Enterprise Zone Programme in line with its delivery Plan (R38)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Universal Credit (R46)</div>
	<b>Low</b>		<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Ineffective Corporate Risk Marker IT solution (R17)</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px;">Grenfell Tower Enquiry (R36)</div>		
<b>Key</b>		<b>Low</b>	<b>Medium</b>	<b>Significant</b>	<b>High</b>
		<b>Impact</b>			
	<b>Severe</b>	Immediate control improvement to be made to enable business goals to be met and service delivery maintained/improved.			
	<b>Material</b>	Close monitoring to be carried out and cost effective control improvements sought to ensure service delivery is maintained			
<b>Tolerable</b>	Regular review, low cost control improvements sought if possible.				

Safeguarding / Welfare					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
2	<p>Not responding fully and effectively to the improvement agenda for Children - Failure to improve children's safeguarding and children's social care.</p> <p>Lead: Corporate Director Children &amp; Young People</p> <p>Owner: Assistant Director Commissioning – Sarah Sinclair</p>	Significant / High	<p><b>Lead Director comment</b></p> <p>In April 2018 Birmingham Children's Trust became operationally independent of the council as part of the ongoing process of improvement. The Trust is a wholly-owned company of the council, and works in close partnership to continue to improve outcomes for disadvantaged children and young people in the city.</p> <p>The Director of Children's Services duties still remain within the Council and sit with the Corporate Director for Children and Young People</p> <p>The service is subject to regular Monitoring Visits by Ofsted.</p>	<p><b>Target risk rating:</b> Medium / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> April 2019</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Service Delivery Contract is in place and Commissioning arrangements are being developed to manage the Contract with the Trust.</p> <p>A monthly Operational Commissioning Group meets to consider performance and contract issues, this will also include risk updates. The Lead Member for Children's Services will meet regularly with the Chief Executive of the Trust to be briefed on progress.</p> <p>The Trust will continue to deliver improvement based on the four pillars of</p> <ul style="list-style-type: none"> <li>- Leadership, Management and Governance</li> <li>- Support for Practice &amp; Management</li> <li>- Quality and Assurance</li> <li>- Engagement and Involvement</li> </ul> <p><b>Performance reported at the October</b></p>	<p>O&amp;S - Schools, Children and Families O&amp;S Cttee: The following discussions, reviews and updates have taken place:-</p> <p>The Inquiry into Corporate Parenting was undertaken to improve the Cllrs role as Corporate Parents for Children in Care. This was agreed at Council on 4<sup>th</sup> April 2017</p> <p>Continued with scrutinising the progress with the improvement journey at the July 2017 committee meeting with the Cabinet member and Corporate Director.</p> <p>A number of briefings and updates on the Children's Trust (11 July 17 briefing, 13<sup>th</sup> September 2017 item at committee meeting and 22<sup>nd</sup> November 2017 workshop).</p> <p>In addition the committee have continued to scrutinise arrangements for</p>

Safeguarding / Welfare					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
				Operational Commissioning group (month 6) shows that 14 out of the 15 agreed performance indicators were meeting their target (either above the target or within the accepted threshold for tolerance). In addition a strong focus is being placed on individual case audits and quality reviews with dedicated resource set aside to do this.	children missing from home and care and Child Sexual Exploitation (18 <sup>th</sup> October 2017). IA Review 2018/19: Contract monitoring framework, Service Delivery Framework, Operational review, Client contract monitoring, Correspondence management, Performance framework – high level review and Ofsted Inspection Framework.
32	Risk of significant disruption to Council services and failure to effectively manage and respond to emergency incidents, including acts of terrorism.  Lead: Chief Executive Owner: Corporate Director, Place	Significant / High	<b>Lead Director comment</b>  Project Argus briefing to CLT undertaken during summer 2017.  Major incident exercise (Assured) November 2017.  Protect and prepare meetings programmed quarterly for 2017. Action tracker in place.  Corporate and LRF emergency plans in place.  Working with LRF partners on exercising 24/7 out of hours emergency duty officer service in place including	<b>Target risk rating:</b> Medium / Significant  <b>Anticipated date of attainment of the target risk rating:</b> Ongoing.  <b>Source(s) of assurance regarding progress with mitigating the risk:</b>  Cooperation with WMP CTU on their proposed Birmingham Protect and Prepare Board.  Meeting to discuss this and wider issues 14 <sup>th</sup>	<b>O&amp;S update – Planned item on emergency planning to Co-ordinating O&amp;S in Feb/March 2019</b>  IA Review - None.

Safeguarding / Welfare					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
			<p>emergency control room.</p> <p>Security awareness briefings held with Council House Staff and elected members.</p> <p>Work progressing with Prevent Community Reference Group to incorporate community responses into wider resilience plan</p> <p>Recruitment of Experienced Emergency Planning Professional</p>	<p>July 2017.</p> <p>Consolidate BCC and WMP P&amp;P Processes</p> <p>Active BCC engagement in the new Regional Multi-Agency sharing pilot with Home Office, MI6 and CTU colleagues in the Weat Midlands.</p> <p><b>Business Continuity Policy and Corporate Plan in final draft pending CMT.</b></p> <ul style="list-style-type: none"> <li>• <b>Michael Enderby (Head of Place Resilience) now in post.</b></li> <li>• <b>Full Review of Emergency Plan and Business Continuity occurred.</b></li> <li>• <b>New interim Emergency Plan launched and new Emergency Plan being launched.</b></li> <li>• <b>Roles and people identified.</b></li> <li>• <b>Training programme starting for commanders.</b></li> <li>• <b>New response and duty process</b></li> </ul>	

Safeguarding / Welfare					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
				<p>implemented.</p> <ul style="list-style-type: none"> <li>Further review of response arrangements underway.</li> <li>Shelter and Volunteers plan being updated.</li> </ul>	
33	<p>Failure of the STP to deliver a step change to the Health and Social Care system resulting in an improvement to the health and well-being of Birmingham citizens.</p> <p>Lead: Interim Corporate Director Adults Social Care &amp; Health Owner: Graeme Betts</p>	<p>Significant / Significant</p>	<p><b>Lead Director comment</b></p> <p>The leadership of the STP has changed. The STP board has agreed a revised purpose which will mitigate this risk. However, the scale of the challenge including meaningful public and staff engagement will mean this process will not be fast. Additionally there are “task” requirements of NHSE which may deflect attention this year.</p> <p>The STP “purpose” is evolving under new leadership. A draft vision and values has been developed and under consideration by the STP Board.</p> <p>The revised STP purpose has been accepted by the STP Board</p>	<p><b>Target risk rating:</b> Low / Medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> March 2019.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>STP board which is represented by the Leader / Cllr Hamilton, CEO and Graeme Betts.</p> <p><b>STP is a standing item on the Health and Wellbeing Board bimonthly meetings to receive updates from the Birmingham and Solihull CCG. Graeme Betts is a member of the STP Programme Board and Becky Pollard is a member of the Development and Delivery Board. Public Health is currently auditing the involvement in the BSol STP</b></p>	<p>O&amp;S - Health &amp; Social Care O&amp;S Committee have had regular updates on the STP both in main committee and Joint Birmingham / Solihull Health Scrutiny Committee.</p> <p>On 8<sup>th</sup> March 2017, Andrew McKirgan, who was then the Director BSol STP and Judith Davis, Programme Director, Better Care Fund attended Birmingham / Solihull JHOSC to present a progress report.</p> <p>The new BSOL STP lead</p>

Safeguarding / Welfare					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
				<p>process to ensure appropriate engagement.</p> <p>The STP Board has agreed its strategy and is engaging with the public and stakeholders. Work streams have been agreed and priorities identified. There is a high degree of commitment amongst the partners. The main risk is that the work streams are not all as well-advanced as others which means that the risk that improvement for some citizens may take longer than would be desirable.</p>	<p>Dame Julie Moore, Andrew McKirgan, Director of Partnerships UHB and Graeme Betts attended the 21<sup>st</sup> November HOSC to update Members.</p> <p>Update on draft stakeholder engagement report shared at Oct 2018 HOSC by STP Director of Planning &amp; Delivery together with input from CCG Chief Exec and Birmingham Interim Director of Public Health.</p> <p>STP draft plan discussed at City Council on 6<sup>th</sup> November 2018</p> <p>IA Reviews - None.</p>
42	<p>Travel Assist</p> <p>There are risks within the service over the cost of provision and ability to deliver the agreed level of service within the agreed budget.</p>	Significant / High	<p>Birmingham has a higher than average number of children with SEN (17.8% in the city; 15.5% nationally). Travel Assist supports over 5,700 children and young people to an educational setting. Of these, over 4,200 are on some form of specialised transport (mini-bus/coach/one-to-one transport). It is a huge logistical operation on a daily basis.</p> <p>The TA budget for the last few years has been artificially</p>	<p>Target Risk Rating: Medium/ Significant</p> <p>Anticipated date of attainment of target risk rating: Sept 2019</p> <p>Source of assurance regarding progress with mitigating the risk:</p>	<p>IA 2018/19: Work completed last year looking at contract arrangements. Work currently taking place in terms of assessment and allocation process which includes impact on cost of</p>

Safeguarding / Welfare					
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	<p>There are also wider service risks about the capacity of the market to deliver this service and the reliance upon a single provider due to limited minibus capacity with.</p> <p>Lead: Anne Ainsworth Assistant Director. Owner: <a href="#">Sharon Scott</a></p>		<p>low. It was significantly reduced to £13.6m in 2016/17 based on a consultancy report. This resulted in 2016/17 in a £5.3m overspend (£18.9m), and an unprecedented number of complaints and negative attention placed on the service and BCC. Over the course of the academic year 2016/17 90% of the change programme was delivered. While the TA budget has been increased for 2018/19 the service still faces an potential anticipated deficit of up to £3,000k covering both contract hire and Guides</p>	<ul style="list-style-type: none"> <li>Plans are being developed to remodel and re-procure the service. As part of the planned procurement new models of delivery with less reliance on minibuses are being developed to provide greater choice with regards to the delivery of the service.</li> <li>A new 0-25 Transport Policy proposal was presented to Cabinet in December.</li> <li>SENAR and Travel Assist will work more closely to consider the combined cost of an education placement and the cost of transport</li> </ul> <p>In the longer term the implementation of the SEND and Inclusion Strategy will bring places back into the city closer to where the children who need them live, thus reducing transport costs.</p> <p><a href="#">Options paper been produced as part of the latest budget template round.</a></p> <p><a href="#">Communications and Engagement exercise to support the consultation being developed.</a></p>	<p>delivering service.</p> <p><a href="#">Presentation made to November Children's Social Care OSC meeting to report on and review Travel Assist. Also to be asked to report back to Resources O&amp;S on overspends</a></p>

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43	<p>Early Years Heath and Well Being contract</p> <p>There are risks that 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</p> <p>There are also wider risks relating to the construction of the contract itself and the lack of robust contract management arrangements.</p> <p>All risks have been increased due to a lack of permanent commissioning and contract management arrangements</p> <p>Lead:Corporate Director, Children &amp; Young People Owner: Assistant Director</p>	High/ Significant	<p>In January 2018 the EYHWB Contract was issued to BCHC and a Secondment Agreement put in place between all Parties. Contract mobilisation date was the 8 January 2018. Programme management arrangements were fully stood down in March 2018. In mid-April it was clear that there were a number of outstanding risks and issues in relation to this contract. The following actions have been taken/are planned;</p> <ul style="list-style-type: none"> <li>• Interim AD capacity in place to oversee the programme</li> <li>• Urgent review of the Contract, Secondment Agreement and contract management arrangements completed</li> <li>• Stocktake report being developed</li> <li>• Programme management arrangements being reinstated with cross directorate representation</li> <li>• Risk and issues log reviewed and updated</li> <li>• Key actions identified in relation to finance, HR, estates, performance management, contract mobilisation, IT</li> <li>• Developing 1.0 fte grade 6 commissioning</li> </ul>	<p>Target Risk Rating: Significant/medium</p> <p>Anticipated date of attainment of target risk rating: January 2019</p> <p>Source of assurance regarding progress with mitigating the risk</p> <ul style="list-style-type: none"> <li>- Newly established Children’s and Young People’s Commissioning Board which has cross directorate senior representation</li> <li>- Contract management arrangements in place to effectively monitor</li> <li>- <b>Ongoing work to review the contract and address employment and building issues which are being reviewed.</b></li> <li>- <b>There is a further risk around VAT liability due to staff secondment arrangements</b></li> <li>- <b>Internal Audit have undertaken a review of at the request of the Directorate. The recommendations from this will be fed</b></li> </ul>	<p>IA 2018/19: Job planned for January 2019 looking at commissioning and contract management.</p>

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	Commissioning – Sarah Sinclair		capacity as part of an overall Early Years re-structure	<p>into the improvement activity</p> <ul style="list-style-type: none"> <li>- Contract Management Board now established</li> <li>- Urgent work is taking place to address gaps in contract in relation to finance, performance and estates</li> </ul>	

Statutory Responsibilities / Compliance with Statutory Responsibilities					
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1	<p>Management of Equal Pay Claims</p> <p>Lead: Chief Finance Officer Owner: Kate Charlton</p>	<p>Significant / High</p> <p>Following CMT review</p>	<p><b>Lead Director comment</b> Since 2007 to date a significant number of claims have been issued against the Council. The predominance of these claims relates to liability pre implementation of single status, which took place in 2008 and also liability post implementation of single status. The time limit for issuing further claims for both these types of claims has now expired.</p> <p>The Council has also received claims for post implementation of the Birmingham Contract (November 2011); some with limited pleadings. The recent industrial action in waste management (July – November 2017) has increased the profile of Equal Pay. There remain considerable unknowns as to how many further claims might be brought and what risk or level of liability these claims might attract.</p> <p>Significant progress has been made in terms of defending equal pay claims and managing settlement negotiations, where approved by the Council. The settlement strategy is based on level of assessed risks in relation to the likely success of claims through the tribunal/court process and the availability of financial resources.</p>	<p><b>Target risk rating:</b> Medium / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b> March 2019.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Management assurance - reporting to Equal Pay Executive Cabinet Sub Group and to Corporate Governance Group, Audit Committee and District Auditor.. With a view to preventing any discriminatory working practices, robust review of processes and checks and balances to mitigate against / prevent further liability where evidence of potential risk(s) is known / identified.</p>	<p>O&amp;S - None.</p> <p>IA - Payroll review work undertaken annually.</p>

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			The validity of all equal pay claims is constantly challenged by Legal Services. Each claim is subject to robust legal challenge before any offer to settle is made.		
26	<p>Failure to comply with all of the requirements of the Counter Terrorism and Security Act (2015) and the Prevent Duty.</p> <p>Lead: Corporate Director, Place Owner: Jacqui Kennedy</p>	High / High	<p><b>Lead Director comment</b></p> <p>The threat and vulnerability risk assessment of a terrorist attack in the UK places Birmingham as the most vulnerable city after London. In 2015 the Council and partners reviewed its infrastructure around this risk to take into account the Counter-Terrorism and Security Act 2015, that includes a duty on certain bodies ('specified authorities' listed in Schedule 6 to the Act), in the exercise of their functions to have 'due regard to the need to prevent people from being drawn into terrorism'. The duty does not confer new functions on any specified authority. The term 'due regard' means that the authorities should place an appropriate amount of weight on the need to prevent people being drawn into terrorism</p>	<p><b>Target risk rating:</b> Medium / Significant</p> <p><b>Anticipated date of review/attainment of the target risk rating:</b> Ongoing</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Delivery continues to be monitored by the CONTEST Board Chaired by the Deputy Leader.</p> <p>Prevent Delivery Plan in place driven by Counter Terrorism Local Profile, monitored by the Prevent Executive Board, chaired by Jacqui</p>	<p><b>O&amp;S</b></p> <p>Waqar Ahmed and colleagues reported to the Schools, Children and Families O&amp;S Committee on 21/3/18.</p> <p><b>Birmingham contributing to the Home Office Audit on national Prevent activity</b></p>

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			<p>when they consider all the other factors relevant to how they carry out their usual functions.</p> <p>The Council has applied a partnership and mainstreaming approach to mitigate the risks associated with the threat.</p> <p>Governance for the Prevent programme has been strengthened with the Prevent coordinator now reporting directly to the Strategic Director and Assistant Chief Executive increasing visibility across the Council.</p>	<p>Kennedy.</p> <p>Security briefings to Council House staff &amp; Members.</p> <p>Training for front line staff moved to a 'train the trainer' model - 600 trainers having been trained to deliver future WRAP awareness training to schools alleviating capacity issues within the local authority.</p> <p>Support continues to be provided to schools around Prevent via the Schools Resilience Officer and officer has been recruited.</p> <p>Prevent is embedded within CASS/MASH arrangements and within the Right Services, Right Time safeguarding procedures. A new screening tool has been developed to support the request for support form and has been circulated to front line practitioners.</p> <p>CHANNEL is in place as a multi-agency pre-criminal space platform to support vulnerable people; and chaired by the DWPs Think Family Lead.</p>	

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				<p>Community initiatives in place commissioned by the Home Officer to provide community solutions and are regarded by the Home Office as national best practice with scaling up plans initiated to extend into other regional areas. Funding for a second community engagement worker has been secured; a secondment arrangement with the youth service is being agreed.</p> <p>BCC Resilience Team continues to lead on the Prepare and Protect strand of the counter-terrorism strategy.</p> <p>CTLP for 2018 delivered to the Chief Executive in January 2018 and the Prevent Executive Board in early February.</p> <p>Recruitment of Michael Enderby as Head of Resilience. Experienced professional in Emergency Planning, Prepare and Protect.</p> <p><b>In the Chief Executive proposed new structure reporting lines would be to the Assistant Chief Executive only to ensure more profile and clarity of role and reporting line.</b></p>	

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				<p>The recent Home Office Peer review of Birmingham City Council's Prevent responsibilities highly commended the work Birmingham is doing.</p> <p>The recent permanent appointment of a Head of Resilience is a positive step to ensure the City is prepared.</p>	
31	<p>Increased pressure on the statutory homeless service in regards to volume of customers, which leads to significant financial pressure on the general fund due to increased use of B&amp;B.</p> <p>Lead: Corporate Director, Place Owner: Rob James</p>	High / High	<p>To mitigate the financial pressure on the service, several management interventions have been put in place. These include a report to Cabinet in August 2017 to increase the number of homeless centres owned and managed by Birmingham City Council. Properties are to be refurbished for use as temporary accommodation, which avoids use of Bed and Breakfast (the most expensive).</p> <p>The report sets out:</p> <ul style="list-style-type: none"> <li>Proposals for the creation of two additional homeless centres for use as temporary accommodation as part of the Council's statutory duty to provide temporary accommodation; and</li> </ul>	<p><b>Target risk rating:</b> Medium / Medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> March 2019.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Management assurance - regular reporting to Cabinet Member, monthly meetings with finance, discussions at Housing DMT, 1to1s with Head of Service.</p> <p>Reduce known risks at fortnightly meetings with all partners and manage risk to reduce these through pro-active work</p>	<p>O&amp;S -The Housing and Homes O&amp;S Committee inquiry into rough sleeping was presented to City Council in June 2017. The Committee completed the tracking of the rough sleeping inquiry report at its October meeting but will continue to review non-delivered and on-going elements of the recommendations. At the October meeting Members also received an update on the review</p>

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			<ul style="list-style-type: none"> <li>The approach and procurement strategy for the refurbishment of two Council owned properties for use as temporary accommodation.</li> </ul> <p><b>The homeless prevention strategy has been launched and commitments gained from partners on how they will collaborate to prevent homelessness. The commitments will form the action plan which will be monitored through the homelessness partnership board.</b></p> <p>Work continues at Barry Jackson to remove asbestos and prepare the site for refurbishments works to begin this financial year. Risk is being managed by Capital Investment Team, the Service and contractors at fortnightly meetings. There is considerable pressure from and opposition to the proposal from the local community. A plan has been agreed to address concerns however the risk remains very high that this project may be withdrawn as a result of community activity and pressure. Costs have exceeded agreed budget as a result of additional capital works agreed. The requirement to install sprinklers at both locations, further to the Leaders commitment, will push the full occupancy dates back to yet to be confirmed dates.</p>		<p>of the Allocations Scheme and will receive a further update in December as part of a wider update on implementation of the Homelessness Reduction Act.</p> <p>The Committee is also doing a piece of work on the Private Rented Sector, which will look in some detail at the use of private rented accommodation to address homelessness, and temporary accommodation.</p>

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			<p>Targeting of readily available void dwellings suitable for re-housing homeless households and for use as temporary accommodation has been increased to help reduce B&amp;B use.</p> <p>Planning permission has now been obtained for Barry Jackson Tower.</p> <p>Work is ongoing with Contractors to identify any potential for bringing this forward; however, this needs to be balanced with ensuring it is completed safely and appropriately.</p> <p>Work with Registered Providers has identified opportunities in regard to homeless prevention and provision of accommodation this is being worked on from both the Registered Provider Sector and Birmingham City Council.</p> <p>Following commencement of the Homelessness Reduction Act, there has been a predicted increase in homeless presentations. However, this has also resulted in an increase in preventions as a result of the new approach to handling homeless presentations.</p> <p>Report submitted to Cabinet in December and</p>		

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			<p>briefing note and presentation to CMT providing a more detailed update on current position with regard to responding to homelessness, increased risk and current position.</p> <p>The risk is continually reviewed and updates provided to Cabinet Member at weekly briefings.</p> <p>There is a shared Temporary Accommodation and Bed and Breakfast reduction action plan with Homeless Partnership Board and Housing Birmingham.</p>		
34	With uncertainty on the UK air quality action plan following challenges through the judicial system and the costs associated with the Government announcing infraction fines being passed down to Local Authorities in relation to air quality there is the potential of an initial £60m fine and then ongoing fines related to Birmingham not meeting air quality compliance.	High / Medium	<p><b>Lead Director comment</b></p> <p>The Council has been issued with ministerial directions under the Environment Act (1995) to complete key milestones to be compliant for roadside NO<sub>2</sub> by 2020</p> <p>Cabinet, in June 2018, agreed options for public consultation regarding a Clean Air Zone for Birmingham. The ambition demonstrated in the option for consultation has gone some way to mitigating the risk of Government fine. An Outline Business Case has been submitted to Government to release relevant funds for preventative work and allow for independent analysis of the modelling outputs. <b>A special Cabinet in September 2018</b></p>	<p><b>Target risk rating:</b> Medium / Low</p> <p><b>Anticipated date of attainment of the target risk rating:</b> <b>January 2020</b></p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Wider Air Quality Plan that includes:</p> <ul style="list-style-type: none"> <li>Traffic management, signalling and signage controls - 12/2018.</li> <li>Controlled Parking Zones - 12/2018.</li> </ul>	<p>O&amp;S - The Health &amp; Social Care O&amp;S Committee have carried out an inquiry into 'The Impact of Poor Air Quality on Health'. Evidence gathering took place on 17<sup>th</sup> January 2017 and 28<sup>th</sup> March 2017. Witnesses included:-</p> <ul style="list-style-type: none"> <li>Public Health England</li> <li>Friends of the Earth</li> <li>Birmingham Trees for</li> </ul>

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	<p>The Council has been mandated to introduce a Clean Air Zone by Government. The substantive risk is now to agree, fund and deliver the Clean Air Zone in the shortest possible time, with a target of January 2020.</p> <p>Lead: Assistant Chief Executive Owner: <b>AD Transportation/ Waheed Nazir</b></p> <p>Air quality is now led by Jonathan Tew. However Duncan Vernon Acting AD for Public Health has assisted with the Public Health consultation which has now closed.</p>		<p>considered the consultation response and endorsed a 'preferred option business case' for submission to Government.</p> <p>Significant milestones remain; however, a Preferred Clean Air Zone Option Business Case has been prepared, approved and submitted to Government for review.</p> <p>This Business Case will need to be further refined into a Full Business Case to fully comply with the Ministerial Direction over the next 2-3 months.</p> <p>Significant milestones remain, however, with particular emphasis around a special Cabinet in September 2018 and submission of the Full Business Case</p> <p>These headline mitigations are supported by: -</p> <ul style="list-style-type: none"> <li>- Weekly teleconference meetings with DEFRA's Joint Air Quality Unit to update mitigation plans.</li> <li>- Regular Cabinet Member briefing to provide strategic direction for wider Air Quality Programme including deployment of Clean Air Zone.</li> <li>- Ongoing feasibility studies to measure air quality</li> </ul>	<ul style="list-style-type: none"> <li>• BCC Internal &amp; External Fleet transition to low / zero emission full Low / zero re-fuelling infrastructure - 04/2019.</li> <li>• Clean Air Zone strategic business case signed off by Secretary of State by 12/2017 to enable CAZ infrastructure for access restrictions deployed by 04/2019.</li> <li>• Revised Birmingham Taxi Licensing Policy based on air quality compliance emissions - 12/2018.</li> <li>• All BCC procurement frameworks and tendering processes aligned with CAZ compliance -12/2018.</li> </ul>	<p>Life</p> <ul style="list-style-type: none"> <li>• Transport for West Midlands</li> <li>• Birmingham Children's Hospital</li> <li>• Network Rail</li> </ul> <p>The final report was presented to City Council for ratification on 12<sup>th</sup> September 2017.</p> <p>Further reports tracking the implementation of recommendations will be presented to HOSC on a regular basis beginning in January 2018 with progress report from Cllr Trickett on behalf of the Air Quality Members Steering Group</p>

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			<p>impact and assess measures and controls to meet compliance, including level of Clean Air Zone to be deployed.</p> <ul style="list-style-type: none"> <li>- Development of overarching clean air policy for Birmingham for 2018.</li> <li>- Ongoing joint development work and positive engagement with WMCA.</li> </ul> <p><b>Key progress comprises the completion of a Preferred Clean Air Zone Option Business Case and Cabinet report to authorise submission to Government by 15 September 2018, as required by the Ministerial Direction. The report follows the largest ever response of circa 11,000 to the CAZ consultation.</b></p> <p><b>A special Cabinet in September 2018 considered the consultation response and endorsed a 'preferred option business case' for submission to Government. Submission of the Full Business Case followed in December 2018.</b></p>		<p>A report on the air quality at New Street Railway Station was presented to committee by representatives from Network Rail and the University of Birmingham on 20<sup>th</sup> March 2018</p> <p><b>The Sustainability &amp; Transport Committee carried out a session focussed on the CAZ consultation on 2<sup>nd</sup> August 2018 with invited stakeholders. The Committee made a submission to the consultation following this session.</b></p> <p>IA Review - 2018/19 – Planned.</p>

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12	<p>Failure to comply with all of the requirements of the Equality Act (2010) and the Public Sector Equality Duty.</p> <p>Lead: Assistant Chief Executive / HR Director Owner: Jonathan Tew</p>	Medium / Significant	<p><b>Lead Director comment</b></p> <p>The Public Sector Equality Duty (PSED) was created by the Equality Act 2010 and is set out in section 149. It applies to public bodies, such as local authorities listed in Schedule 19 to the Act, and to other organisations when they are carrying out public functions. The PSED contains specific duties (Specific Duties Regulations 2011) which are an important lever for ensuring that public bodies take account of equality when conducting their day-to-day work. When delivering their services and performing their functions, bodies subject to the PSED must have due regard to the need to:</p> <ul style="list-style-type: none"> <li>• Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.</li> <li>• Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it.</li> <li>• Foster good relations between people who share a relevant protected characteristic and those who do not share it.</li> </ul>	<p><b>Target risk rating:</b> Medium / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Attained.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <ul style="list-style-type: none"> <li>• Corporate Governance is in place to manage this risk effectively and close monitoring by ECS&amp;CS and Legal Services will continue in order to address any issues which may arise.</li> <li>• Corporate Consultation undertaken on savings proposals.</li> <li>• Unique EA reference will be tracked and reported against individual Corporate Savings Proposals.</li> <li>• Corporate Steering Group to oversee compliance.</li> <li>• Initial RAG assessment of savings</li> </ul>	<p>O&amp;S - Corporate Resources and Governance O&amp;S Committee to have briefing on HR matters including workforce equality on 2<sup>nd</sup> November 2017.</p> <p>IA Review - None.</p>

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			<p>Legal challenge can delay implementation of change and significantly delay or reduce the planned savings to be achieved this may also have a detrimental impact on other services. It is important therefore, that Equality Assessments (EAs) are carried out robustly across BCC regarding all initiatives and service delivery changes. The responsibility for ensuring that EAs for all major policy / budget changes lies with the Directorates. All EA are subject to audit by Quality Control Officers and Senior Officers who sign off the completed EA through the Equality Analysis Toolkit currently through the Black Radley software. This supports the equalities agenda and compliance to legislation. They should ensure that the EAs produced by the service are capturing evidence of ongoing compliance. Legal Services are advising on high risk EAs and check compliance through the cabinet report clearance system.</p> <p>Following consultation with Legal Services and Directorate Equality Leads, the Equality Analysis Toolkit was developed to improve the guidance information to staff. If followed, this guidance should help improve the content and standard of EAs submitted for approval.</p> <p>All budget planning paperwork requires equality assessments to be completed at an early stage and throughout.</p>	<p>proposals to be undertaken.</p> <ul style="list-style-type: none"> <li>• Legal advice sought on high risk initiatives.</li> <li>• Process of Legal sign off on Cabinet Reports.</li> </ul> <p>Management assurance. In addition to current guidance and information, the development and use of the online Equality Analysis Toolkit will help mitigate against managers undertaking inadequate EAs. The toolkit provides a step by step process and on line guidance to completing an EA and developing an action plan.</p> <p>The online toolkit provides an overview of all EAs undertaken on the system.</p> <p>Project managers are encouraged to take legal advice on high risk initiatives.</p>	

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			<p>Please note that this Equality Analysis Toolkit will be subject to review in-year 2018/19 as part of a whole-system review of equalities linked to the Councils new workforce strategy.</p> <p><b>Dedicated ELT session on the 12.09.18 considered workforce strategy and feedback from staff network reps. A self-assessment against the Equality Framework for Local Government was undertaken which will guide our action planning in 2019-20.</b></p>		
25	<p>Failure to comply with statutory timescales in relation to DoLS (Deprivation of Liberty) referrals, which could lead to legal challenge and result in financial loss to the Council.</p> <p>Lead: Interim Corporate Director, Adult Social Care &amp; Health Owner: Pauline Mugridge</p>	Medium / Significant	<p><b>Lead Director comment</b></p> <p>This risk is made of 2 components:</p> <p>1) <b>DOLS in Care Homes and Hospitals - DOLS</b> strategy was reviewed in July. ASC&amp;H DLT and the Cabinet Member subsequently adopted the recommendation to adopt an alternative view of the balance of litigation risks v financial risks in this area. In line with the approach taken by the majority of West Midland Local Authorities, it will in future only undertake DOLS assessments for those adults who meet the ADASS “High” criteria. The significantly</p>	<p><b>Target risk rating:</b> Medium / Significant</p> <p><b>Anticipated date of review/attainment of the target risk rating:</b> September 2017.</p> <p><b>Update provided by David Gray 30/04/18</b> The target risk rating was achieved in September 2017 and now remains static</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>A monthly position report is presented to the</p>	<p>O&amp;S - None.</p> <p>IA Review 2016/17: Deprivation of Liberty Standards F/Up.</p> <p>IA Review 2017/18: Deprivation of Liberty 2<sup>nd</sup> F/Up</p>

Statutory Responsibilities / Compliance with Statutory Responsibilities					
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			<p>enlarged Best Interest Assessor (BIA) team, with increased management and administrative support will remain but expenditure on the external BIA service has ceased. The effect is anticipated to be a reduction in the number of DOLS authorisations, but an increase of those of "High" priority (and existing cases due for renewal) being completed within the legal time limit. The overall position of the number of cases which have not been assessed will steadily increase, but this will be viewed as a lower risk to the Council than previously.</p> <p>2) <b>Community DOLS</b> - A business process, staff procedure, manager prioritisation guidance and staff training have been established, in conjunction with legal Services, and are now in use. This level of activity seems to be in line with that of</p> <p>Other local authority areas.</p> <p>There has been no change since the last report so there is no update to report. The position remains as previously reported. The Target Risk Rating was achieved in September 2017</p>	Directorate DOLS Project Board. A bi-monthly report is presented to the Cabinet Member.	

Statutory Responsibilities / Compliance with Statutory Responsibilities					
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			and now remains static. The situation described at 1) above altered during the period since the last update due to the number of DOLS referrals continuing to rise (up by 35% rise in the year to August). As a consequence a back log of high priority cases has begun to develop. The position is to be monitored in the period August to February to understand if the position can be managed within existing resources. A backlog of high priority cases could increase the likelihood of a challenge, but it is not clear that this would alter the position to the extent that a challenge could be described as highly likely.		
11	<b>Revised Risk 17/10/18</b>  That the loss of significant personal or other sensitive data may put the City Council in breach of its statutory responsibilities and incur a fine of up to £20million from the Information Commissioner.  Lead: Senior Information	Medium / High	Lead Director comment The Information Assurance Board (IAB), chaired by the Senior Information Risk Owner (SIRO) have agreed that the Council should achieve level 2 maturity to support the ongoing implementation of the Council's Information Assurance Framework. A plan of action is in development and agreed targets and resource commitments are being identified to support this work.  Current key priorities discussed at IAB are:  Across BCC, as well as capturing the data itself, we	Target risk rating: Low / Medium  Anticipated date of attainment of the target risk rating: December 2019  Source(s) of assurance regarding progress with mitigating the risk:  Maintain clear lines of responsibility to the Senior Information Risk Owner (SIRO) and the Monitoring Officer.  Security posture for the Council is monitored	O&S - None.  IA Reviews 2016/17: Sophos Post Implementation Review, N3 Network, IG - Fostering & Adoption F/Up, Third Party Service Provision F/Up, Network Management and Data Quality - DfE Returns.  IA Reviews 2017/18:

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	<p>(SIRO) and Chief Operating Officer Strategic Services (Angela Probert)</p> <p>Risk Owner:Peter Bishop</p>		<p>need to look at maintaining an inventory of the location of key personal data storage and the associated flows (including cross-border), with defined classes of personal data.</p> <p>We need to ensure that BCC is maintaining contracts and agreements with third-parties and affiliates consistent with the data privacy policy, legal requirements, and operational risk tolerance.</p> <p>BCC will need to maintain an information security program based on legal requirements and ongoing risk assessments. We will need to train our identified employees to be able to conduct a Data Protection Impact Assessment (DPIA) when managing change to personal data.</p> <p>To satisfy GDPR requirements BCC must provide ongoing training and awareness to promote compliance with our data privacy policy and to mitigate operational risk.</p>	<p>and has been recently reviewed as part of a SOCITM assessment as well as the LGA Stocktake.</p> <p>A secure email solution, Egress, has been deployed and is operational to prevent the accidental loss of data.</p> <p>Staff training was re-launched in Autumn 2018 and staff will be required to undertake the training on an annual basis.</p> <p>Review Breach management processes to ensure any learning from breaches is adopted to prevent further data loss.</p> <p>A project board is to be established, chaired by the CIO, to take the IAMM action plan forward and report on progress to IAB and CMT.</p>	<p>Data Sharing, Third Party Service Provision, Information Assurance Framework, and IG - Planning Application Compliance with DP Guidelines.</p>
35	<p>General Data Protection Regulation Implementation - There is a risk of that our GDPR plan does not enable the authority to meet its obligations ready for the May</p>	<p>Medium / High</p>	<p><b>Lead Manager’s comment</b></p> <p>GDPR materials being prepared by CIM and Legal; Legal Services seeking to appoint additional legal support</p> <p>GDPR is being recommended to be included on the</p>	<p><b>Target risk rating:</b> Medium / medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> May 2018</p> <p><b>Source(s) of assurance regarding progress</b></p>	<p>O&amp;S – None</p> <p>Internal Audit reviews – 2017/18. A readiness assessment completed</p>

Statutory Responsibilities / Compliance with Statutory Responsibilities					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
	<p>2018 implementation date</p> <p>Lead: AD Peter Bishop Strategic Services Owner: Malkiat Thiarai</p> <p><b>Nominated for deletion. Risk No 11 updated.</b></p> <p><b>There is a programme of work being executed to improve the overall way for managing information risk and that is under the sponsorship of the SRO. That programme is part of the risk mitigation activity.</b></p>		<p>Corporate Risk Register because of the related new legislation, implementation date of May 2018 and the penalties involved for non-compliance.</p> <p>An updated report was presented to CMT 21<sup>st</sup> May 2018 on GDPR readiness. The work to meet the requirements of GDPR and mitigate risks of non-compliance will continue as part of the Information Assurance Maturity Plan.</p>	<p><b>with mitigating the risk:</b></p> <p>KPMG have been commissioned to conduct a gap analysis to high risk areas for the Council. Feedback on 15.12.17</p> <p>Head of CIM chairs GDPR project board that is taking forward current known actions.</p> <p>Target Closure date June 2018</p>	<p>which included a high-level action plan to assist the project focus on key deliverables.</p> <p><b>Internal Audit reviews 18/19 - GDPR Readiness review follow up. KPMG have been engaged to complete some work to achieve the GDPR requirements.</b></p>
36	<p>Failure to respond positively and effectively to the required outcomes of the Grenfell Tower enquiry once known.</p> <p>Lead: Corporate Director, Place</p>	Low/ Medium	<p>Project plan produced for all programmes of works required to investigate cladding systems and any associated remedial works to further enhance existing fire safety measures.</p> <ul style="list-style-type: none"> <li>Programme to fit Sprinkler systems to 213 high rise blocks over a 3 year period starting 1/4/18</li> </ul>	<p><b>Target risk rating:</b> Low/Low</p> <p><b>Anticipated date of attainment of the target risk rating:</b> 2019/20 financial year.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Housing/West Midlands Fire Service</p>	<p><b>O&amp;S – Members of the Housing and Neighbourhoods O&amp;S Committee have noted the need to consider the outcomes of the inquiry and to address any issues pertinent to</b></p>

Statutory Responsibilities / Compliance with Statutory Responsibilities					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
	Owner: Rob James		<ul style="list-style-type: none"> <li>• Programme to carry out fire risk assessments to all communal areas annually</li> </ul> <p>Programme of work underway to ensure tower block tenants understand fire safety measures and how to respond in the event of an emergency, including:</p> <ul style="list-style-type: none"> <li>• Fire safety campaign – completion April 2018</li> <li>• Fire awareness visits – completion autumn 2018</li> </ul> <p>Other actions include:-</p> <ol style="list-style-type: none"> <li>a) Resilience processes review – completion autumn 2018</li> <li>b) Night security service expansion</li> <li>c) Vulnerable persons review – completion autumn 2018</li> </ol> <p>Approached Government for grant funding for the installation of sprinkler systems</p> <p><b>Continuing to develop an approach to the installation of sprinkler systems in Council flats. Currently</b></p>		<p><b>Birmingham.</b></p> <p>IA Review – Proactive work to produce a fire risk index</p>

Statutory Responsibilities / Compliance with Statutory Responsibilities					
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			<p>trailing installations in three blocks of different designs across the City. Have consulted with City Housing Liaison Board, Sheltered Housing Liaison Board and have arranged to consult with tenant management organisations and leaseholders board. All staff in housing management and repairs and maintenance have been briefed with regard to the sprinkler programme.</p>		
37	<p>Homelessness Reduction Act – Insufficient council resources to meet the requirements of the Act fully.</p> <p>Lead Corporate Director, Place Owner: Rob James</p>	Medium/ High	<p>Implementation Plan to ensure compliance has been produced and consists of the following key work streams;</p> <ul style="list-style-type: none"> <li>• Redesign the Housing Option Service</li> <li>• Awareness and Training (Staff, Trade Unions and Elected Members)</li> <li>• IT systems to be developed with Councils IT Fixture providers.</li> <li>• Accommodation, additional accommodation for staff, communication plan being produced.</li> <li>• Temporary Accommodation Services will require a complete review to reduce the Council's reliance on temporary accommodation moving</li> </ul>	<p><b>Target risk rating:</b> Medium/High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> April 2018 for initial implementation but further work over the next 12 months.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> MHCLG</p>	<p>O&amp;S: session on response to the Act (implementation plan) held in February 2018</p> <p><b>An update on the impact of the implementation of the Homelessness Reduction Act is scheduled for the Housing and Neighbourhoods O&amp;S Committee.</b></p> <p>Audit: 2017/18 Housing Options Service</p>

Statutory Responsibilities / Compliance with Statutory Responsibilities					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
			to preventative measures. Report presented to EMT on 23 <sup>rd</sup> January 2018. <ul style="list-style-type: none"> <li>• Cabinet Report March 2018</li> </ul>		IA Review planned for 2018/19 in February 2019

Financial Resilience - Risks associated with austerity and the financial challenges facing BCC					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
29	<p>Not developing sufficiently robust plans to support setting a balanced budget (including in the medium term), and not containing net spending within the approved budget</p> <p>Lead: Corporate Director Finance and Governance. Owner: Steve Powell</p>	High/High	<p><b>Lead Director comment</b></p> <ul style="list-style-type: none"> <li>• Delivery of the budget and savings programme is being closely monitored, by CMT and ECMT to review delivery and to identify mitigating actions. This includes the future years' dimension as well as the in-year position. <b>There are regular reports to Cabinet and to the Resources Overview &amp; Scrutiny Committee.</b></li> <li>• Corporate Directors have clear accountability for the delivery of savings in their directorates <b>and this includes attendance at monthly meetings with the Cabinet Member for Finance.</b></li> <li>• The Council's LTFP is refreshed regularly to take account of latest information, including savings delivery issues. Plans for 2018/19 and later years were revised accordingly, and work is <b>in progress ie.</b> in planning for 2019/20 onwards, linked to the Council's policy priorities and the development of the performance management arrangements. This will better integrate revenue and capital financial</li> </ul>	<p><b>Target risk rating:</b> Low / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Ongoing.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Planned activities to further mitigate this risk:</p> <ul style="list-style-type: none"> <li>• There is close monitoring of the delivery of the Budget and additional governance arrangements have been introduced.</li> <li>• The Council has a risk management strategy to address issues relating to difficulties in the delivery of the savings programme.</li> <li>• There is a clear focus on the development of robust consultation and implementation plans for all savings.</li> </ul> <p>There is focus on the project management of the savings programme.</p>	<p>O&amp;S - A Resources O&amp;S Committee has been set up to scrutinise budget matters with the Deputy Leader.</p> <p><b>Resources O&amp;S is scrutinising budget matters on an ongoing basis and flagging up areas of concern as appropriate. Where concerns are identified relevant scrutiny committees will scrutinise impact on specific service areas including impact on services of in-year mitigations.</b></p> <p>IA Review 2017/18: Financial Control Review.</p>

Financial Resilience - Risks associated with austerity and the financial challenges facing BCC					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
			<p>planning.</p> <ul style="list-style-type: none"> <li>• <b>More robust arrangements for the programme and project management of the delivery of savings have been introduced</b></li> <li>• Proposals are subject to corporate public consultation <b>commencing following Cabinet approval on 13 November 2018</b> and more specific engagement and consultation also take place where appropriate.</li> <li>• <b>The Council holds reserves as part of its risk management strategy, but plans are being developed that will not assume reliance on these.</b></li> <li>• Long-term collection rates for principal sources of income, together with any expected surplus/deficit in the Collection Fund for business rates and council tax, are taken into account in setting budgets. Rigorous action is taken to pursue outstanding debts wherever possible.</li> </ul>	<p>The Council maintains a medium term perspective in its financial plans - spending, savings and resources.</p> <ul style="list-style-type: none"> <li>• The Council is moving to a more integrated planning and performance management approach.</li> </ul>	
15	Risk of not recognising the need to divest of costly property assets in radical	Significant / Medium	<p><b>Lead Director comment</b> Risk mitigated by:</p> <ul style="list-style-type: none"> <li>• <b>The approval of a new corporate Property</b></li> </ul>	<p><b>Target risk rating:</b> Medium / Low</p> <p><b>Anticipated date of attainment of the target</b></p>	<p>O&amp;S - None.</p> <p>IA Review - None.</p>

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	<p>new solutions to reframe service delivery; driving out property for disposal, but beyond capital receipt generation, ultimately solutions should deliver innovative and appropriate reductions in future revenue operating costs.</p> <p>Lead: Corporate Director, Economy</p> <p>Owner: Alex Grey</p>		<p><b>Strategy with a key emphasis on the Operational Portfolio, including reducing the level of directly managed stock in order to retain a smaller, multi-faceted, well-maintained estate</b></p> <ul style="list-style-type: none"> <li>• The current rounds of budget proposals for FY19/20 onwards contain a number of property rationalisation propositions across the service areas as part of the contributions to future years cost reductions. This includes the Public Hubs Programme which will remodel and reduce the Council's frontline estate.</li> <li>• Through the recommendations of the Property Strategy services will need to articulate their medium term asset plans and associated utilisation / resourcing which in turn will be subject to critical appraisal by the Property &amp; Assets Board.</li> <li>• To assist with property rationalisation alongside future service planning and development programmes, a Property Services Business Partner role has been established with the Place</li> </ul>	<p><b>risk rating:</b> April 2018. Ongoing and subject to potentially, significant change driven by BCC corporate business plan (this is currently "continuously changing in the short term").</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Management assurance.</p>	

**Financial Resilience - Risks associated with austerity and the financial challenges facing BCC**

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
			<p><b>Directorate.</b></p> <ul style="list-style-type: none"> <li>• The Corporate Landlord service has continued to deliver the facilitation of delivery of further organisation changes e.g. Service Birmingham and the Contact Centre.</li> <li>• Continued development of the corporate property database (Techforge) - information and systems development continues to progress as planned and the additional functionality is being applied in the management of repairs and maintenance costs, provision of information and analysis to inform strategic decision making, etc.</li> </ul> <p>The 'Smarter Working' project is intended to increase agility and bring further organisation and management culture change across the Council. A key outcome will be further rationalisation of the Central Administration Buildings portfolio.</p>		

Financial Resilience - Risks associated with austerity and the financial challenges facing BCC					
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38	<p>To manage the Enterprise Zone Programme in line with its delivery plan.</p> <p>Risk of under achieving: potential business rates income, economic growth, and outputs/achievements.</p> <p>Risk of reputational damage to BCC</p> <p>Lead: Corporate Director, Economy</p>	<p>Medium / High</p> <p>Reduced due to update provided</p>	<p><b>Lead Director comment</b></p> <p>Monitor development on EZ sites.</p> <p>Monitor and manage the EZ financial model with finance, using approved financial principles, measure business rates uplift to ensure programme affordability and delivery.</p> <p>Collate programme output achievements. Procure a Programme Monitoring Database.</p> <p>Report quarterly performance and updates to <b>Programme Delivery</b> Board / GBSLEP Board meetings.</p> <p>Annual Delivery Plan Schedules</p> <p><b>The EZ model continues to be monitored and updated to reflect development activity that supports business rate growth. Appropriate contingencies remain in place to mitigate the impact of business rate growth not being sufficient to repay borrowing commitments.</b></p> <p><b>The GBSLEP has responsibility for the performance management of the EZ and a review of the monitoring systems is underway. All new projects will be</b></p>	<p>Target risk rating: Medium/Significant</p> <p>Anticipated date of attainment of the target risk rating: Ongoing</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>To further improve the programmes due diligence including the ability to measure value for money of funding applications</p>	<p>Internal Audit 2018/19: Work on Enterprise Zones Final Report issued 03/04/18.</p>

Financial Resilience - Risks associated with austerity and the financial challenges facing BCC					
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			<p>subject to the GBSLEP Assurance requirements which align with the existing arrangements for the Local Growth Fund.</p> <p>A health check of EZ projects has been commissioned to identify any key delivery risks.</p>		
41	<p>School Deficits</p> <p>National funding arrangements have resulted in real term funding reductions which coupled with rising costs means that there is a risk that increasingly, schools are not able to run balanced budgets:-</p> <p>-There is the potential that some schools may build up deficits which cannot be cleared and which ultimately may need to be met by BCC</p> <p>In addition there is a pressure on the high needs</p>	High/High	<p>Maintained schools are facing significant pressures on funding. As of 31-3-18 the number of schools in deficit compared to a year ago has increased by 5 to 37 (14% of the total number of LA maintained schools) but the cumulative value of deficits has reduced to £10,964k. If a school is issued with a directive academy order then any deficits at the point of conversion may become the responsibility of the local authority. (Any school converting with a surplus may retain this)</p> <p>Separately</p> <p>Even after allowing for a cumulative high needs deficit brought forward from 2017/18 of £13.8m, Indications are that there will continue to be extremely challenging budget pressures in 2018/19.</p> <p>Guidance notes on financial expectations sent out to schools.</p>	<p>Target Risk Rating: Significant/Medium</p> <p>Anticipated date of attainment of target risk rating: March 2019</p> <p>Source of assurance regarding progress with mitigating the risk from school deficits:</p> <ul style="list-style-type: none"> <li>- Schools Financial Governance Group set up to co-ordinate support and challenge to schools.</li> <li>- Schools financial monitoring procedures to be reinforced with requirement that these are reported to ALL Governors.</li> <li>- Earlier use of financial warning notices where there are financial concerns.</li> </ul>	<p>IA 2018/19: Work completed last year looking at schools financial management, we are working with the Directorate on their response. Schools work programme adjusted to take account of schools financial management, and a number of schools themed jobs planned during the year.</p>

Financial Resilience - Risks associated with austerity and the financial challenges facing BCC					
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	<p>block which centrally supports places for children with SEND.</p> <p>Anne Ainsworth Owners: Assistant Director – Education Safeguarding - Julie Young / Assistant Director SEND – Sharon Scott</p>		<p>Further warning notices sent out to schools with concerns requesting action is taken.</p> <p>Ongoing work around SEND in line with recent Ofsted inspection. This will include review of SEND Strategy and building on the initial priorities.</p> <p>Meeting with DfE and NHS advisors on 10 October to discuss requirements for the required Written Statement of Action for Birmingham.</p> <p>Monthly meeting of the schools financial governance group to co-ordinate action and identify early concerns (met 24 October). This group is also being used to focus audit activity on schools causing concern</p> <p>First audit report on schools financial management published and further work underway.</p> <p>Revision of the audit inspection framework for schools to be used from the beginning of November with a stronger focus on financial processes and strategic financial planning</p>	<p>Intervention considered as appropriate inc. removal of cheque book facility to the removal of governing body and replacement with an Interim Executive Board</p> <ul style="list-style-type: none"> <li>- Collaboration with Regional schools Commissioner to ensure swift action taken to address school improvement requirements by identifying a Sponsor early to then maximise the impact of additional investment in school improvement.</li> <li>- Initial Audit review carried out with findings being adopted and second review to be set up to include more detailed stress testing of schools ability to cope with further cuts in funding.</li> <li>- More targeted audits of schools</li> <li>- Maintaining an in year balanced budget for placements.</li> <li>- Looking to address any pressures with</li> </ul>	

Financial Resilience - Risks associated with austerity and the financial challenges facing BCC					
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			<p>On going schools causing concern meetings taking place and financial concerns are being fed into this work</p>	<p>possible mitigations coming from potential underspends.</p> <p>Source of assurance regarding progress with mitigating the risk from high needs block:</p> <p>In the longer term CYP will implement the SEND and Inclusion Strategy's following three strands to reconfigure the provision funded from the high needs block and alleviate pressure on the budget:</p> <ol style="list-style-type: none"> <li>1. Develop a framework of SEND assessment and planning from 0-25 years to enable professionals and partners to meet the full range of individual need and raise achievement.</li> <li>2. Ensure there is a sufficient and appropriate range of quality provision to meet the needs of children and young people with SEND aged 0-25 years and improve outcomes from early years to adulthood and minimising dependence on high cost independent placements.</li> <li>3. Develop a unified resource allocation system to distribute the range of SEND funding across all schools and settings in order to make the most effective use of available resources and maximise the impact on outcomes for young people.</li> </ol>	

Financial Resilience - Risks associated with austerity and the financial challenges facing BCC					
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46 New risk	<p><b>Universal Credit</b></p> <p>Lead: Tim Savill</p> <p>Owner: Angela Probert</p> <p>UC was introduced to BCC in May 2015. Full Service has been rolled out since February 2018. The major risks for UC are:</p> <ul style="list-style-type: none"> <li>• Reduction in HB income of £28 million to the rent account per annum</li> <li>• Increase in rent arrears</li> <li>• Decrease in tenancy sustainability</li> <li>• Increase in evictions and homelessness</li> <li>• Increase in citizens</li> </ul>	Medium/High	<p>UC related arrears has already increased with 12% of the arrears accounting for 33% of the total arrears (Over £5 million out of a total of £15 million).</p> <ul style="list-style-type: none"> <li>• Pilot work is underway to examine interventions in order to mitigate the impact on tenants and the HRA. This will be built into a forthcoming service redesign for the Rent Service.</li> <li>• Alternative Payment Arrangements (APAs) are being encouraged so the Council receives the rent direct from UC payments where possible.</li> <li>• Close working with DWP work coaches and other partners is helping to reduce the impact.</li> <li>• Alternative ways of working have been explored with other housing providers – as well as software solutions.</li> <li>• Council tax support cases are down by around 3,000. Awareness is being increased at regular strategic meetings between the Council and the DWP.</li> <li>• Housing Benefit recovery is being closely</li> </ul>	<p>Target risk rating: Low/Medium</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <ul style="list-style-type: none"> <li>• Close monitoring of rent arrears</li> <li>• Ongoing dialogue with DWP</li> <li>• Progressing rent and benefit service redesigns</li> <li>• Maintaining a view of national picture through attendance at meetings with LGA/DWP</li> <li>• Promoting council tax support</li> <li>• Consider options for council tax debt on CTS cases – work with Enforcement Agents on vulnerability issues</li> <li>• Close subsidy monitoring on UC/HB related cases</li> </ul>	

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	<p>debt</p> <ul style="list-style-type: none"> <li>• Increased council tax arrears</li> <li>• Lower rates of debt recovery of housing benefit overpayments</li> <li>• Lower take-up of council tax support</li> <li>• Reduction in DWP funding adds pressure to budgets and remaining HB recipients</li> <li>• Further short notice change announcements from DWP</li> <li>• Confusion for citizens</li> </ul>		<p>monitored and a recent initiative will increase recovery rates for people who are in work.</p> <ul style="list-style-type: none"> <li>• New 50% earnings disregard in place and allowing increased rates of recovery on HB cases before more are 'lost' to UC</li> </ul> <p>Benefit Service is working on new arrangements for service delivery from 2019/20 in order to mitigate against DWP cuts and protect vulnerable tenants.</p>	<ul style="list-style-type: none"> <li>• Use of specific reserve to ensure vulnerable people don't suffer and subsidy income is maximised</li> </ul>	

Political - Risks driven by the political agenda					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work

None.

Technology					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
16	<p>There is a risk that web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services.</p> <p>Lead: Chief Operating Officer Owner: Peter Bishop</p>	Significant / Medium	<p><b>Lead Director comment</b></p> <p>The following control measures are routinely taken by the Council's Information, Technology and Digital Services Team:</p> <ul style="list-style-type: none"> <li>Continuously scan the information security landscape with partners to detect upcoming and new vulnerabilities which could be exploited by potential hackers. This ensures that SB are aware of all risk posed by different intrusion methods.</li> <li>Have updated the Council's firewalls and introduced Intrusion Prevention Services as part of the firewall</li> </ul>	<p><b>Target risk rating:</b> Low / Medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Ongoing - this risk can only ever be mitigated, and never fully closed due to the nature of hacking etc.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <ul style="list-style-type: none"> <li>The Council are now transmitting sensitive data securely through the PSN secure infrastructure together with the improvements / enhancements made to</li> </ul>	<p>O&amp;S - Referenced in the Scrutiny Inquiry 'Refreshing the Partnership: Service Birmingham' (presented to Council in June 2015).</p>

Technology					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
			<p>implementation. This means the firewalls are receiving regular updates from the supplier to detect new and evolving types of security attack. The firewalls detect and defeat many thousands of attacks every day.</p> <ul style="list-style-type: none"> <li>Have implemented a cloud based Distributed Denial of Service system that defends four of the Council's main websites from high volume attacks where hackers are trying to flood the Council's websites with requests for service. This service regularly defends the Council's web sites from attackers and the contract is currently being renewed.</li> <li>Have implemented the PSN walled garden which has enhanced the security of all users accessing web based government systems. PSN services have been remodelled and are currently being monitored to ensure secure transmission.</li> </ul> <p>The management of cyber risks within BCC will form part of the security strategy and responsibilities clearly defined. The ICF will ensure that the cyber risk investment strategy is aligned to, and supports strategic priorities.</p> <p>There is improved reporting of cyber risks and security</p>	<p>the firewalls.</p> <ul style="list-style-type: none"> <li>BCC has successfully passed its PSN accreditation.</li> <li>Service Birmingham, on behalf of the Council, is constantly monitoring the information security landscape with solution providers to detect upcoming and new vulnerabilities which could be exploited by potential hackers.</li> <li>Given the nature of this risk these activities are now being kept under constant review.</li> <li>The next health check (a mandatory requirement of PSN) has recently been completed.</li> </ul>	

Technology					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
			<p>incidents which will be presented to the Corporate Information Security Group bi-monthly. This will ensure BCC are fully aware of potential regulatory &amp; legal exposures and can assess the implications for future investment decisions.</p> <p>This is an acknowledged ongoing risk that should remain on the CRR. For reference a PSN Compliance Certificate was issued to Birmingham City Council on 27/03/18.</p>		
17	<p>Ineffective Corporate Risk Marker IT solution.</p> <p>Lead: Director Human Resources Owner: Dawn Hewins</p>	Low / Medium	<p><b>Lead Director comment</b> Paper went to CLT on 18<sup>th</sup> January 2018, explaining how it worked currently and what the issues were around funding the costs of accessing the register, including a suggestion we bring the budget together centrally so people don't feel they can't afford to do it. There were a number of actions from CLT, including that: 1) CLT approve the use of the Data Warehouse as a mandatory requirement to check risk markers prior to any visits being undertaken by BCC employees to both domestic properties and businesses 2) CLT will review the funding of the Data Warehouse as part of the Councils long term financial plan to ensure that the risks associated with failure to comply are minimised and that the data warehouse continues to be available for use across the council 3) CLT will identify the appropriate Director to be the named officer responsible for the risk marker solution (currently this is the director of HR) 4) CLT will require the safety manager to draft the appropriate</p>	<p><b>Target risk rating:</b> Low / Medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> <b>March 2019</b> further work on effective access is required</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance.</p> <p>Currently the data warehouse pulls in the risk markers from CRM, Housing, MAPSS and CareFirst. Any user of the warehouse that searches a relevant name or address will have the respective risk markers presented to them. The risk markers not only relate to health and</p>	<p>O&amp;S - None.</p> <p>IA Review - None.</p>

Technology					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
			<p>guidelines for usage of the risk marker solution by employees and managers prior to any visits being undertaken.</p> <p>A further report is to be bought back to CLT.</p>	<p>safety but child / vulnerable adult safeguarding too.</p> <p>The Audit team are in the process of creating an Intelligence Network across the City for anyone who has an investigative, enforcement or regulatory element to their role; or are likely to have some contact with the public. However there remain challenges regarding balancing the need for timely access by a large number of staff and the requirement to ensure sufficient security of the sensitive data. Further work on this is required</p> <p>Council Tax, Business Rates and Rents have a risk marker on their respective systems; this risk marker is extracted and added to the data warehouse.</p> <p>Monitoring the use of the IT system by Corporate Safety Services.</p> <p>Guidance for employees will be completed once surety of access for all required has been secured</p>	

Transformation					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
7	<p>Lack of capacity and capability to respond to threat of industrial action, employee relations tensions, poor service, performance issues, sickness absence levels and poor morale due to organisational downsizing and pay freezes.</p> <p>Lead: <b>Director of Human Resources</b> Owner: Dawn Hewins</p>	<p>Significant / Significant</p>	<p><b>Lead Director comment</b></p> <p>Collective agreement has been reached on a package of measures that will secure required reduction in the cost of employment for 2017/18, 2018/19 and 2019/20. This has greatly diminished the likelihood of action on a widespread basis. The proposed national pay award is more generous than originally anticipated and unlikely to elicit national action.</p> <p><b>There are a number of localised disputes that could result in further service specific industrial action</b></p> <p>Council wide attendance levels are stable.</p> <p><b>There have been localised disputes in recent months. One of which has resulted in a series of strike actions. The Council is using non binding mediation as a means of seeking to resolve this matter.</b></p> <p>There are business continuity plans in place in readiness for industrial action. Bespoke HR support is being provided to identify high risk areas. However contingency plans need testing. A monthly review of Industrial Relations disputes is happening ensuring that we have Council wide oversight and a consistency of approach.</p> <p><b>Agreement has been reached on an implementation</b></p>	<p><b>Target risk rating:</b> Low / Medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Ongoing.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>Following significant employee engagement and collective consultation and negotiation with the trade unions, we have reached a collective agreement with the trade unions regarding the workforce savings proposals. Therefore there is now a low likelihood of industrial action in relation to these changes.</p> <p>Expert HR support is being provided to areas experiencing significant employee relations challenges relating to service redesign and headcount reduction.</p> <p>There continues to be regular and positive engagement and dialogue with the trade unions at a corporate and regional level as appropriate</p>	<p>O&amp;S - The Corporate Resources OSC received an update from the Deputy Leader and senior HR officers at a briefing in September 2017.</p> <p>IA Review - None.</p>

Transformation					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
			<p>plan for the Waste management MOU and has now been activated.</p> <p>The announcement of the intention to withdraw from nursery provision and close the Council's 14 Day Nurseries is likely to result in localised but vigorous industrial action within this service area.</p>		
10	<p>Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme.</p> <p>Lead Assistant Chief Executive Jonathan Tew</p>	Medium / Significant	<p>Monthly meetings have continued with MHCLG and the BIIP in July and August with a proactive approach to updating / sharing monthly finance summaries, performance management and Corporate Governance Plan documents.</p> <p>Collaboration workshops are now in place between BCC and the BIIP on development issues such as performance management, homelessness and skills.</p> <p>Ongoing productive monthly sessions with the BIIP and MHCLG throughout August and September 2018.</p> <p>The Secretary of State has published, in September 2018, a letter endorsing the Council's published stock-take report and clarifying the importance of the planned budget strategy.</p>	<p><b>Target risk rating:</b> Low / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b> March 2019</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>The collaborative approach between BCC and the BIIP is now established through the joint editorial against documents released in June 2018. That represented a crucial milestone against our original plan for 2018-19. Monthly meetings (with BCC represented by the Leader, Deputy, Chief Executive, Assistant Chief Executive and CFO) will now embed this way of working and will also provide a monthly opportunity to review the status of this risk.</p> <p>It is clear that the BIIP and MHCLG will come</p>	<p>The Leader and Deputy Leader will report to the O&amp;S co-ordinating committee on a monthly basis, where our improvement planning will be essentially a standing item. The first such session was in June 2018.</p> <p>Similarly, the Resources O&amp;S committee will, less frequently, consider the implications of BIIP challenge against that provided by external audit. The first such session will be in July 2018.</p>

Transformation					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
				to a view in March 2019 about the future degree of intervention in BCC and that would be a rational point at which to formally review this risk.	
18	<p>Evaluation of Alternative Delivery Models</p> <p>a) Failure to adequately identify and agree the costs and benefits of alternative delivery models arising from Service Reviews before the decision to proceed is made.</p> <p>b) Failure to fully implement the decisions taken to change the service model to enable delivery of expected benefits / efficiency gains.</p>	Medium / Medium	<p><b>Lead Director comment</b></p> <p>Any alternative delivery model must demonstrate some benefit and better value for the Council. There needs to be the early identification of all costs, benefits, losses/impacts as part of the formulation and evaluation of options in the development of the business case.</p> <p>The financial implications of any change against the existing model need to be evaluated on a case by case basis, seeking specialist advice where necessary to inform recommendations. The evaluation should be proportionate to the value and complexity of the service and the assumptions and level of confidence will need to be made clear in order to avoid over-engineering financial modelling.</p> <p>The Finance Business Partners will provide the necessary skills for the project requirements, as follows:</p> <ul style="list-style-type: none"> <li>All costs and income of the proposed model as compared with existing, together with some sensitivity and risk analysis.</li> <li>remaining costs to BCC (e.g. fixed overheads,</li> </ul>	<p><b>Target risk rating:</b> Medium / Low</p> <p><b>Anticipated date of attainment of the target risk rating:</b> As soon as possible</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b>                      Management assurance - reports to CMT, notes and actions from CCMB agenda.                      Dialogue with directorate lead commissioners.                      Finance to be embedded in commissioning reviews.</p> <p>Commissioning expertise established in CPS to ensure best practice is applied across the Council.</p> <p>Risk will be managed on a case by case basis through proper use of the Commissioning Toolkit, and through reviews supported by the Finance Business Partners.</p> <p><b>Working with Finance Business partners</b></p>	<p>O&amp;S - Corporate Resources and Governance O&amp;S Committee undertaking overview of procurement strategy for DCFM services.</p> <p>IA Reviews 2016/17:                      Acivico Contract Monitoring - Overall delivery of Contract and Contracts &amp; Procurement Summary Report 2015/16.                      Acivico Contract Monitoring - Final Accounts Process.</p> <p>IA Review 2017/18:                      Acivico Review of Business Continuity Arrangements.</p>

Transformation					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
	<p>Lead: Relevant Chief Officers</p> <p>Owner: Mike Smith</p>		<p>income targets, resource requirements etc.)</p> <ul style="list-style-type: none"> <li>any costs/benefits to customers/residents who are the recipients of the service</li> </ul> <p>These risks/costs need to be presented to and managed by the Commissioning and Contract Management Board (CCMB)/CMT and included in any cabinet reports.</p>	<p>on forthcoming commissioning projects CPS will establish templates and guidance for the level of financial detail required to inform decisions. Projects identified are Birmingham City Laboratories, Civic Catering and Cleaning. The risk is now Med/Med while these projects are being considered.</p>	
44	<p>Allowance payments.</p> <p>Lead: Director Human Resources</p> <p>Owner: Dawn Hewins</p>	Medium / Medium	<p>Lead Director comment</p> <p>The bulk of unpaid allowances claims have been successfully managed by HR and Legal Services on a case by case basis.</p> <p>As new case law is decided challenges to payments have arisen including:</p> <ul style="list-style-type: none"> <li>Holiday pay – there are some new claims</li> <li>Sleeping in allowance - case law remains ambiguous so at this point all claims are on hold.</li> <li>Travel time - currently a subject of internal challenge,</li> </ul>	<p>Target risk rating: Medium / Medium</p> <p>Anticipated date of attainment of the target risk rating: Attained.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance.</p> <p>All new claims for allowances are being assessed on their merits and defended wherever practical.</p>	<p>O&amp;S - None.</p> <p>IA Review – Reviewing allowances relating to Payment of Language Supplement, Temporary Night Allowance, Tool Allowance, Disturbance Allowance and Laundry Allowance.</p>

Transformation					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
			but may become a matter for Employment Tribunal.	Use of overtime is being monitored on a monthly basis, with Strategic Directors taking responsibility for addressing any areas of concern.  There is a Governance Board monitoring any potential high risk claims.	

Service Delivery					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
6	<p>Failure to meet the council's objectives going forward with the Highway Maintenance and Management PFI contract. these are to:</p> <ul style="list-style-type: none"> <li>i. Obtain the investment for which we are paying;</li> <li>ii. Retain the capacity and financial support from government;</li> <li>iii. Ensure we manage the contract and only pay for what we receive; and</li> <li>iv. Develop a way forward that will enable us to have confidence in future delivery.</li> </ul> <p>Lead: Corporate Director, Economy</p>	High/Significant	<p><b>Lead Director comment</b></p> <p>The council has made extensive effort to resolve issues with Amey informally and through various stages of the contractual Dispute Resolution procedure since April 2014. It has numerous disputes relating to non-delivery of investment, non-performance and delivery of previous settlement requirements.</p> <p>To fully resolve this matter requires a number of complex issues to be resolved, including payments, programming of work and assurance of delivery to the appropriate standards.</p> <p>We are considering the appropriate way forward that meets the council's objectives and are discussing this with the project lenders and SPV Board. At the same time, we are taking steps to recover money payable to the council, establish the condition of the network, continue to manage the contract and defend our position in disputes.</p> <p><b>A briefing for Audit Committee took place in November 2018.</b></p>	<p><b>Target risk rating:</b> Low / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b></p> <p>At this stage it is not possible to confirm this. It is proposed to bring a <b>further</b> decision on the way forward to Cabinet <b>in late 2018 / early 2019</b></p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>External legal advice and representation has been engaged.</p> <p>Department for Transport (as the sponsoring government department) is also fully engaged.</p>	<p>O&amp;S - Economy, Skills and Transport OSC discussed with Cabinet Member at Committee on 22<sup>nd</sup> September 2016. Private briefing sessions have been held for members, most recently in March 2018</p> <p><b>O&amp;S – The Sustainability &amp; Transport Committee received a briefing on the current position in line with the cabinet report agreed in July 2018 at their meeting on 13<sup>th</sup> September 2018.</b></p> <p>IA Review 2016/17: Highways PFI.</p>

Service Delivery					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
39	<p>HS2</p> <p>Delivery of HS2 following Royal Assent of HS2 Act. BCC role to help facilitate delivery of new railway (including Curzon Station and depot). Maximise benefits for City and minimise / mitigate impact during construction.</p> <p>Lead: Corporate Director, Economy Owner: Waheed Nazir</p>	<p>Significant / Significant</p>	<p>Lead Director comment</p> <p>HS2 Ltd is the government's delivery body for the new high speed railway.</p> <p>HS2 governance established including regular meetings on individual projects (station, depot etc.)</p> <p>Regular meetings with HS2 Ltd including HS2's planning team regarding programme for Schedule 17 applications and other consents.</p> <p>New burdens on local authority recognised by HS2. Service Level Agreement (SLA) <b>has been completed and signed.</b></p> <p>On-going meetings and joint working with HS2.</p> <p>Internal meeting established at Directorate level to co-ordinate and support work and address any issues.</p> <p><b>Joint working with HS2 is ongoing to develop the design of the station, including the public realm, which will create a world class arrival to the city, whilst also improving connectivity to the wider area that will maximise the economic impact of HS2.</b></p> <p><b>Consultation has taken place with Planning Committee</b></p>	<p>Target risk rating: Medium/Medium</p> <p>Anticipated date of attainment of the target risk rating: Ongoing</p> <p>Source(s) of assurance regarding progress with mitigating the risk: On-going meetings and joint working with HS2.</p> <p>Internal meeting established at Directorate level to co-ordinate and support work and address any issues.</p>	<p><b>None.</b></p>

Service Delivery					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
			<p>and senior BCC officers regarding the design of the Curzon Station.</p> <p>Additional funding has been provided by HS2 to improve the design over and above the base scheme developed through the HS2 Act.</p> <p>The SLA is now signed to provide the appropriate resources needed to meet the requirements for Schedule 17 etc.</p> <p>Pre applications on-going regarding the number of schedule 17 planning applications.</p> <p>Time sheets for actions covered by SLA to be submitted to HS2 covering the period from April 2017.</p> <p>Curzon Station design has now been launched publicly and HS2 are holding a series of consultation events on the design.</p>		
40	<p>Commonwealth Games – Athletes’ Village</p> <p>Delivery of the Athletes’ Village dependant on funding &amp; acquisition of land in addition to potential changes to sporting</p>	Medium/Medium	<p>Lead Director comment</p> <p>Funding</p> <p>First phase approval for the HIF Bid has now been given, BCC officers now need to contribute to the development of the WMCA business case (the umbrella bid under which the BCC HIF bid falls). Decision on funding from Government required in September.</p>	<p>Target risk rating: Medium/Medium</p> <p>Anticipated date of attainment of the target risk rating: Ongoing</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p>	<p>O&amp;S – The Economy &amp; Skills Committee received a briefing on the economic impact of the CWG village at their meeting on 10<sup>th</sup> October 2018.</p>

Service Delivery					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S)Review / Work & Internal Audit (IA) Work
	<p>schedules affecting villages capacity to accommodate athletes.</p> <p>Lead – Corporate Director, Economy Owner: Waheed Nazir</p>		<p>Land Compulsory Purchase Orders will be used to support the delivery of the Village.</p> <p>Changes to Sporting Schedule Identify potential options for suitable additional accommodation. Flag the risks and consequences of adding additional events to Senior Officers/Members.</p> <p><b>Government funding for the regeneration proposals has now been confirmed, which ensures that the majority of necessary external funding is now confirmed.</b></p> <p><b>Activity to deliver early elements of the regeneration of the area (principally demolition and site acquisitions) continues to be delivered within approved budget levels.</b></p>	<p>Funding BCC officers working with WMCA to develop the FBC. Engagement with Government through WMCA re: timescales.</p> <p>Land Land required for residential element of the Village acquired. CPO progressing to agreed timeline.</p> <p>HCA are keen to be involved and have been providing advice to the City Council in relation to planning and delivery.</p> <p>Changes to Sporting Schedule A final date for adding events needs to be agreed and clearly communicated with politicians.</p> <p>The Village will be built to accommodate 6500, that number being inclusive of Games Officials, so if additional athletes are scheduled, Officials could be relocated. Student accommodation has been retained to account for additional influx.</p>	<p>IA: None.</p>

## Removed Risks:

Ref No.	Risk description	Reason for removal	Date removed
53	Inadequate or ineffective corporate control of non-core IT spend.	Merged with risk 52 to become: Insufficient in-house IT expertise within Directorates & Inadequate or ineffective corporate control of non-core IT spend.	July 2013
5	Safer recruitment.	Had been at target level of risk for over 12 months, will be managed locally in future.	July 2013
36	Council Tax Rebate scheme.	The Council Tax Rebate scheme has been adopted by Full Council and was implemented with effect from 1/4/2013.	July 2013
49	Delivery of Business Charter for Social Responsibilities.	Cabinet reports and policies for Social Value: The Charter and Living Wage were approved by Cabinet in April 2013.	July 2013
43	Implications to BCC regarding decision making due to the provisions within the Localism Act and need to respond to community approaches under the Act.	This issue has been assessed as having met the target level of risk (Low likelihood and Medium impact) since May 2013. Corporate Resources and Development & Culture Directorates to continue to monitor locally.	November 2013
4	Need to achieve the full benefits from the whole business transformation programme - including financial and non-financial benefits.	The risk has been fully mitigated and is assessed as being a low likelihood and low impact. The financial challenge going forward is covered within Risk 28 "On-going reduction in government grants resulting in a shortfall in resources compared to projections from 2013/14".	March 2014
1d	Failure to successfully settle pay & grading and allowances equal pay claims.	The issues will be addressed within risks 1a - 1c & 44.	July 2014
26	Failure to utilise resources well in jointly working with the NHS to reduce delayed discharges as measured by National Performance Indicator ASCOF2C.	No Birmingham hospitals are now fining the Council for delayed transfers of care activity, and Members are supportive of the progress made and sustained.	July 2014
48	Delivery of new Public Health responsibilities.	All of the actions relating to the transition of Public Health have been actioned.	July 2014

Ref No.	Risk description	Reason for removal	Date removed
20	Demonstration of benefits arising from Customer First.	All of the actions for 2014/15 are being put in place, ie: Launch of the new Housing Repairs functionality which was delayed from last year, re-design of the website, promotion of self service, improvements to online forms, etc.	November 2014
25	Production of timely & accurate IFRS Final Accounts.	The accounts were submitted on 30 <sup>th</sup> June 2014.	November 2014
51	Service Birmingham support provided to the SAP HR and payroll system.	There has been significant progress against an agreed improvement plan and the service is now significantly more stable.	November 2014
2015/16.08	Insufficient resources (finance & people) to agree / deliver the change programme.	Cabinet approved a report on 20 <sup>th</sup> April 2015 that set out the Children's Social Care and Early Help Improvement Plan for 2016-2018, including the appropriate financial envelope for the plan.	July 2015
2015/16.25	Supply chain failure by reason of supplier withdrawal, liquidation or contract non-compliance.	Following identification of this risk, processes and procedures were developed and rolled out to key contract managers across the organisation with supply chain risk assessments being completed by suppliers. The supply chain risk assessment process is now captured as an annual activity within the supplier annual reviews and the Council's contract management toolkit.	July 2015
2015/16.26	PSN resubmission.	The Council has successfully retained PSN submission till April 2016.	July 2015
2015/16.27	Financial implications of failing to meet obligations regarding climate change and sustainability - carbon tax cost.	We have made four submissions out of four without issue (and passed an Environment Agency Audit in 2011), giving a 100% success record. The 2014/15 return is progressing normally.	July 2015
2015/16.28	Potential for disruption to council services due to the need to transition to a new Banking Services provider with effect from 1/4/2015.	The banking transfer has been successfully concluded.	July 2015
2015/16.10 a	Resolution of contractual issues in the Highway Maintenance & Management PFI contract.	A commercial settlement signed on 18 <sup>th</sup> December 2015, resolved a number of contractual issues.	March 2016

<b>Ref No.</b>	<b>Risk description</b>	<b>Reason for removal</b>	<b>Date removed</b>
2015/16.29	Risk of Court deciding against the Council regarding the Homeless Service.	The High Court dismissed the four applications for Judicial Review.	March 2016
21 (old 35)	IT refresh / update.	The desktop refresh is progressing as business as usual, and PSN compliance means that we cannot have unsupported applications running on our network.	July 2016
23 (old 59)	Risk of enforcement action and fines of up to £500,000 by the Information Commissioners Office (ICO) for failure to comply with the 40 day timescale for responding to Subject Access Requests (SARs).	There has been considerable improvement in responding to Subject Access Requests. The Information Commissioner's Office is happy with the progress being made and are no longer monitoring the Council.	November 2016
8 (old N/A)	Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme.	The work stream is now closed, and efficiency and savings targets have been transferred to the Maximising Independence of Adults (MIA) Board.	March 2017
9 (old 57)	Failure to respond fully and effectively to the issues from recent reviews concerning school governance and related matters.	A much improved performance culture and set of arrangements are now in place for the Council's education services.	March 2017
13 (old 28)	Not planning appropriately for the on-going reduction in government grants.	This is an annual risk, but there are processes in place to manage it.	March 2017
24 (old N/A)	That the need to address the updated Pensions Deficit will result in an increase in employer contributions.	This risk crystallised in the setting of the 2017/18+ budget. The information received has been fully taken into account in the update of the Council's medium term financial plan, and in the development of savings proposals.	March 2017
28	Risk that in its early stages of delivery the Sustainability Transformation Plan (STP) will not alleviate the financial position of social care.	The Council budget from April 2017 does not make assumptions regarding this proposal contained in the previous year's budget; and is no longer a major financial risk to the organisation.	July 2017
22	Risk of fines from HMRC for Directorates employing long term consultants.	There are now processes in place for the engagement of off payroll individuals.	November 2017
27	Risk of claims for payback of search fees charged by the Council.	The potential liability is less than £160k, and this risk will be monitored via the directorate risk register.	November 2017
4	Defend and or settle pre 2008 equal pay claims	Equal pay risks have been reworded and updated and included on one risk No1.	March 2018

**APPENDIX A**

Ref No.	Risk description	Reason for removal	Date removed
5	Further equal pay claims	Equal pay risks have been reworded and updated and included on one risk No1.	March 2018
14	Insufficient in-house IT expertise within Directorates	Transition of Service Birmingham	March 2018
19	Delivery of Localisation Agenda	Majority of work has now progressed	March 2018
20	Allowance Payments	The bulk of unpaid allowance claims have been successfully managed by Legal Services. All other new claims are being assessed on their merits and defended wherever practical.	March 2018
3	Failure to identify alternative funding stream for school PFI contracts revenue pressures.	Immediate concern over PFI gap has been met. Longer term concerns are being evaluated.	July 2018
11	GDPR	Incorporated into one single risk on information assurance – Risk No.11	November 2018

# Birmingham City Council

## Risk Management Framework

<b>Version Control</b>			
V1	Nov 2018	Amalgamation and rewrite of Policy, Strategy and Toolkit into a single Risk Management Framework	Assistant Director Audit and Risk Management

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**1. Foreword**



Birmingham is experiencing one of its most exciting periods of regeneration and development in recent times. 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.

Guided by the present situation – with a rising demand for services (especially adult social care), financial pressures and the need to invest in children’s services – we are focusing our resources on five key priority outcomes:

- 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

Risk is a part of everything we do; it is inextricably linked to opportunities and innovation. The Council cannot be risk averse, it needs to 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 effectively 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 improvement risk management must be embedded throughout 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 Council Management Team recognises the importance of risk management and are activity reviewing and monitoring the corporate risks that the Council faces.

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

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

**Dawn Baxendale**  
**Chief Executive**  
**Birmingham City Council**

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

Risk management is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. It is part of the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016). The Framework 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 to:

- Integrate risk management into the culture of the Council.
- Manage risk in accordance with good practice and sound governance practices.
- Anticipate and respond to changing social, economic, political, environmental, legislative and technological requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Promote openness and transparency.
- Raise awareness of the need for risk management by all those connected with the Council's delivery of services.

These objectives will be achieved by:

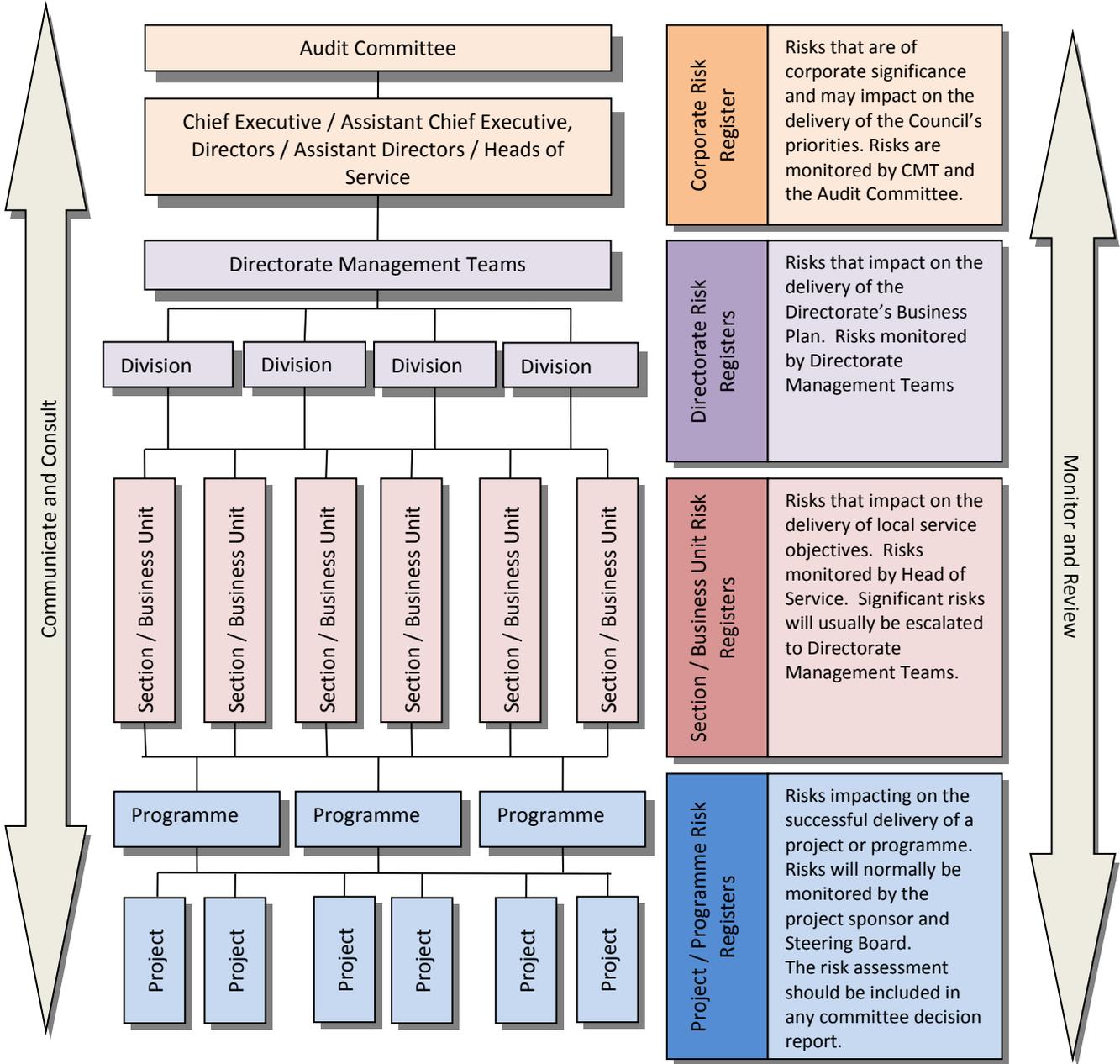
- Establishing clear roles, responsibilities and reporting lines within the Council for risk management - making clear that everyone should take ownership for risk management.
- Incorporating risk management considerations into all levels of business planning and service delivery.
- Providing opportunities for shared learning on risk management across the Council and with Partner organisations.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees by offering training.
- Monitoring of arrangements, at all levels, on an on-going basis by management.

**3. Risk Management Framework**

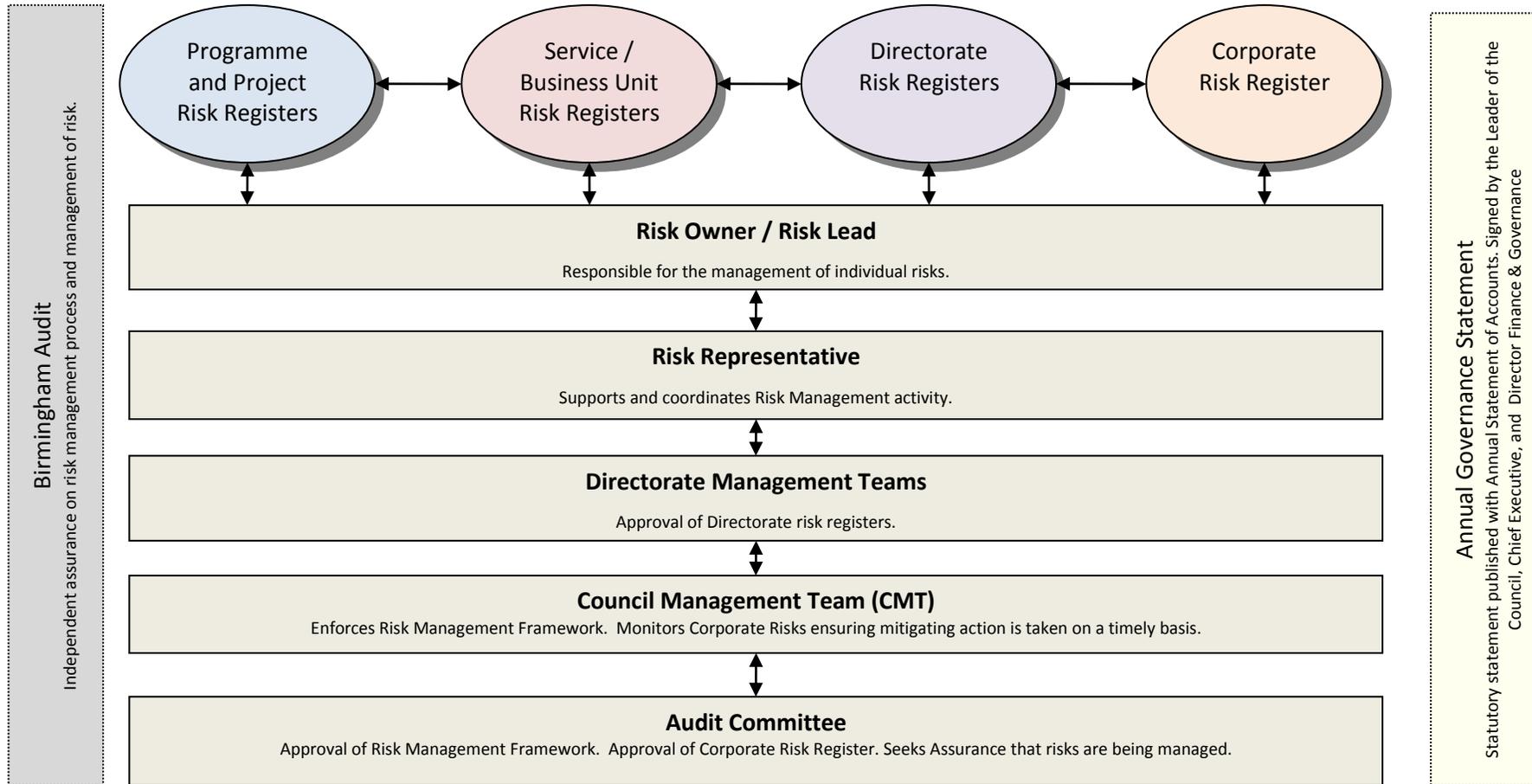
Risk management is not a new process; it is a formalisation of processes that are already in place. Risk management is integral to a well-managed council; it is something that managers undertake every day.

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

**Risk Management Hierarchy**



## Risk Management Governance



#### **4. Key Responsibilities**

- **Audit Committee** - to support the Council's Corporate Governance responsibilities and to provide independent assurance to the Council in relation to internal control, risk management and governance.
- **Council Management Team (CMT)** - 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. CMT has the Corporate Risk Register updates reported to them on a monthly basis. CMT ensure that the risks are complete and appropriate and 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 CMT and the Audit Committee.

## 5. Risk Management Process



- **Step 1: Identification**

Risk identification is the first step in the management process.

The starting point for the identification of risks and opportunities would be to identify the outcomes that are to be achieved. This may be obtained through the examination of key priorities, directorate / service business plans or project / programme objectives. 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
- 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:**

Description	Example Detail Description
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.

## APPENDIX B

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

↑ LIKELIHOOD	High				
	Significant				
	Medium				
	Low				
		Low	Medium	Significant	High
	IMPACT →				

**Key:**

<b>Severe</b>	Immediate control improvement to be made to enable business goals to be met and service delivery maintained / improved
<b>Material</b>	Close monitoring to be carried out and cost effective control improvements sought to ensure service delivery is maintained
<b>Tolerable</b>	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.

## APPENDIX B

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**

Corporate risks are the key risks faced by the Council. 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.

Nominations for new corporate risk should be sent to Birmingham Audit.

## **7. Business Planning**

One of the keys to successfully embedding risk management is ensuring that it is explicitly linked to business planning. In a properly embedded process, remedial action should take place to mitigate those risks which managers believe are insufficiently controlled, i.e. where the residual risk exceeds the target risk.

## **8. 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 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. An example of this could be where you are unable to access your base due to a disaster such as a fire or a flood, or it is cordoned off due to a police incident or terrorist action.

The business continuity plan needs to be developed in advance of an incident, because often with a little forethought many of the more serious consequences of an incident can be mitigated. 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 customers and clients.

## **9. 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.

## **10. Further help and support**

- [Birmingham Audit](#)
- Intranet – Further information on risk management can be found on the Council's Intranet

## **APPENDIX B**

- 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

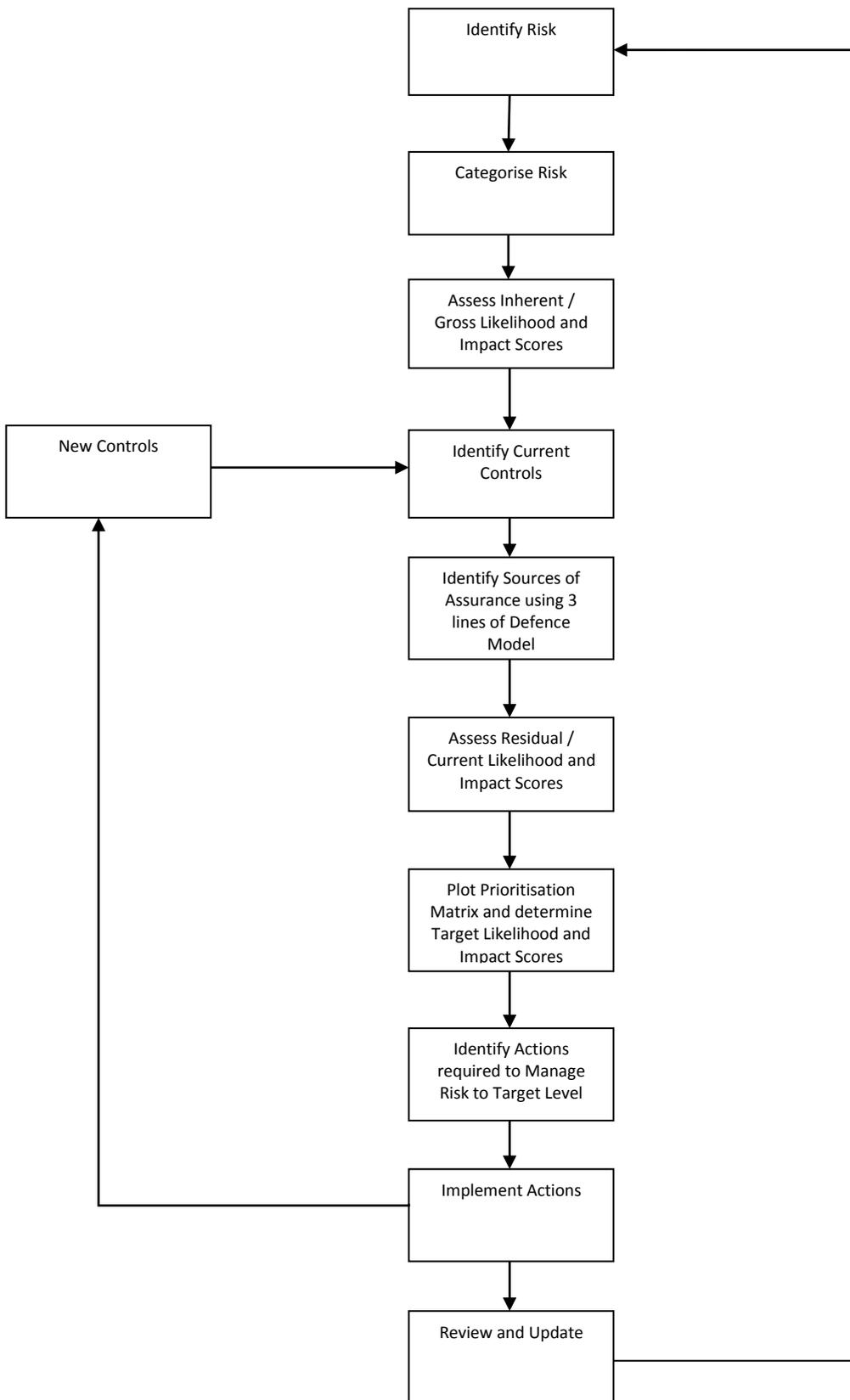
**Appendix B – 3 Line of Defence Assurance Model**

**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, but not independent 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>Sources of Assurance on Effectiveness of identified Controls:</b>			
<b>No.</b>	<b>Actions to Reduce Risk to Target</b>		<b>Owner</b>	<b>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>				

## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Corporate Director – Finance &amp; Governance</b>
<b>Date of Decision:</b>	<b>29 January 2019</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 30 July 2018, Members considered the External Auditor's Audit Findings Report and the draft Annual Audit Letter following the audit of the Council's financial statements for 2017/18.
1.2	The External Auditor made a number of recommendations within the Audit Findings Report for management to consider. These recommendations were in addition to the recommendations made under Section 24 of The Local Audit and Accountability Act 2014 that were considered by Council at its meeting on 11 September 2018.
1.3	The management responses to the External Auditor's recommendations were considered by this committee at its meetings on 25 September 2018. This report provides a progress update on the implementation of the management actions proposed.
<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 July 2018
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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### **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 on 30 July 2018. At the time of reporting to this committee, there had been no time to consider the management responses to the recommendations set out in the Audit Findings Report.
- 4.2 Management responses to the recommendations set out in the Audit Findings Report were considered by this committee at its meeting on 25 September 2018. This report sets out the current progress in addressing the issues raised in the recommendations.
- 4.3 Further reports will be provided to this committee setting out the additional progress in implementing the proposed activity in response to the recommendations set out in the Audit Findings Report.

### **Signature:**

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Clive Heaphy, Corporate Director – Finance & Governance

### **Appendices**

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

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
	<b>Accounts</b>				
1	<p><b>Control Weakness - Payroll Leavers</b></p> <p>We recommend that management consider the adequacy of controls in place to ensure authorisation of leaver documents does not lead to payments being made to individuals once they have ceased employment.</p>	<p>To improve managerial compliance HR services will undertake the following:</p> <p>a) half yearly communication reminders to managers to remind them of their obligations where there are pay related requirements</p> <p>b) Monthly audit check of 'non-completed' actions which are items awaiting approval in a manager's worklist.</p> <p>c) Where there are repeat offenders the relevant Director will be notified and formal disciplinary action may be taken. Targeted training to be offered to those repeat offenders.</p> <p>d) Ensure People Solutions training in respect of 'Self-service' is completed as part of the induction.</p> <p>e) HR Services proactively chase managers where we have cause to believe an overpayment may arise.</p>	<p></p> <p>Complete</p> <p>Complete</p> <p>Complete</p>	<p><b>Dawn Hewins</b></p>	<p><b>November 2018:</b> The first communication has been prepared and will be sent out shortly.</p> <p><b>November 2018:</b> The check has been embedded into processes and is being completed on a monthly basis.</p> <p><b>November 2018:</b> A monitoring system has been established and implemented.</p> <p><b>November 2018:</b> Preparations are underway for a revised induction programme to be delivered.</p> <p><b>November 2018:</b> This is included as part of the monthly checking and validation process.</p>

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2	<p><b>Control Issue - Heritage Asset Valuations</b></p> <p>We recommend that management consider the appropriateness of these insurance valuations.</p>	<p>The appropriateness of the current approach to Heritage Asset valuations will be kept under review.</p>	<p>March 2019</p> <p>Complete</p>	<p><b>Martin Stevens</b></p>	<p><b>November 2018:</b> The current method of accounting for heritage assets is compliant with the CIPFA Code of Practice.</p> <p>Alternative accounting methodologies have been considered. However, placing a 'market' valuation on heritage assets would give a significant range in value for the assets which would make it difficult to identify a figure that would be materially correct. The cost of undertaking such a valuation would not be economically viable.</p> <p>The insurance team meet with the Museums Trust on a regular basis to assess insurance valuations for the collections to determine a suitable level of cover.</p> <p>The consideration of valuations has been discussed with external auditors.</p>
3	<p><b>SAP-User Access</b></p> <p>We recommend that management considers which users need SAP_ALL access and removes access to this function where is it not required.</p>	<p>SAP BSC will carry out daily checks to monitor individuals who have access to SAP_ALL and any errant users will have their access revoked immediately.</p> <p>Capita ICTD will review all SAP_ALL access IDs and any that are out of use are removed.</p>	<p>Complete</p> <p>Complete</p>	<p><b>Jan Perks</b></p> <p><b>Capita ICTDS</b></p>	<p><b>November 2018:</b> SAP BSC continue to carry out daily checks to ensure that SAP_ALL has only been granted where formally requested and that the access is revoked at the earliest opportunity.</p> <p><b>November 2018:</b> This has been completed.</p>

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4	<p><b>Multiple Accounts Assigned to a single user</b> We recommend that management considers which users need multiple accounts within SAP and removes access to those where this function where is it not required.</p>	<p>SAP BSC will carry out a monthly check to ensure that all Firefighters are valid.</p> <p>Access for Firefighters will be revoked where they are no longer required</p>	<p>Complete</p> <p>Complete</p>	Jan Perks	<p><b>November 2018:</b> A regular monthly check has been undertaken to ensure that all Firefighter IDs remain valid.</p> <p><b>November 2018:</b> Firefighter IDs are removed at the earliest opportunity.</p>
5	<p><b>Under Accrual of waste invoices</b></p> <p>We recommend that the Council considers its controls in place to ensure other invoices are not paid before they are recognised within the ledger system.</p>	<p>The requirement to comply with the policies and procedures in respect of accounts payable will be reinforced through management team meetings.</p> <p>At year-end any significant unmatched purchase orders will be reviewed to determine the appropriateness of any accruals</p>		Guy Olivant/Fazal Khan	<p><b>November 2018:</b> The Place Directorate Management, and Waste Management Teams have been reminded of the appropriate Policy and Procedures that need to be adhered to</p> <p><b>January 2019:</b> A reminder of the requirement to use Purchase Orders as set out in the Council's Financial Regulations was included in the November 2018 Voyager Newsletter that is emailed to staff and on the Voyager portal.</p> <p><b>November 2018:</b> As part of the preparations for the year end this issue recommendation will be implemented</p> <p><b>January 2019:</b> An exercise has been undertaken in December to strip out old unmatched or mismatched purchase orders.</p>

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6	<p><b>Control weakness - HRA revaluation</b> We recommend that a reconciliation control is put in place to ensure the prevention of similar errors in the future.</p>	<p>The timeline for the provision of HRA asset valuations will be reviewed with a view to allowing more time for effective reconciliation and consistency checks to be applied to the calculation of revaluation adjustments, whilst still ensuring that the valuations are materially correct as at the year-end date.</p>		Guy Olivant	<p><b>November 2018:</b> Discussions have commenced with valuers to accelerate the timescales for provision of valuations, whilst ensuring that the accuracy of valuations is not compromised.</p> <p><b>January 2019:</b> The recommended reconciliation is now in place and the issues identified in the Audit Findings Report have been resolved. Discussions are ongoing with valuers to accelerate the timescales for provision of valuations, whilst ensuring that accuracy is not compromised. The next update meeting with valuers is due by the end of January 2019.</p>
7	<p><b>Control weakness – Business Rates Appeals</b> We recommended that the Council accurately calculate out the amount of business rate appeals used in year which will result in an accurate figure for additional provisions to be made in year.</p>	<p>The figures will be analysed at the year end to determine whether there are any significant movements to the provision, either additional amounts required or provision withdrawn.</p>	March 2019	Ian Harris	<p><b>November 2018:</b> The transactions relating to the appeals provision are monitored quarterly at a high summarised level to determine the amount of provision used in year. The figures will be analysed further at the year end to determine if the provision brought forward should be reduced or if additional provision is required.</p> <p><b>January 2019:</b> Transactions will continue to be monitored.</p>

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	<b>Value for Money</b>				
1	<p><b>Budget Delivery and Reserves Management, as well as savings proposals</b></p> <p>We recommend that the Council deliver the elements of the statutory recommendation that relate to finance and transparency and governance (see page 5).</p>	<p>The Council will take the following steps to ensure that financial and performance monitoring is provided on a timely basis. This will be effected through:</p> <ul style="list-style-type: none"> <li>Improving the quality and timeliness of monthly budget monitoring reports, which will allow for budget holders to take corrective action more appropriately.</li> </ul>		Clive Heaphy	<p><b>November 2018:</b> The budget monitoring process has been reviewed in order to provide more timely reporting to CMT and EMT. CMT receives monthly reports within around 2 weeks of the month end. EMT receives monthly reports within a month of the previous month end. Reports are taken to Cabinet quarterly, generally within 6 weeks of the relevant month end.</p> <p>In addition, Resources Scrutiny Committee considers the quarterly Cabinet reports and the monthly EMT reports.</p> <p>CMT receives the monitoring report far earlier than previously, thus maximising the opportunity to understand the scale of any challenge and the time available to develop plans to address this.</p> <p><b>January 2019:</b> Monthly monitoring reports have continued to be delivered to CMT, EMT and Resources Scrutiny Committee.</p>

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		<ul style="list-style-type: none"> <li data-bbox="846 568 1279 746">• Introducing a star chamber for relevant Service Directors and Cabinet Members to meet the Cabinet Member for Finance and Resources and the Chief Finance Officer.</li>   <li data-bbox="846 1094 1301 1209">• Tightening the use of reserves through Cabinet approval to ensure that recovery plans are considered before the use of reserves.</li> </ul>			<p data-bbox="1697 288 2186 379">Cabinet was due to consider the Month 9 monitoring report at its meeting on 22 January 2019.</p> <p data-bbox="1697 411 2119 472">The format of reports will be further reviewed for the new financial year.</p> <p data-bbox="1697 568 2192 871"><b>November 2018:</b> Star Chamber meetings take place monthly between the Cabinet Member for Finance and Resources, the Corporate Director of Finance and Governance and each Corporate Director to discuss the revenue forecast for each Directorate and any mitigations that could be introduced in order to improve the Council's forecast outturn.</p> <p data-bbox="1697 903 2181 1027"><b>January 2019:</b> Star Chamber meetings have continued to meet on a monthly basis with the focus on finding mitigating actions to offset any budget pressures.</p> <p data-bbox="1697 1091 2150 1273"><b>November 2018:</b> In order to provide transparency on use of reserves, a position statement is provided in each monthly monitoring report, including a comparison of current forecast use of reserves with the original budget.</p> <p data-bbox="1697 1305 2150 1394">Any revised use of reserves has to be approved by Cabinet before it can be implemented. Use of reserves to</p>

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		<ul style="list-style-type: none"> <li data-bbox="846 660 1301 810">• The introduction of more formal scrutiny arrangements for the Council's finances in addition to the creation of a Capital Board chaired by the Leader.</li> <li data-bbox="846 1155 1279 1273">• The introduction of more robust arrangements for the programme and project management of the delivery of savings initiatives.</li> </ul>			<p data-bbox="1697 256 2181 375">mitigate overspends are not allowed and so the forecast variance provides an estimate without any mitigation from reserves.</p> <p data-bbox="1697 411 2190 501">Some reserves which have been set aside for specific purposes are allowed to be used e.g. grants reserves.</p> <p data-bbox="1697 537 2145 592"><b>January 2019:</b> The tightened use of reserves is continuing.</p> <p data-bbox="1697 660 2175 963"><b>November 2018:</b> Resources Scrutiny Committee considers the joint revenue and capital monitoring report on a monthly basis. The Capital Board has been meeting monthly since June, reviewing proposed business cases and monitoring information and to advise EMT on resource allocation and other capital policies.</p> <p data-bbox="1697 1000 2145 1090"><b>January 2019:</b> Capital Board and Resources Scrutiny Committee have continued to meet on a monthly basis.</p> <p data-bbox="1697 1158 2163 1394"><b>November 2018:</b> The budget planning and monitoring processes require each savings proposal to provide an implementation plan and provide progress updates on both the financial forecast and the forecast of when key milestones in the delivery of the saving will be achieved.</p>

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					<p>Furthermore, the Council has reinvigorated its Corporate PMO function which is beginning to meet with Directorates in conjunction with Finance Business Partners to consider the delivery of the current savings programme.</p> <p>Furthermore, the PMO has been involved in the scrutiny of the implementation plans for the new savings programme which will be consulted on shortly.</p> <p><b>January 2019:</b> PMO is currently reviewing and monitoring savings implementation plans and, where appropriate, is seeking clarification and/or further information on proposals.</p>
2	<p><b>The Panel</b> We recommend that the Council implement the actions identified in its Improvement Stocktake Report and demonstrate measurable outcomes to the Panel</p>	<p>The Council will provide regular reports on progress against its self-assessment and improvement plans through monthly meetings with MHCLG and the BIIP and through the sharing of monthly finance summaries, performance management and Corporate Governance Plan Jonathan Tew documents.</p>			<p><b>November 2018:</b> The Committee engaged directly with the BIIP at their 25<sup>th</sup> September meeting to reflect on the contents of the Stocktake Report and actions undertaken by the Council since. Subsequently, meetings have taken place between the BIIP, MHCLG and the Council on a monthly basis, with minutes and updates to the Corporate Governance Plan subsequently circulated to all elected members such that, if they choose to do so, the Audit Committee can re-examine actions against the agreed plan. Performance and finance updates to Cabinet are</p>

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		<p>Collaboration workshops have been put in place between the Council and the BIIP that will cover development issues such as performance management, homelessness and skills.</p>			<p>similarly published on a monthly basis, and are available for Committee review.</p> <p><b>January 2019:</b> Monthly meeting cycle has continued as indicated above. Evidence compilation is underway prior to a proposed year-end report in March 2019.</p> <p><b>November 2018:</b> Workshops have taken place against the three themes of skills, homelessness and performance management with notes circulated to all group leaders and outputs reported via the monthly cycle indicated above. Subsequent sessions are planned for January 2019.</p> <p><b>January 2019:</b> Subsequent officer workshops relating to skills, homelessness and performance management with the BIIP are scheduled for January and early February such that they can inform the evidence compilation cited above.</p>
3	<p><b>Services for Vulnerable Children</b> We recommend that the Council continue to demonstrate measurable improvements in services for vulnerable children through the Children’s Trust</p>	<p>The Council manages its contract with Birmingham Children’s Trust through an agreed set of performance measures. Monthly reports are provided through to</p>		Anne Ainsworth	<p><b>November 2018:</b> Performance reported at the October meeting (month 6) shows that 14 out of the 15 agreed performance indicators were meeting their target</p>

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		ensure that the Trust remains on track, within agreed level of tolerances.			<p>(either above the target or within the accepted threshold for tolerance). In addition a strong focus is being placed on individual case audits and quality reviews with dedicated resource set aside to do this. Plans are underway for an expected Ofsted inspection.</p> <p><b>January 2019:</b> An Ofsted Inspection took place in December. For the first time in over ten years children's social care services in Birmingham have been judged as 'requires improvement to be good' having previously been rated inadequate. Whilst many areas flagged for improvement positive recognition of the work that the Children's Trust have started.</p> <p>Performance reported for end of November (latest available shows 14 out of 15 indicators being within their agreed tolerance (or positively exceeding))</p>
4	<p><b>Management of Schools</b> We recommend that the Council increase the pace of improvement in schools governance arrangements to ensure that it can demonstrate to Ofsted that it has addressed the issues that it raised.</p>	<p>1. A new school improvement contract has been agreed with Birmingham Education Partnership to run from 1 Sept 2018 for two years and a set of priorities and performance framework is being agreed.</p> <p>2. Stronger guidance has been provided to schools to ensure</p>		Anne Ainsworth	<p><b>November 2018:</b> A contract for 2 years is in place with the Birmingham Education Partnership.</p> <p><b>January 2019:</b> In place and work ongoing. Presentation to Learning and Culture Overview and Scrutiny on academic performance given December</p> <p><b>November 2018:</b> Monthly meeting of the schools financial governance group to</p>

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		<p>appropriate governance around finance to avoid the risks of schools moving into deficit. Where schools are demonstrating financial concerns a cross directorate group made up of School Financial Services, HR, Audit, Governor Support and Infrastructure works together to address wider concerns and co-ordinate support.</p> <p>3. A more focused programme of work has been agreed with Internal Audit to consider financial risks within schools. The Directorate Management team will review on a termly basis the work of Internal Audit with high risk reports acted upon.</p> <p>4. A Schools Causing Concern meeting takes place each month and there are regular conversations with Ofsted and the Regional Schools Commissioner.</p> <p>5. A focus of the Education Safeguarding Board on addressing resilience in schools through providing support, advice and training on safeguarding and extremism.</p>			<p>co-ordinate action and identify early concerns. This group is also being used to focus audit activity on schools causing concern.</p> <p><b>January 2019:</b> Report on current position to CMT and progress being made with schools</p> <p><b>November 2018:</b> First audit report on schools financial management published and further work underway. Revision of the audit inspection framework for schools to be used from the beginning of November with a stronger focus on financial processes and strategic financial planning.</p> <p><b>January 2019:</b> On going</p> <p><b>November 2018:</b> Ongoing schools causing concern meetings taking place and financial concerns are being fed into this work.</p> <p><b>January 2019:</b> Ongoing – meetings being held</p> <p><b>November 2018:</b> Latest meeting took place 23 October</p> <p><b>January 2019:</b> Latest meeting took place 15 January 2019</p>

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	<b>Sec 24 Recommendations</b>				
1	The Council needs to deliver its savings plans in 2018/19, in particular by identifying alternatives where existing plans are not deliverable, to mitigate the impact of the combined savings and budget pressure risks.	<p>A monthly star chamber process has been instigated whereby the Chief Finance Officer and the Cabinet Member for Finance and Resources meet with relevant Services Directors and their Cabinet Member to understand the reasons for the continuing forecasting overspend and to agree the mitigations which will lead to bringing forecast back within budget.</p> <p>Access to reserves as mitigation for base budget pressures and savings non-delivery has been severely restricted.</p>		Clive Heaphy	<p><b>November 2018:</b> Star Chamber meetings take place monthly between the Cabinet Member for Finance and Resources, the Corporate Director of Finance and Governance and each Corporate Director to discuss the revenue forecast for each Directorate and any mitigations that could be introduced in order to improve the Council's forecast outturn.</p> <p><b>January 2019:</b> Star Chamber meetings have continued to meet on a monthly basis with the focus on finding mitigating actions to offset any budget pressures.</p> <p><b>November 2018:</b> In order to provide transparency on use of reserves, a position statement is provided in each monthly report, including a comparison of current forecast use of reserves with the original budget.</p> <p>Any revised use of reserves has to be approved by Cabinet before it can be implemented. Use of reserves to mitigate overspends are not allowed and so the forecast variance provides an estimate without any mitigation from reserves.</p>

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		<p>The updated revenue (and capital) monitoring process is far more risk-focussed and concentrates on identifying solutions to issues and delivering these solutions.</p> <p>More formal Scrutiny arrangements have been introduced for the Council's Finances and there is an expectation that areas of financial concern will be examined in detail.</p>			<p>Some reserves which have been set aside for specific purposes are allowed to be used e.g. grants reserves.</p> <p><b>January 2019:</b> The tightened use of reserves is continuing. The Medium Term Financial Strategy is based on the specifically approved use of earmarked reserves only with no reliance on a general use of reserves to support the budget.</p> <p><b>November 2018:</b> The focus of the monthly Star Chamber sessions is to identify solutions that can be implemented to address any budget challenges.</p> <p>The Capital monitoring process also focuses on the material variances which have the highest levels of inherent risk.</p> <p><b>January 2019:</b> The monthly Star Chamber meetings and monitoring reports are continuing to focus on seeking solutions to any issues raised in budget forecasts.</p> <p><b>November 2018:</b> Resources Scrutiny Committee considers the quarterly Cabinet reports and the monthly EMT reports.</p>

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		<p>A Capital Board, chaired by the Leader, has been established to ensure that capital controls and monitoring are in place and that capital spend proposals are in line with the Council's objectives.</p> <p>The appointment of dedicated Business Partners will enable more collaborative working to be undertaken with budget holders to assess the financial implications of policy proposals along with robust implementation plans to reduce the likelihood of overspends.</p>			<p>Furthermore, the star chamber discussions examine the reasons behind budgetary issues in services.</p> <p><b>January 2019:</b> Resources Scrutiny Committee continues to consider the monthly EMT and quarterly Cabinet monitoring reports together with specific financial issues arising from them.</p> <p><b>November 2018:</b> The Capital Board has been meeting monthly since June to improve capital programme management prior to executive decisions</p> <p><b>January 2019:</b> Capital Board has continued to meet on a monthly basis.</p> <p><b>November 2018:</b> Finance Business Partners are now in post (with one remaining vacancy)</p> <p><b>January 2019:</b> All Finance Business Partner posts are now filled.</p>
2	The Council needs to develop a realistic medium term financial plan for 2019/20 to 2021/22 which incorporates realistic and detailed savings plans and takes account of key budget and service risks.	The Council is adopting a priority-based budgeting approach for future years that will align the use of financial resources with its policy priorities, and involve considerable use of performance, unit cost and trend information.		Clive Heaphy	<b>November 2018:</b> The Council's Budget Process required each Directorate to consider proposals in the context of the Council Plan and also its performance and unit costs relative to relevant authorities.

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		<p>The budget setting process will also focus on exploring opportunities for service re-design and partnership working and promote links to the development of capital and asset strategies.</p> <p>The process for the 2019/20 – 2022/23 four-year cycle commenced in May 2018 – considerably earlier than in previous years. A workshop took place in June and further workshops are planned in September and October 2018 prior to the draft budget being issued for consultation.</p> <p>The creation of a central Project Management Office (PMO) and robust business cases/implementation plans</p>			<p><b>January 2019:</b> Consultation on the new budget savings proposals began on 13 November and closed on 31 December. The results of the consultation, including the medium term implications, were presented to EMT for review on 17 January.</p> <p><b>November 2018:</b> The revenue budget process has been more closely aligned to the capital process. Both capital and revenue implications of proposals have been considered.</p> <p><b>January 2019:</b> The budget proposals have been subject to consultation and will be considered by CMT in due course.</p> <p><b>November 2018</b> The consultation on new savings proposals has been issued a month earlier than in recent years (became public 6 November and consultation begins on 13 November)</p> <p><b>January 2019:</b> Consultation closed on 31 December and Members are considering their response. The consultation period was 7 weeks, which is longer than in previous years.</p> <p><b>November 2018:</b> PMO created and involved in consideration of the new</p>

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		will enable delivery to be tracked and monitored with rigour.			<p>savings proposals and their implementation plans.</p> <p><b>January 2019:</b> PMO is providing a challenge to implementation plans and is Providing support to the development of implementation plans ensuring improvements are made where necessary. PMO is also in the process of setting the monitoring framework for 2019/20.</p>
3	The Council needs to ensure that it maintains an adequate level of reserves to mitigate the impact of budget risks, in particular one-off risks such as the Commonwealth Games and Equal Pay.	<p>The Council is developing a risk-based approach to identify an appropriate minimum level of reserves which it needs to hold to mitigate its risk profile and plans to manage those risks.</p> <p>The Council will keep risks under regular review to ensure that adequate resources are set aside where necessary as its risk profile changes.</p>		Clive Heaphy	<p><b>November 2018:</b> The November Cabinet report on the Budget Consultation confirms that the assessed minimum balance of reserves will be reviewed for the MTFs update in February 2019.</p> <p><b>January 2019:</b> Assessment of the prudent minimum value of reserves that the Council should hold is currently taking place.</p> <p><b>November 2018:</b> Risks are reviewed monthly by CMT and quarterly by Audit Committee, including the risk profile and planned mitigations.</p> <p><b>January 2019:</b> CMT receives a monthly audit and risk update, whilst Audit Committee receives a quarterly update.</p>

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4	<p>The Council needs to ensure that its financial monitoring and budget reports are clear, transparent, and timely particularly in relation to the use of reserves, whether in-year or at year-end.</p>	<p>Improvements in reporting will continue to be developed and the Council remains committed to open and full reporting. This includes working with the Finance and Resources Scrutiny Committee to improve accountability.</p> <p>Financial reporting will continue to evolve to ensure that members, the public and stakeholders have a clear picture of the council's finances and the opportunity to challenge and shape spending as budgets continue to fall.</p>		Clive Heaphy	<p><b>November 2018:</b> The budget monitoring process has been reviewed in order to provide more timely reporting to CMT and EMT. CMT receives monthly reports within around 2 weeks of the month end. EMT receives monthly reports within a month of the previous month end. Reports are taken to Cabinet quarterly, generally within 6 weeks on the relevant month end.</p> <p>In addition, Resources Scrutiny Committee considers the quarterly Cabinet reports and the monthly EMT reports.</p> <p><b>January 2019:</b> The revised monitoring arrangements have continued with earlier reporting on a monthly basis to CMT and quarterly to Cabinet.</p> <p><b>November 2018:</b> The consultation on new savings proposals has been issued a month earlier than in recent years (became public 6 November and consultation begins on 13 November)</p> <p><b>January 2019:</b> Monitoring reports give a clear overview of base budget pressures or underspends and any savings delivery challenges that have arisen.</p>

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5	The Council needs to report governance failures and emerging issues promptly and clearly to Members and local citizens.	<p>A full review of governance, including the governance of associated bodies and companies, is taking place.</p> <p>The Cabinet Committee - Group Company Governance (CC-GCG) Terms</p>		Clive Heaphy	<p><b>November 2018:</b> A cycle of governance reviews for material subsidiary and associated companies is planned as part of the CC-GCG programme and independent professional training took place on the 29 October 2018 to assist committee members in their review process. Officers will facilitate this and action recommendations under shareholder directions.</p> <p>The GBSLEP annual governance review is reported through GBSLEP public meetings, any issues or failures arising as a result of this will be reported to council members in their capacity as accountable body.</p> <p>A review of major capital works being implemented under company structures, their governance, project management and reporting processes is in place, assisted by external advisors. The capital board will receive update and progress reports in the first instance prior to onward reporting as appropriate.</p> <p><b>January 2019:</b> CC-GCG is meeting on a monthly basis where it considers business plans, risk registers and other relevant information to enable effective governance over its company arrangements to be exercised.</p> <p><b>November 2018:</b> The Terms of Reference for CC-GCG were considered</p>

Appendix 1

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		<p>of Reference are being revised to ensure that it is able to provide effective oversight of the many stakeholder interests, including associated companies and bodies, where some of the greatest risks apply.</p> <p>For matters within the Council, more transparent performance, financial and risk reporting will identify issues earlier to allow actions plans to be developed. The Council is working to improve the efficacy of its role as client in a number of key relationships (such as The Children’s Trust) and ensuring that its role as stakeholder is clearly separated</p>			<p>by the committee at its meeting on 18 September. The committee resolved to meet on a monthly basis to maintain oversight of related companies and entities.</p> <p>A proposed workplan for CC-GCG has been developed and covers the regular reporting to members on requests to create new companies, the risks associated with companies and related parties, consideration of the risk assurances processes within companies and regular reporting by companies and by contact officers to cover a wide spread of the total activity.</p> <p><b>January 2019:</b> CC-GCG is meeting on a monthly basis. Two subsidiary companies have presented their business plans to the committee for consideration. The committee receives a monthly risk register update and has received risk assurance reports from the Council’s major companies.</p> <p><b>November 2018:</b> The role of the client function and of contact officers will continue to be developed so that performance, financial and governance factors can be assessed and reported.</p> <p>Training has been provided to members of CC-GCG in respect of the shareholder role. Training will be cascaded to Council nominated directors and other</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p>from its role as service deliverer where a conflict exists.</p> <p>The Council is working with the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) both in relation to the role of the Council as the Accountable Body and in establishing GBSLEP as an independent and self-controlling company in line with the findings of the Government's LEP review and the Ney Review.</p>			<p>relevant staff and will cover the differing roles of shareholder and contractor.</p> <p><b>January 2019:</b> Training is being provided to Council nominated directors and those who are likely to provide advice to them on 24 January. Training is also undertaken by companies themselves to ensure that directors have the necessary skills in place.</p> <p><b>November 2018</b> The Council has agreed a Joint Working Protocol and capital charging protocol with GBSLEP underpinned by a detailed SLA for financial and legal services which is currently in consultation. GBSLEP consultants, council officers and specialist advisors are working on the transfer of operations to a self-controlling company structure by April 2019.</p> <p><b>January 2019:</b> Work is continuing to be undertaken on the transfer of the GBSLEP operations to a self controlling structure.</p>
6	<p>The Council needs to ensure that appropriate arrangements are implemented in relation to the Council's subsidiary bodies, including regular financial reporting and Council nominees on subsidiary body boards, to ensure that emerging risks are monitored, reported and managed promptly.</p>	<p>The shareholder role is discharged through the CC-GCG, with attendance by subsidiaries either on a cyclical timeframe or where there are concerns with a Council-owned company, on a more regular basis.</p>		Clive Heaphy	<p><b>November 2018:</b> The workplan and timetable for the CC-GCG is being developed and regular reports of and presentations by the Council's subsidiary companies will be programmed into the timetable.</p> <p>The CC-GCG has been timetabled into the Committee calendar on a monthly</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p>The Intelligent Client Function is more robustly developed for some subsidiary bodies than others and the role of contact officers requires formal definition. This will form part of the work programme for CC-GCG in 2018, along with further development of the training package for officers and members who take up directorships.</p> <p>Risks within subsidiary bodies are formally reported to Audit Committee</p>			<p>basis and will be chaired by the Deputy Leader and be supported by senior officers.</p> <p>Training has been provided to members of CC-GCG on the role of directors within companies and on aspects of business planning and a consistent approach for constructive challenge. Training is planned for current directors nominated by the Council.</p> <p><b>January 2019:</b> A workplan for the CC-GCG has been developed which includes regular presentations to the committee by companies and by relevant client officers on a regular basis. The workplan will be kept under review to identify any matters that require urgent consideration.</p> <p><b>November 2018:</b> The role of client functions will be developed and implemented during the year to ensure that there remains a strong focus on the relationship with subsidiary companies.</p> <p>Client Officers will report to the CC-GCG on a regular basis in support of presentations by subsidiary companies.</p> <p><b>January 2019:</b> The role of the client officer will continue to be developed.</p> <p><b>November 2018:</b> CC-GCG will consider a regular report on the risks associated</p>

Appendix 1

Rec No	Recommendation	Proposed Actions	Due Date	Responsible Officer	Progress in implementation
		<p>annually as part of an assurance statement. The Council will extend this mechanism to capture emerging in-year risks.</p>			<p>with subsidiary companies and emerging issues will be identified at the earliest opportunity to allow consideration at the committee.</p> <p><b>January 2019:</b> A risk register has been considered at each of its monthly meetings by CC-GCG.</p>
7	<p>The Council needs to ensure that robust management and governance arrangements are put in place within the Place Directorate, particularly to ensure effective oversight of the waste service, to ensure that it delivers its financial and service objectives.</p>	<p>A new Memorandum of Understanding (MoU) is due for implementation in September 2018 and arrangements are being put in place to monitor performance and financial arrangements that will lead to improvements in services to the public and most particularly to recycling rates.</p>		Rob James	<p><b>November 2018:</b> Following extensive discussion with Trade Unions and the workforce the new operating model was implemented in September 2018. The new system involved the appointment of waste collection and recycling officer and moving to a five day working week for waste collection services. Collections rounds have been revamped to equalise the workload for crews and this has been achieved without changing the day of collection for the 360,000 properties affected.</p> <p>Collections are being monitored in addition to individual crew performance as well as that of the waste collection and recycling officers.</p> <p>The budget for the service will be adequate for the service being provided and monthly reports are provided to the Cabinet Member and to Finance Star Chamber.</p>

## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

<b>Report to:</b>	<b>AUDIT COMMITTEE</b>
<b>Report of:</b>	<b>Corporate Director, Finance &amp; Governance</b>
<b>Date of Decision:</b>	<b>29 January 2019</b>
<b>SUBJECT:</b>	<b>GROUP COMPANIES – INFORMING THE AUDIT RISK ASSESSMENT</b>
<b>Wards Affected: All</b>	
<b>1. Purpose of Report</b>	
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. The Council has to consider whether there are risks to the Council either through misuse of funds or misstatement of activities.
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.
<b>2. Decisions recommended:</b>	
2.1	Members are asked to: <ul style="list-style-type: none"> <li>a) note the responses received to inform the audit risk assessment,</li> <li>b) consider whether the information provided gives appropriate assurance on the use of resources by the Council's companies.</li> </ul>

**Contact Officers:****Clive Heaphy, Corporate Director, Finance & Governance****Telephone No:** 0121 303 2950**E-mail address:** [clive.heaphy@birmingham.gov.uk](mailto:clive.heaphy@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 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 Corporate Director of Finance and Governance (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. Appendix 1 is a collated set of responses to these questions.
- 4.2 A review of the Group Boundary has been undertaken and it is considered that one new company should be included in the Group Accounts, namely Birmingham Children's Trust C.I.C..
- 4.3 Birmingham Children's Trust C.I.C was incorporated on 9 May 2017 as a wholly owned subsidiary of Birmingham City Council with Teckal status and became fully operational from 1 April 2018. The Council retains overall strategic control of the Trust and remains accountable for the welfare and wellbeing of children and young people for improving outcomes.
- 4.4 The Cabinet Committee - Group Company Governance, at its meeting on 16 January, reviewed the responses of the company returns and did not identify any adverse issues that it wished to bring to the attention of this committee.

#### Signature :

Corporate Director, Finance & Governance: .....

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



<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>Board Directors are provided with an induction on appointment to ensure their responsibilities are understood and they have the tools necessary. A review of the Board Effectiveness has been commissioned and the Shareholder’s representative is in receipt of the initial draft report with a further update due to be issued shortly following clarification of points raised in the report.</p> <p>The stabilisation project within Acivico has reviewed the senior management structure and roles required to manage the new 3 year business plan and the board is considering how best to recruit the skills required to ensure the success of the BP while the decision of the cabinet on the future of the company is pending.</p>
How does the company ensure that Directors engage fully with the company and what is the record of attendance	<p>Board meetings are held on a monthly basis with the newly constituted Audit Committee meeting a minimum of 3 times a year. The Board Directors now have lead roles in the themes developed as part of the stabilisation plan and new 3 year business plan, bringing them closer to the operational activities of the business which ensures engagement with and challenge to the operational team.</p> <p>All Board and Audit Committees are mounted and actions recorded with BCC Legal team providing the equivalent of Company Secretarial support.</p>
Please explain the system of governance and the financial control	As part of the stabilisation project the financial reporting of the company has been reviewed with monthly reporting through to the Board directly.

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
environment within the company	<p>Audit Committee Terms of reference have been reviewed and approved by Board, thereby giving more focus and direction on Scrutiny with a workplan approved at the Audit Committee on 14 November which will provide post scrutiny of the monthly management accounts and pre scrutiny of the year end financial accounts.</p> <p>Within the operation areas there are clear Finance BPs working with the services to develop their month end forecasts. As part of project phoenix there continues to be an element of review of the budget assumptions (QA).</p> <p>Scheme of delegations is being reviewed and due to be approved by the Audit Committee in the new year.</p> <p>Financial systems are currently not fit for purpose with lots of manual intervention, therefore the new ICT strategy has proposed and subsequently been approved by Board for a new financial system suitable for the size of the company.</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.	<p>There is an internal audit work programme with the lead auditor reporting through to the audit committee on a regular basis.</p> <p>There is proposed to be an internal control review for operational managers that will require quarterly sign off, which will be implemented for Qtr 3.</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 company is currently working with a going concern support letter, therefore this is not relevant for the current company set up.</p> <p>For the new company, there is a 3 year business plan which is approved by the Board and supported by the Shareholder, with cabinet approval in</p>

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
	<p>December to implement the recommendations in accordance with the business plan.</p> <p>Cashflow has been an ongoing discussion with BCC finance, which is yet to be finalised despite monthly requests to do this.</p>
What is the company's approach to the development of business continuity plans.	Business Continuity plans are being updated due to the changes in structures within the company over the summer months. The main plan is shared and updated for BCC in accordance with the timelines requested.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	There was a project plan for the original implementation, although the EMT has proactively commissioned a review of the implementation to identify any gaps/risk the company might not be aware of. This report is due to be reported to the Audit Committee in January where an action plan will be agreed if required.
<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.	Each monthly financial report identifies key risks/issues and any mitigations as required. There is formal reporting of corporate risks through to the Audit committee on a regular basis and a detailed workshop of all business risks is currently in progress following a review of the internal process and ownership throughout the business.
Please set out your management's processes for identifying and responding to risks of fraud.	As can be seen through a live situation this year, a concern was raised immediately with the internal audit team and an audit commissioned. This has been reported through to the Audit Committee and progress monitored. The outcome of the audit was that no fraud had occurred, but

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
	it demonstrates the management approach in place to deal with such instances.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	See above and Audit Committee involvement.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	Potential for Fraud exists where services process cash. There is also potential within the P2P process but the company's SAP environment runs the same processes as BCC with procurement for example reviewing new suppliers and contracts.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	As detailed above there are processes for all Service Areas to report through the Corporate Risk Register, Financial Reports and Service Area updates.  The Stabilisation and now transition projects are running RAID logs which will report key issues/risks through the dashboard which are subsequently reported through to Board on a monthly basis.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	See the one example within the company this year.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	See above
How your organisation would communicate financial risks to the Council, for example, where there is an expected downturn in trading performance	The Shareholder has a representative attend the Acivico Board, and receives all papers. Additional financial controls are in place due to the Going Concern letter, so there are updates in the intervening periods too.

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
that would impact on the financial status of the company	BCL is a prime example of regular updates to BCC due the losses and need to transition the service back to the client to enable BCC to reconsider the business model most appropriate for the service needs.
How would the company communicate any breach of GDPR requirements to the Council.	The company reports through to EMT, Board and then the Shareholder's representative. There is a current case that is working its way through the process in December so the Shareholder will receive an update before the end of the calendar year.
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 company is supported by BCC in its insurance requirements and a review of the policies has been completed with the BCC lead in the last couple of months. The company is preparing its requirements for the new company as part of the transition. A schedule of policies is available if required.
<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.	There has been a full review of accounting policies this year with the major change being the approach to the Bad Debt Provision. This was approved by the Board and subsequently endorsed by the external auditors as part of the 2017/18 financial accounts preparation.
What matters or events occurred during the year that could influence your	The final days of the internal audit plan are going to focus on the revised

<b>ACIVICO LTD (INCLUDING ACIVICO (BUILDING CONSULTANCY) LTD AND ACIVICO (DESIGN, CONSTRUCTION AND FACILITIES MANAGEMENT) LTD</b>	
<b>Question</b>	<b>Response</b>
audit approach or may have an impact on the Council's consolidated financial statements.	corporate risk register which will be available at the end of December 2018. The risks are evaluated giving consideration to the financial impact, thereby determining the mitigations required to bring the inherent risk down to an acceptable residual risk level.
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	Not application but note the proposal to close the company and create a new company which will realise the losses of Acivico to date.
Please set out details of any indemnities or guarantees that the company has given.	None known by current EMT.
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.	Not applicable
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 report is attached for information, which includes the management responses and actions.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	Note the cabinet report on the new 3 year business plan.

<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.
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 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.

<b>BIRMINGHAM AIRPORT HOLDINGS LTD</b>	
<b>Question</b>	<b>Response</b>
What is the company's approach to the development of business continuity plans.	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.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	The company has an information security department tasked with ensuring compliance with GDPR requirements
<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>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>
Please set out your management's processes for identifying and responding to risks of fraud.	<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>

<b>BIRMINGHAM AIRPORT HOLDINGS LTD</b>	
<b>Question</b>	<b>Response</b>
	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.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	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). <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> 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.
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 your organisation would 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.

<b>BIRMINGHAM AIRPORT HOLDINGS LTD</b>	
<b>Question</b>	<b>Response</b>
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 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.
<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>

Group Accounts Preparation

<b>BIRMINGHAM AIRPORT HOLDINGS LTD</b>	
<b>Question</b>	<b>Response</b>
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.
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 training 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 with a number of supporting sub-committees which include Performance & Quality, Finance & Resources and Workforce Committees. 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.
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 has produced a Strategic Business Plan for 2018-2023 which is then signed off by the Council. This business plan will be refreshed annually on a rolling basis and for this year will need to reflect the recommendations of the recent OSFTED inspection.
What is the company's approach to the development of business	The Trust has a number of business continuity plans covering specific services and is in the process of developing an overall business continuity

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
continuity plans	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.
<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 was 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 this 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 by and large BCC's fraud policy.
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 Team 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 contracting

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</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).	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 of individual areas of significant risk.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	Matters of a significant nature would be notified to the relevant Executive Director who would then take appropriate action, including notifying the Chief Executive where necessary. The levels of awareness is therefore considered appropriate for the Trust.
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 Management Team 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) and on a quarterly basis provides a 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

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
	Trust's Executive on at least a quarterly basis.
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 regular 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. This will be subject to independent review by the Trust's external auditors (to be appointed).
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>

<b>BIRMINGHAM CHILDREN'S TRUST CIC LTD</b>	
<b>Question</b>	<b>Response</b>
	The trust has minimal debt and monitors aged debt on a monthly basis. The trust buys back Account Receivable 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.	None as yet.
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	Not applicable as the Trust is still in its first operational year and is to appoint external auditors in time for the financial year end.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	No material changes which have had a negative impact. The appointment of a new Director of Practice has had a positive impact on the operational performance of the Trust, and the new Director of Finance & Resources has been making improvements to the Trust's support services.



<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 has extensive experience of Companies and the other is a qualified Accountant. However, no formal training has been provided although this is now in hand to take place during January 2019.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Propco is a relatively new company, initially set up to manage two main purposes resulting in c20 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 Head of Finance and Finance Manager oversee all transactions. There are established contracts with PWC for both auditing and VAT/Tax advice. As above, the level of transactions with this company are low and monitored against a well establish 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.	There have been no reviews and the company is new with very few transactions. However, if anything is raised through audit or other monitoring, this would be addressed.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	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.

<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</b>
concern and how are plans developed for taking remedial action to any adverse changes within the company	
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 would clearly 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.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	None

<b>BIRMINGHAM CITY PROPCO LTD</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).	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 BCC 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>Financial Statements</b>	

<b>BIRMINGHAM CITY PROPCO LTD</b>	
<b>Question</b>	<b>Response</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.	This is the first full year of trading and the company was set up with regard and reference to appropriate policies. This would be reviewed and monitored through the Annual Statement of Accounts and auditors report.
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 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.	N/A as not yet received first full set of audited accounts.
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 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	From a regulatory perspective, the FCA requires annual confirmation that approved persons are up-to-date on statutory compliance knowledge. From an operation 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 monitored 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.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	Finance Birmingham is a self-sustainable, profit making business.

<b>FINANCE BIRMINGHAM LTD</b>	
<b>Question</b>	<b>Response</b>
concern and how are plans developed for taking remedial action to any adverse changes within the company	
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.
Please set out the areas that face fraud risks, including specific accounts or classes of transactions where fraud risks have been identified.	None.

<b>FINANCE BIRMINGHAM LTD</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).	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 your organisation would 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 insurance cover does the company have in place.	PI insurance, Directors and Officers Insurance
<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.

<b>FINANCE BIRMINGHAM LTD</b>	
<b>Question</b>	<b>Response</b>
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 proposed lease assignment on the property at (part) 11 <sup>th</sup> Floor, 45 Church Street. The guarantee is required due to the short trading history of FDC. FB's staff will all be located in the new offices.
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) 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	InReach has a sole director appointed by BCC who is a senior officer within BCC who has extensive knowledge and experience in the housing development sector. InReach has no direct employees; InReach has a service contract with BCC to provide specialist skills in housing development, finance and legal services.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	InReach has a sole director, board meetings are held quarterly and the director has 100% attendance record.
Please explain the system of governance and the financial control environment within the company	InReach employs KMPG as its accountants who use XERO accountancy system for bookkeeping, production of monthly management accounts and year end accounts. Dual authorisation is required for banking with Barclays
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.	Assurance is provided through its engagement of KPMG. All reporting is via InReach Board for approval and sign off.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	KPMG provide monthly management reports Cashflow is reviewed monthly The business Plan is reviewed and updated at least every six months

<b>INREACH (BIRMINGHAM) LTD</b>	
<b>Question</b>	<b>Response</b>
concern and how are plans developed for taking remedial action to any adverse changes within the company	
What is the company's approach to the development of business continuity plans.	InReach's risk management Plan Business continuity Insurance
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	InReach does not hold or process any personal data, contracted parties are required to be fully compliant with GDPR requirements
<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 risk register is reviewed, updated and reported to the board on a quarterly basis.
Please set out your management's processes for identifying and responding to risks of fraud.	Via the risk register and board meetings
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	Monitoring is via the risk register at least quarterly
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 I.T system which provides InReach with full transparency in relation to rent collection.

<b>INREACH (BIRMINGHAM) LTD</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).	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 your organisation would 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
How would the company communicate any breach of GDPR requirements to the Council.	Promptly and in writing
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.	Through its engagement of KPMG  InReach has extensive Insurance Cover Summary with Alford Burton Insurance Brokers.
<b>Financial Statements</b>	

INREACH (BIRMINGHAM) LTD	
Question	Response
How does the company determine that its accounting policies are appropriate and what process is in place for ensuring they are kept under review.	Through ongoing dialogue with KPMG
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.	InReach took handover of the completed Embankment building in July 2018
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	InReach's key asset is Embankment which is a 92 apartment building, any impairment is dependent on the property valuation
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
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	<ul style="list-style-type: none"> <li>• Some expenditure items were incorrectly classified. InReach to confirm and apply with its Accountants KPMG.</li> <li>• The draft Financial Statements were late and incomplete. Improvements have been made regarding deadlines. KPMG and InReach to work together to make further improvements.</li> <li>• No internal audit in 2017/18. InReach will be undergoing an internal audit during June/July 2018 and will discuss the recommendation with Birmingham audit as part of this process.</li> </ul>

INREACH (BIRMINGHAM) LTD	
Question	Response
	<ul style="list-style-type: none"> <li>• Bank reconciliations are not checked and signed by InReach. InReach will explore the possibility of utilising Xero for this purpose with KPMG. InReach will request KPMG carry out this task as part of their book keeping role.</li> <li>• Cash flows should be completed on a monthly basis. Cashflow forecasts will be reviewed and updated on a quarterly basis to mirror the current practice within BCC. KPMG will be requested to provide the monthly management information outlined as part of their book keeping role.</li> <li>• There is no process for reconciling trade creditor balances to supplier statements. InReach will raise recommendation with KPMG and set a process in place.</li> <li>• Invoices are not always signed as services received and authorised for payment. InReach will explore functionality of Xero with KPMG to establish whether an I.T based solution is available to reduce officer time &amp; admin.</li> <li>• The Embankment project should be treated as an investment property and assessed at fair value. InReach will ensure this happens.</li> </ul>

INREACH (BIRMINGHAM) 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.	There are currently plans in place to expand InReach with the proposed acquisition of two city centre sites for development and the acquisition of void HRA properties

THE NATIONAL EXHIBITION 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 2017/18 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.
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.

<b>THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC</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 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.
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	Largest transaction relates to the fixed interest payment in relation to £73m loan.

<b>THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC</b>	
<b>Question</b>	<b>Response</b>
classes of transactions where fraud risks have been identified.	
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 your organisation would 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.
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 insurance cover does the company have in place.	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.  All transactions are processed through the City Council's financial systems.

<b>THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC</b>	
<b>Question</b>	<b>Response</b>
	Birmingham City Council maintains Directors and Officers insurance which both the company and Directors have benefit of.
<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 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.

<b>THE NATIONAL EXHIBITION CENTRE (DEVELOPMENTS) PLC</b>	
<b>Question</b>	<b>Response</b>
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 2018, 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	The Limited Partners each appoint 2 directors to the Board of Paradise Circus General Partner Limited, based on their experience and are continually reviewed by their respective companies.
How does the company ensure that Directors engage fully with the company and what is the record of attendance	Attendance to quarterly Board meetings and steering group meetings, plus updates received from the SPM.
Please explain the system of governance and the financial control environment within the company	Governance: all decisions require of at least 1 director from each Limited Partner. Financial control: Segregation of duties are in place for the finances, including all bank payments requiring 2 levels of approval + a different person to set-up the payment.
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.	Paradise Circus Limited Partnership ("PCLP"), acting by Paradise Circus General Partner Limited (the Board) considers the internal control environment to be strong and the overall inherent risk to be low. PCLP is a joint venture between Birmingham City Council ("BCC") and Britel Fund Trustees Limited ("BFUT"). The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board. In addition, PCLP is subject to an annual external audit, performed by HW Fisher. No issues have been reported in relation to the overall control environment or systems of internal controls.

<b>PARADISE CIRCUS 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	External provider for financial business plan and budgeted cash flow, which is reviewed in the quarterly board/steering group meetings.
What is the company's approach to the development of business continuity plans.	At the quarterly board/steering group meetings, all risks are monitored and mitigated against.
What is the company's approach to ensuring compliance with the General Data Protection Regulation (GDPR) requirements	Third party provider is used to deal with all marketing and publicity, where all the personal data is retained and held in accordance with the GDPR requirements.
<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 risk assessment process relating to financial reporting is considered to be strong, with appropriate levels of internal controls implemented across the business.
Please set out your management's processes for identifying and responding to risks of fraud.	There are processes in place across the business to identify and reduce the risks of fraud. This includes the segregation of duties, approval levels and structure of financial reporting. No instances of fraud have been identified to date.
How do those charged with governance monitor management's processes for identifying and responding to risks of fraud.	The Board receives and comments on various reports on commercial business risks, and considers the entity's governance structure and processes at each meeting as appropriate.
Please set out the areas that face fraud risks, including specific accounts or	Fraud risks are reviewed and considered annually, in particular in relation

<b>PARADISE CIRCUS LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
classes of transactions where fraud risks have been identified.	to business propositions or significant changes within the business. There were no significant audit or fraud risks noted in the paper presented to the Board on 11 December 2018 by the External Auditor. The Board also signed the audit representation letter which contained several representations on the identification and prevention of fraud. The risk of material misstatement of the financial statements due to undetected fraud is low.
How does the company's management communicate to those charged with governance with respect to business risks (including fraud).	The Board receives and comments on various reports on commercial business risks, and considers the entity's governance structure and processes at each meeting as appropriate.
What has been your Management's awareness or allegations of fraud, errors, or other irregularities during the period.	None identified to date.
How your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Any instances of fraud or suspected fraud would be flagged at the regular Board meetings, which includes two representatives from BCC.
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	PCLP is a joint venture between BCC and BFUT. The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board. Joint venture reporting is completed on a quarterly basis and presented to the Board where the financial performance of the joint venture is discussed including any key financial/operational issues, risks or losses.
How would the company communicate any breach of GDPR requirements to the Council.	Any instances of breach of GDPR requirements would be flagged at the regular Board meetings, which includes two representatives from BCC.

<b>PARADISE CIRCUS LIMITED PARTNERSHIP</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 bank accounts for the company are operated on its behalf by Argent (Property Development) Services LLP (ASLLP) as the Accounting Officer. The company itself does not have cover for this risk but ASLLP holds professional indemnity insurance which protects it and the company from all risks associated with the misconduct of any ASLLP employee in the course of their duties.
<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 policies as set out in the 2017/18 financial statements were considered to be relevant and appropriate as at 11 December 2018 when the financial statements were presented to the Board. The accounting policies are reviewed ahead of each annual audit and discussed with the external auditors as appropriate. There are no changes in the joint venture's activities which would require the accounting policies to be updated.
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.	A full review of the WIP balance was undertaken during the year, which resulted in a prior year restatement. Phase 1 costs, which are not claimed back from BCC or the developer, have be re-classed as investment properties, as future rental income is receivable, therefore, it falls within the definition of an investment property per FRS102. (1CW costs were re-

PARADISE CIRCUS LIMITED PARTNERSHIP	
Question	Response
	<p>classed YE 30 June 2017, with 2CS costs being re-classed YE 30 June 2018)</p> <p>Other costs, which were considered not capital in nature, were expensed to the P&amp;L, this impacted the b/f reserves and the P&amp;L for both the 2017 and 2018 year ends.</p> <p>Overall, there has been a significant reduction in the WIP balance.</p> <p>No other matters/events to note.</p>
Please set out details of any events or changes in circumstances that may cause an impairment of current or non-current assets.	None identified to date.
Please set out details of any indemnities or guarantees that the company has given.	None identified to date.
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>Investment Properties held at fair value and the classification of the head lease as a finance lease can both considered as significant judgements.</p> <p>None others to note.</p>
Please set out any issues identified by your external auditor and how the company is implementing any actions to mitigate those issues.	None identified to date.
Please set out any material change of circumstances that have occurred, or may occur, that could impact on the company's performance.	None identified to date.



<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	Birmingham City Council officers manage the Company and Birmingham City Council officers have been appointed as Company directors.  Directors meetings held during 2017/18 were attended by both directors.
Please explain the system of governance and the financial control environment within the company	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 the City Council gave guarantees to meet the funding obligations that may arise in respect of the liabilities.  The Company itself has no financial transactions.
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.
What are the company's arrangements for the development of its Business Plan, including details of cashflow management, determination of going	The Company itself has no financial transactions.

<b>PETPS(BIRMINGHAM) LIMITED</b>	
<b>Question</b>	<b>Response</b>
concern and how are plans developed for taking remedial action to any adverse changes within the company	
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.
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.

<b>PETPS(BIRMINGHAM) LIMITED</b>	
<b>Question</b>	<b>Response</b>
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 your organisation would 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 insurance cover does the company have in place.	Not applicable. The Company itself has no financial transactions.  Birmingham City Council maintains Directors and Officers insurance which both the company and Directors have benefit of.
<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.

<b>PETPS(BIRMINGHAM) LIMITED</b>	
<b>Question</b>	<b>Response</b>
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 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

PETPS(BIRMINGHAM) CAPITAL LIMITED PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP	
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	Birmingham City Council officers manage the Companies and Partnership. Birmingham 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	Birmingham City Council officers manage the Companies and Partnership. Birmingham City Council officers have been appointed Directors of the Companies.  All meetings held during 2017/18 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 to finance payments to the NEC Limited Pension Fund. As part of this, the City 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.  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	All cash transactions are processed through the City Council's financial systems..

PETPS(BIRMINGHAM) CAPITAL LIMITED PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP	
Question	Response
internal controls and the results of any reviews that have been undertaken.	
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	Birmingham City Council officers manage the Companies and Partnership 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 cash transactions are processed through the City Council's financial systems.
Please set out your management's processes for identifying and	All cash transactions are processed through the City Council's financial systems.

PETPS(BIRMINGHAM) CAPITAL LIMITED PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP	
Question	Response
responding to risks of fraud.	
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
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 Companies and Partnership. Birmingham 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 your organisation would raise the Council's Audit Committee's awareness of fraud or suspected fraud.	Birmingham City Council officers manage the Companies and Partnership. Birmingham 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

<b>PETPS(BIRMINGHAM) CAPITAL LIMITED</b> <b>PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED</b> <b>PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</b>	
<b>Question</b>	<b>Response</b>
How would the company communicate any breach of GDPR requirements to the Council.	Birmingham City Council officers manage the Companies and Partnership. Birmingham 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 insurance cover does the company have in place.	All cash transactions are processed through the City Council’s financial systems.  Birmingham City Council maintains Directors and Officers insurance which both the companies and Directors have benefit of.
<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

<b>PETPS(BIRMINGHAM) CAPITAL LIMITED</b> <b>PETPS(BIRMINGHAM) GENERAL PARTNER LIMITED</b> <b>PETPS(BIRMINGHAM) PENSION FUNDING SCOTTISH LIMITED PARTNERSHIP</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 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>Assistant Director, Audit &amp; Risk Management</b>
<b>Date of Meeting:</b>	<b>29<sup>th</sup> January 2019</b>
<b>Subject:</b>	<b>Birmingham Audit - Half Year Update Report 2018/19</b>

<b>Wards Affected:</b>	<b>All</b>
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**1. PURPOSE OF REPORT**

- 1.1 The attached report provides Members with information on outputs and performance measures in relation to the provision of the internal audit service during the first half of 2018/19.
- 1.2 As it was not possible for Members to consider the report at the November meeting, performance for the 3<sup>rd</sup> quarter (Oct – Nov 2018) has been provided as an addendum to the report.

**2. RECOMMENDATIONS**

- 2.1 Members are asked to note the level of audit work and assurances provided.

**3. LEGAL AND RESOURCE IMPLICATIONS**

The Internal Audit service is undertaken in accordance with the requirements of section 151 of the Local Government Act and the requirements of the Accounts and Audit Regulations 2015. The work is carried out within the approved budget.

**4. RISK MANAGEMENT & EQUALITY ANALYSIS ISSUES**

Risk Management is an important part of the internal control framework and an assessment of risk is a key factor in the determination of the internal audit plan.

Equality Analysis has been undertaken on all strategies, policies, functions and services used within Birmingham Audit.

**5. COMPLIANCE ISSUES**

City Council policies, plans and strategies have been complied with.

.....  
**Sarah Dunlavey**  
**Assistant Director, Audit & Risk Management**

**Contact officer: Sarah Dunlavey**  
**Telephone No: 0121 675 8714**  
**E-mail address: sarah.dunlavey@birmingham.gov.uk**

# Birmingham Audit Half Year Report 2018/19

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29<sup>th</sup> January 2019

## Contents

1. **Background / Annual Opinion**
2. **Added Value**
3. **Performance**
4. **Resources**
5. **Completion of Internal Audit Plan 2018/19**
6. **Grant Certification**

**Appendix A: Reports Issued During the First Half of 2018/19**

**Appendix B: Summary of Significant Findings**

**Appendix C: Addendum - Performance 3rd Quarter (Oct - Dec 2018)**

## 1. Background / Annual Opinion

- 1.1 The 2018/19 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. It also had due regard for the protocol with the External Auditors and took account of responsibilities under section 151 of the Local Government Act 1972.
- 1.2 The Council continues to go through significant change. The drivers for change being both organisational and financial. During a period of change it is important that any increased business risks are identified and managed in an effective manner. The audit plan is prepared using a risk based methodology and is continually updated throughout the year, this helps to ensure that we concentrate on the most significant areas. The plan is prepared and delivered to enable me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). In addition to audit reviews, the model used to formulate the end of year opinion, places reliance on assurance provided from other parties and processes. The opinion for 2018/19 will be based on the following sources of assurance:



1.3 The 2018/19 audit plan was approved by the Audit Committee at the March 2018 meeting. This report provides a summary of the progress made in delivering the agreed plan.

## **2. Added Value Services**

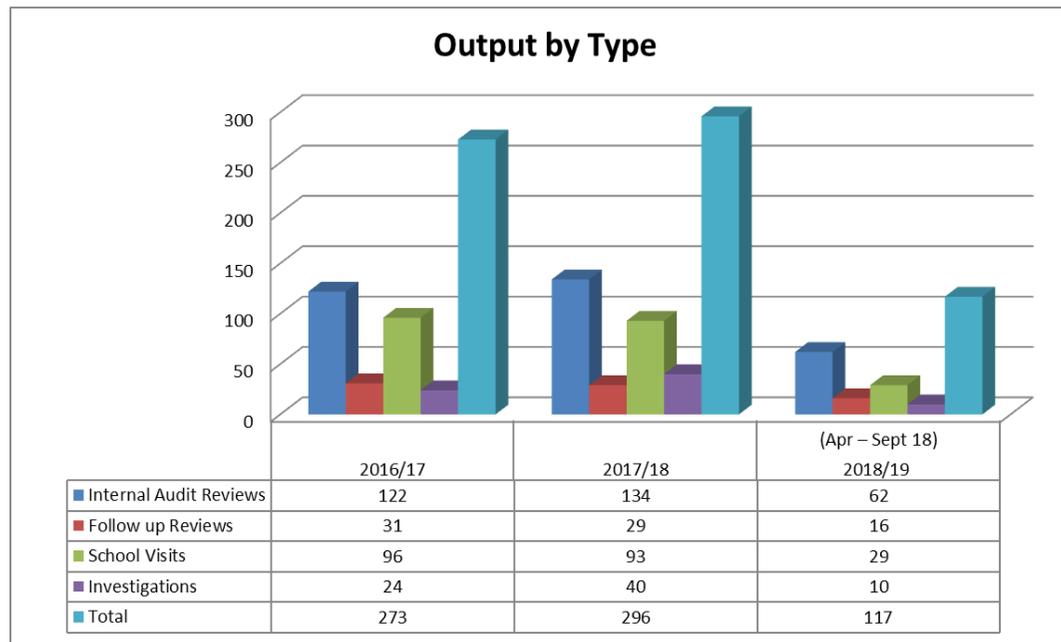
2.1 Although my primary responsibility is to give an annual assurance opinion, I am also aware that for the Internal Audit service to be valued by the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives and on working in an innovative and collaborative way with managers; to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the first half of 2018/19 include:

- Working with the Children’s Directorate Finance & Governance Group to develop a more focussed approach to support the challenge of dealing with financial management in schools.
- Working in collaboration with the Quality, Impact & Outcomes Sub Group (of the Birmingham Safeguarding Children Board) and the Birmingham Children’s Trust to establish whether the multi-agencies involved with children subject to child protection provide their full engagement to safeguard and promote the welfare of these children.
- Continuing to work closely with Adult Social Care and Health to ensure packages of care provided are appropriate, promote and support independence and provide a value for money service. This includes identifying areas of potential closer working with the NHS to improve discharge from hospital and identifying high cost care packages which could receive joint funding with health.
- As a result of the Government’s Serious and Organised Crime Strategy and Home Office pilots, we have undertaken a number of actions to review due diligence requirements/ processes, to better understand the threat to the Council, particularly in relation to procurement. We have contributed to the Serious and Organised Crime (SOC) in Procurement Project Group, and we have undertaken specific pieces of work to help assess the risk to the Council, and actions required to mitigate this risk, which include better liaison with external agencies. A report from the group was accepted by CMT in June.

### 3. Performance

#### 3.1 Outputs

3.1.1 During the first half of 2018/19 we issued 117 final reports. A comparison to 2016/17 and 2017/18 (full years) is given in the chart below.

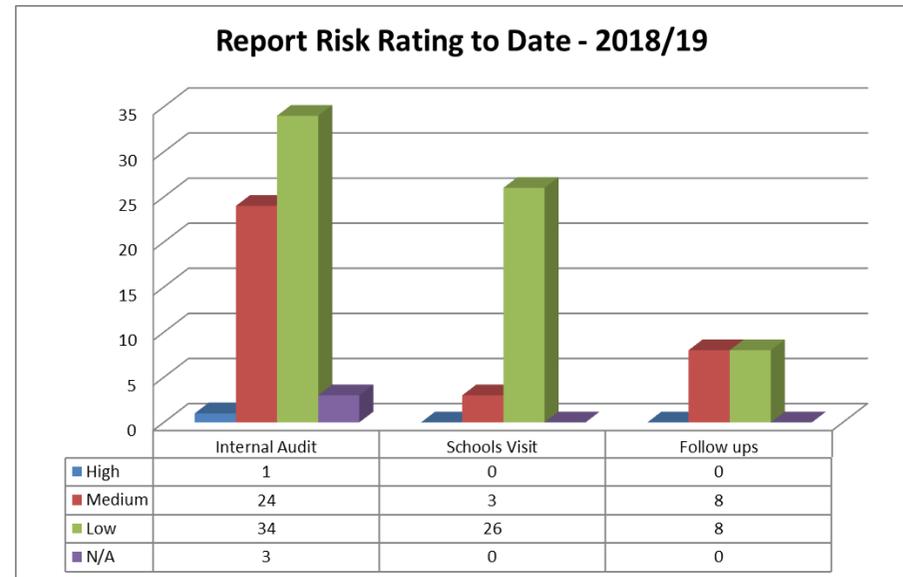
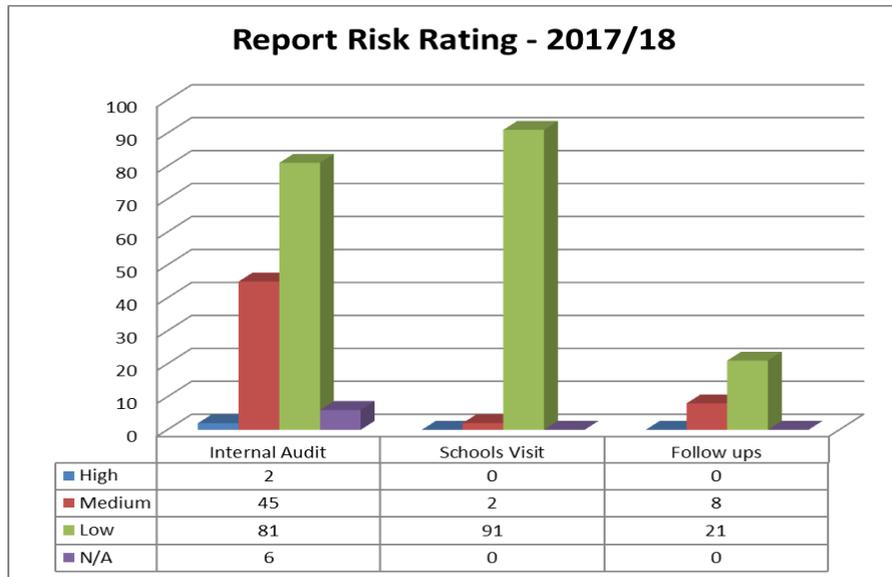


3.1.2 In accordance with the procedure for sharing Internal Audit reports, all Audit Committee Members are provided with a list of final audit reports issued each month, together with details of risk and assurance ratings. Members are able to request copies of reports and receive further information. A full list of the reports issued during the first half year, including details of how the reviews link to the Council’s priority outcomes, core objective of good governance, the Corporate Risk Register, financial and business controls assurances is detailed in Appendix A.

3.1.3 Audit, school visit and follow up reports are generally given a risk rating to assist in the identification of the level of corporate significance. The key to the ratings given is:

1. Low - Non material issues.
2. Medium - High importance to the business area the report relates to, requiring prompt management attention. Not of corporate significance.
3. High - Matters which in our view are of high corporate importance, high financial materiality, significant reputation risk, likelihood of generating adverse media attention or of potential of interest to Members etc.

3.1.4 From the 107 reports (62 Internal Audit, 29 School Visits and 16 Follow up reviews) issued, 1 was given a high risk rating, 35 had a medium rating, 68 had a low rating, and 3 (relating to advice and guidance) had no risk rating. An analysis of the report risk ratings, together with a comparison to 2017/18 is given in the charts below. A summary of the significant findings from our work is detailed in Appendix B.



3.1.5 In addition to a risk rating, audit and school reports are given an opinion rating on the effectiveness of the control environment. The audit opinion ratings are:

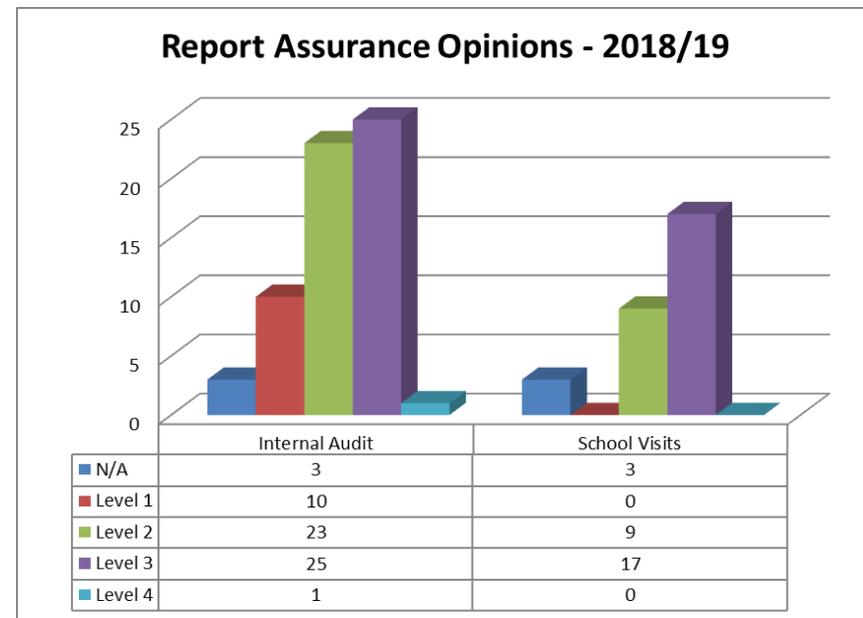
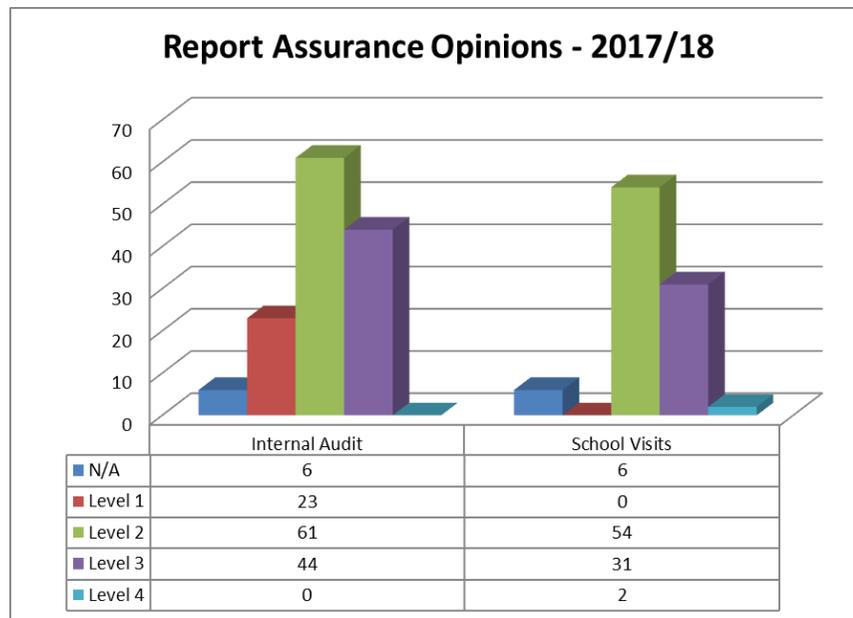
Level 1 - Controls evaluated are adequate, appropriate and are operating effectively to ensure that risks are being managed and objectives achieved.

Level 2 - Specific control weaknesses were noted. However, generally the controls evaluated are adequate, appropriate and effective to ensure that risks are being managed and objectives achieved.

Level 3 - Specific control weaknesses of a significant nature were noted, or the number of minor weaknesses noted was considerable. The ability to manage the relevant risks and achieve objectives is compromised.

Level 4 - Controls evaluated are not adequate, appropriate or effective. Risks are not being managed and it is unlikely that objectives will be met.

3.1.6 An analysis of the opinion ratings, together with a comparison with 2017/18 is given in the charts below. To date 51% of reports issued this year have contained a negative assurance (Level 3 or 4) this compares to 36% for the whole of last year.



### 3.2 Plan Completion

3.2.1 As at 30<sup>th</sup> September 2018 we had completed 36% of planned jobs which is slightly below the September target of 40%. We are aiming to complete 95% of the plan by 31<sup>st</sup> March 2019.

### 3.3 Corporate Fraud Team

3.3.1 The Corporate Fraud Team (CFT) is responsible for the investigation of financial irregularities perpetrated against the Council, whether this is by employees, contractors or other third parties. The Team identify how fraud, or other irregularity, has been committed and make recommendations to management to address any issues of misconduct, as well as reporting on any weaknesses in controls to reduce the chance of recurrence in the future.

3.3.2 The table below summarises the reactive investigations activity of the Team (excluding Application Fraud) for the year to date:

	2016/17	2017/18	2018/19 (Apr – Sept)
Number of outstanding investigations at the beginning of the year	14	10	28
Number of fraud referrals received during the year	111	115	61
Number of cases concluded during the year	115	97	51
Number of investigations outstanding	10	28	38

3.3.3 All referrals are risk assessed to ensure that our limited resource is focused on the areas of greatest risk. We work in conjunction with managers to ensure that any referrals that are not formally investigated by us are appropriately actioned.

3.3.4 Within the CFT there is a sub-team specifically established to tackle ‘application based’ fraud, primarily related to Social Housing and Council Tax. Their results are summarised in the table below:

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 (Apr – Sept 18)</b>
Properties Recovered	45	87	40
Applications Cancelled	194	152	79
Housing Benefit Overpayment	£589,110	£826,748	£508,177
Council Tax Change	£324,974	£1,077,096	£347,843

(Note: 2017/18 increase in Council Tax due to a proactive exercise on exemptions)

#### **4. Resources**

4.1 The Council continues to face a number of financial challenges and has identified the need to make significant financial savings. Birmingham Audit is required to contribute to these savings and manage its resources within the budget that is available. In year staff reductions, together with the current recruitment freeze, will result in a plan reduction of 217 days (full year effect 365 days).

<b>Plan Reduction</b>	<b>In Year Days</b>	<b>% of Total Plan</b>	<b>Full Year Days</b>	<b>% of Total Plan</b>
Staff Reduction	82	2%	170	4%
Vacancy	135	3%	195	4%
<b>Total</b>	<b>217</b>	<b>5%</b>	<b>365</b>	<b>8%</b>

4.2 In order to accommodate this reduction in days we have reduced the amount of time we intend to spend auditing the main financial systems, placing greater emphasis on our data analytical work / management assurance and reduced the number of school visits undertaken.

4.3 We are continually reviewing our working practices, methodologies and structure to ensure they remain appropriate and support the organisation. Any further reduction in resources and planned audit coverage will be carefully considered to ensure that I can continue to provide an effective service and an annual audit opinion.

## 5. Completion of the Internal Audit Plan 2018/19

5.1 The approved 2018/19 plan contains 4,681 days. The table below details completion as at 30<sup>th</sup> September 2018 and provides a comparison to 2017/18.

	2017/18				2018/19			
	Planned Days	%	Actuals	%	Planned Days	%	Half Year Actuals (Apr – Sept 18)	% (Apr – Sept 18)
<b>Number of audit days in approved plan @ 1<sup>st</sup> April.</b>	<b>5113</b>	<b>100%</b>	<b>4684</b>	<b>100%</b>	<b>4681</b>	<b>100%</b>	<b>2201</b>	<b>100%</b>
Main financial systems	905	18%	893	19%	730	16%	482	22%
Business controls assurance	1735	34%	1647	35%	1830	39%	754	34%
Investigations	830	16%	803	17%	830	18%	365	17%
Schools (Non Visits)	155	3%	129	3%	105	2%	36	2%
Schools (Visits)	945	19%	773	17%	720	15%	336	15%
Follow up work	200	4%	159	3%	150	3%	67	3%
Ad-hoc work	178	3%	168	4%	186	4%	93	4%
Planning & reporting	125	2%	103	2%	120	3%	68	3%
City initiatives	40	1%	9	0%	10	0%	0	0%

(Note: variance between planned and actual days for 2017/18 due to reduction in audit resources and vacancies)

## 6. Grant Certification

- 6.1 In addition to controls assurance reviews I am required to provide audit certificates, verifying the expenditure incurred, for a number of grant that have been awarded to the Council.

<b>Grant Certificates Issued</b>
Troubled Families
Scambusters
Growth Hub
Highways Maintenance Challenge Fund
Integrated Transport Grant

- 6.2 I have also been formally appointed as the First Level Controller for a number of European Grants. The First Level Controller is a formally appointed independent role that is required to provide a guarantee that the expenditure incurred under the programme is eligible and correctly accounted for.

<b>European Grants – First Level Controller</b>
Pure COSMOS – Public Authorities enhancing competitiveness of SMEs
Urban M – Stimulating Innovation through Collaborative Maker Spaces
TRIS – Transition Regions towards Industrial Symbiosis
SPEA – Supporting Public Procurement of Innovative Solutions

**Reports Issued During the First Half of 2018/19**
**Audit Reviews (62 Reports):**

Key to linkages to the Council's priority outcomes, core objective of good governance, Corporate Risk Register, Financial Assurance and Business Control Assurance:

Outcomes

1. Birmingham is an entrepreneurial city to learn, work and invest in.
2. Birmingham is an aspirational city to grow up in.
3. Birmingham is a fulfilling city to age well in.
4. Birmingham is a great city to live in.
5. Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.

Assurance Type

6. Good Governance.
7. Corporate Risk Register.
8. Financial Assurance.
9. Business Control Assurance.

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Responding to the Challenge of Improving Financial Management in Schools	High	Level 3		✓					✓	✓	
Combined Heat and Power Scheme - Contract Management	Medium	Level 4	✓					✓			✓
Financial Control Review	Medium	Level 3	✓	✓	✓	✓	✓	✓		✓	
IT Emerging Issues - Use of Shared Drives	Medium	Level 3	✓						✓		✓
IT Governance Housing Repairs	Medium	Level 3				✓					✓

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Non HRA Property Transactions	Medium	Level 3	✓								✓
Housing Allocations	Medium	Level 3		✓							✓
Children with Disabilities/Children's Direct Payments annual summary	Medium	Level 3		✓							✓
Public Services Network Audit Report	Medium	Level 3	✓					✓			✓
Independent Living Service	Medium	Level 3			✓						✓
Centenary Square - Open Book Accounting	Medium	Level 3	✓			✓		✓			
Direct Payments	Medium	Level 3			✓						✓
Information Governance	Medium	Level 3	✓					✓			
Compliance with Governance Requirements	Medium	Level 3	✓	✓	✓	✓	✓	✓			
Review of Savings Plan	Medium	Level 3	✓	✓	✓	✓	✓	✓		✓	
Company Assets and Relationship Management	Medium	Level 3	✓					✓		✓	
Information Governance - Data Quality – Place	Medium	Level 3				✓		✓			✓
Special Education Provision and Travel Needs Review	Medium	Level 3		✓					✓		
Schools Themed Work - HR Management	Medium	Level 3			✓						✓
CareFirst IT	Medium	Level 2		✓	✓	✓					✓

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Public Health Checks	Medium	Level 2				✓					✓
NDR Recovery and Enforcement Levels	Medium	Level 2	✓							✓	
Council Tax Recovery and Enforcement levels	Medium	Level 2				✓				✓	
Deprivation of liberty safeguards	Medium	Level 2			✓				✓		
Direct Payment - Hospital Discharges	Medium	Level 2			✓	✓					✓
Children's Residential Homes - Contract Management	Low	Level 3		✓						✓	✓
Enterprise Zones	Low	Level 3	✓					✓			✓
Children's Residential Homes - Contract Management	Low	Level 3		✓							✓
Enterprise Zones	Low	Level 3	✓					✓			✓
Preparation for IFR 16	Low	Level 3	✓								✓
Treasury Management	Low	Level 3	✓	✓	✓	✓	✓	✓	✓	✓	✓
Careline	Low	Level 3			✓						✓
Revenues Refunds	Low	Level 2				✓				✓	
Children's Advice and Support Service	Low	Level 2		✓		✓					✓
Council Tax - Exemptions and Discounts	Low	Level 2		✓		✓				✓	✓

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Northgate Housing	Low	Level 2				✓				✓	✓
IT Projects - PIR - Revenues and Benefits replacement scanning system	Low	Level 2				✓				✓	✓
Children in Care External Placements	Low	Level 2		✓							✓
Government Grant Claims	Low	Level 2	✓					✓		✓	✓
Bus Lane Enforcement	Low	Level 2				✓					✓
RBIS	Low	Level 2				✓					
Wireless Network	Low	Level 2	✓								✓
Work Initiation Process ICT Projects	Low	Level 2	✓	✓	✓	✓	✓	✓			✓
Information Governance - Public Health Service Restricted Network	Low	Level 2		✓	✓	✓					✓
Attendance Management	Low	Level 2	✓								✓
Corporate Payroll – Allowances	Low	Level 2	✓							✓	
Non Invoiced Income Birmingham Community Libraries	Low	Level 2				✓				✓	
Corporate Payroll – Exceptions	Low	Level 2	✓							✓	
Council Tax - Student Discounts	Low	Level 2	✓	✓						✓	
Council Tax Discretionary Hardship Payments	Low	Level 1	✓			✓				✓	

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Account Receivable Output Tax	Low	Level 1	✓							✓	
IT Project Governance	Low	Level 1	✓	✓	✓	✓	✓	✓			✓
CareFirst Overview of Implementation of New System	Low	Level 1		✓							✓
Instalment Recovery Drop Off Report	Low	Level 1	✓							✓	
NNDR Enforcement Agents Management and Monitoring Arrangements	Low	Level 1	✓							✓	
Accounts Payable The Substitution Process	Low	Level 1	✓							✓	
NDR Local Discretionary and Public House Relief	Low	Level 1	✓							✓	
Accounts Payable Vendor Control	Low	Level 1	✓	✓	✓	✓				✓	
Exceptions to Sales Billing	Low	Level 1	✓	✓	✓	✓				✓	
Project Management - Roles and Resources	N/A	N/A	✓	✓	✓	✓	✓	✓			✓
Supplier Financial Risk	N/A	N/A	✓					✓	✓	✓	
Markets - Lease	N/A	N/A	✓								✓

**Follow up Reviews (16 Reports):**

Title	Risk Rating Council
Disabled Facilities Grant - VAT Coding 2nd Follow up	Medium
Child Permanence Report Follow up	Medium
Museums Management Arrangements Follow up	Medium
Contract Management - Provision of Transport Services Follow up	Medium
GDPR Follow up	Medium
Information Governance - Data Sharing Follow up	Medium
Network Management Follow up	Medium
Third Party Service Provision - Information Security Follow up	Medium
SAP Security Follow up	Low
Information Assurance Framework Follow up	Low
PALS Follow up	Low
Council Tax Suppressions Follow up	Low
IT Asset and Configuration Management Follow up	Low
Egress - Secure Email Follow up	Low
RBIS Batch Processing Follow up	Low

Title	Risk Rating Council
Education Infrastructure - Project Management Follow up	Low

**Investigations (10 Reports)**

**School Visits (29 Reports including 3 school follow ups reports)**

## Summary of Significant Findings

### Red High Risk Reports

During the first half of 2017/18 we issued 1 red report, where we identified a 'high' risk rating for the Council and 1 report where we allocated a Level 4 assurance. Brief details of the issues highlighted in these reports are detailed below:

#### **Responding to the Challenge of Improving Financial Management in School      Council Risk Rating: High      Assurance: Level 3**

With continuing budgetary pressures, the number of schools with deficit budgets is increasing year on year and if this trend continues there will be a severe challenge to the directorate's capacity to manage this issue. The directorate has recognised the potential risks of failing to improve financial management in schools and has strengthened the control environment. However, further action is required, particularly in relation to improving forecasting, management information, training and a greater emphasis on preventative work, through earlier and increased intervention into those schools forecast as likely to be in deficit.

We identified a need to:

- formalise risk management arrangements;
- undertake strategic "stress testing" to assess the financial position and the capacity of schools to withstand budget pressures;
- establish deficit repayment plans;
- closely control spending on schools subject to a Directive Academy Order (DAO); and
- strengthen the training provided to schools.

Our recommendations have been agreed, a follow up review is scheduled for March 2019.

**Combined Heat and Power Scheme - Contract Management****Council Risk Rating: Medium****Assurance: Level 4**

In late 2006 the Council entered into a contract with Birmingham District Energy Company to deliver Combined Heat and Power (CHP) schemes in the City Centre and Eastside in order to provide a discounted supply of energy (electricity, hot water for heating and chilled water for air conditioning) to various council buildings and non- Council buildings in the City Centre and Eastside over a 25 year contract period.

We identified that contract management arrangements require significant improvement. Contract governance, performance and financial management were not considered sufficient. The contract requires reviewing as it contains contract conditions which place significant risk on the Council e.g. it places liability upon the Council if other occupiers fail to pay their energy bills. Additionally it was not possible to determine if best value is being achieved.

Our recommendations have been agreed, a follow up review is scheduled for January 2019.

**School Visits**

We have continued to work with directorate and school colleagues to ensure we deliver robust and added value audits that respond to the financial challenges faced by schools and support the new measures implemented by the Council in their monitoring and oversight role. We have also developed a risk based schools audit plan, and a work programme that focuses on financial management, that will be introduced from November.

We have found that school Governors and senior management are generally striving to lead schools effectively in very challenging circumstances; however there is much to be done in respect of financial planning and responding to financial pressures. Whilst day to day financial management is well established, a high proportion of schools are relying on carried forward surpluses to set balanced budgets and are forecasting future year budget deficits. This poses a significant threat for both the individual schools and the Council. Governors and senior school leadership need to be more proactive in establishing and agreeing plans to address this issue.

Schools have generally performed well in respect of managing attendance and safeguarding, though there is still room for some improvement. In terms of Governance and Financial Management areas for development include clarity regarding financial responsibilities, improvement in financial reporting to governors, better management of pecuniary interest declarations and the recording and reporting of gifts and hospitality. In addition,

we have noted a reduction in the number of schools completing a statement of internal control and ensuring that governor pecuniary interests are correct on the schools website, and little improvement in respect of compliance with key controls for ordering and receipting of goods and establishing appropriate divisions of duty. Schools continued to be well aware of their responsibilities in relation to safeguarding their children and take that responsibility seriously. However, there remains the need for improvement in respect of monitoring IT and internet use, and undertaking due diligence prior to lettings; to ensure users meet both safeguarding and the 'No Platform for Extremism Policy' requirements. Schools are rolling out Prevent training but need to improve the mechanisms for recording that the training has been undertaken.

**1. Outputs**

1.1 Between October and December 2018 a further 68 final reports have been issued.

	<b>No.</b>
Internal Audit	34
School Visits	16
Follow ups	10
Investigations	8
<b>Total</b>	<b>68</b>

1.2 From the 60 reports (34 Internal Audit, 16 School Visits and 10 Follow up reviews) issued, 2 were given a high risk rating, 20 had a medium rating, 36 had a low rating, and 2 (relating to advice and guidance) had no risk rating. A list of these reports together with a summary of the 2 high risk reports is given below.

**2. Plan Completion**

2.1 As at 31<sup>st</sup> December 2018 we had completed 64% of planned jobs which is slightly below the September target of 65%. We are aiming to complete 95% of the plan by 31<sup>st</sup> March 2019.

**3. Corporate Fraud Team**

3.1 Application based fraud (Social Housing and Council Tax) results to the end of December.

	<b>2018/19 (Apr – Dec 18)</b>
Properties Recovered	57
Applications Cancelled	120
Housing Benefit Overpayment	£741,672
Council Tax Change	£459,401

4. **Grant Certification**

4.1 Since September I have been formally appointed as the First Level Controller for an additional European Grant (Urban Regeneration Mix).

5. **Audit Reports Issued**

**Audit Reviews (34 Reports):**

Key to linkages to the Council’s priority outcomes, core objective of good governance, Corporate Risk Register, Financial Assurance and Business Control Assurance:

Outcomes

1. Birmingham is an entrepreneurial city to learn, work and invest in.
2. Birmingham is an aspirational city to grow up in.
3. Birmingham is a fulfilling city to age well in.
4. Birmingham is a great city to live in.
5. Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.

Assurance Type

6. Good Governance.
7. Corporate Risk Register.
8. Financial Assurance.
9. Business Control Assurance.

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Appointee and Court Deputy Service	High	Level 4		✓	✓			✓		✓	
IT Emerging Issues - Fake E Mail Invoice Scam	High	Level 3	✓					✓		✓	
Enablement Service	Medium	Level 4		✓	✓						
Private Sector Leasing - Contract Management	Medium	Level 3				✓		✓			
Insurance Arrangements	Medium	Level 3	✓					✓		✓	

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Air Quality	Medium	Level 3	✓			✓			✓		
External Payroll Reconciliation Process	Medium	Level 3	✓							✓	
Enhanced Assessment Beds	Medium	Level 3		✓	✓	✓		✓			✓
Delayed Transfer of Care - Discharge Hubs	Medium	Level 3		✓	✓	✓		✓			✓
Seven Day Working	Medium	Level 3			✓	✓		✓			✓
Council Tax - Debt Monitoring and Recovery	Medium	Level 3				✓				✓	
NDR - Debt Monitoring and Recovery	Medium	Level 3				✓				✓	
Third Party Governance - Information Security	Medium	Level 3	✓					✓	✓		✓
DCFM Outline Evaluation	Low	Level 3	✓					✓			✓
Fuel Cards	Low	Level 2	✓							✓	✓
Corporate Payroll - Employee Loans	Low	Level 2	✓								
Information governance Data Sharing - Environmental Health	Low	Level 2			✓	✓		✓			✓
Information Governance - Data Review – Place	Low	Level 2	✓					✓	✓		
IT Remote Access	Low	Level 2	✓					✓			✓
Non Invoiced Income Birmingham Parks	Low	Level 2		✓	✓	✓				✓	
Information Governance Data Review	Low	Level 2	✓					✓	✓		

Title	Council Risk Rating	Assurance	1	2	3	4	5	6	7	8	9
Sufficiency of Child Care Places - Early Education (0-5)	Low	Level 2		✓				✓			✓
BRUM Account	Low	Level 2				✓		✓		✓	✓
Firewalls	Low	Level 2	✓					✓			✓
Employee Related Debts	Low	Level 2	✓							✓	
Information Governance Tenant Management Organisations	Low	Level 2				✓		✓	✓		✓
Benefit Service - Transitional Arrangements	Low	Level 1				✓				✓	
Benefit Service - Diary Events	Low	Level 1				✓				✓	
NDR - Diary Events Notepad	Low	Level 1				✓				✓	
Council Tax - Diary Events Notepad	Low	Level 1				✓				✓	
Billing Activities - Viscount House	Low	Level 1				✓				✓	
Vendor Payments - Homeless Service	Low	Level 1								✓	
Serious and Organised Crime - Procurement	N/A	N/A	✓					✓		✓	✓
Commercialism and Trading Approach to Services for Schools	N/A	N/A		✓				✓		✓	✓

**Follow up Reviews (10 Reports):**

<b>Title</b>	<b>Risk Rating Council</b>
Residential Care Centres Follow up	Medium
Accounts Payable Fees at Independent Schools Follow up	Medium
SAP Interface files and reconciliation Follow-up	Medium
IT Governance Housing Repairs Follow-up	Medium
Due Diligence Follow-up	Medium
Council Tax Recovery and Enforcement Levels Follow-up	Medium
Safeguarding Corporate Overview - Section 11 Follow up	Low
Information Governance - SEGWEB Follow up	Low
Rent Refunds Follow up	Low
NDR Recovery and Enforcement levels Follow-up	Low

**Investigations (8 Reports)****School Visits (16 Reports including 3 school follow up reports)**

## 6. Summary of Significant Findings

### Red High Risk Reports

Since October we have issued 2 further reports where we have allocated a 'high' risk rating for the Council. Brief details of the issues highlighted in these reports are detailed below:

#### **Appointee and Court Deputy Service**

**Council Risk Rating: High**

**Assurance: Level 4**

The Council provides an Appointee and Court Deputy Service (ACDS) for vulnerable adult social care clients who are unable to manage or make decisions about their financial affairs (e.g. due to a lack of mental capacity); and who do not have any family or an appropriate person to handle their finances on their behalf. We have identified significant issues which impact on the effectiveness of the service. We confirmed that additional controls established by management have provided greater segregation of duties within the processing and payments of personal allowances, and in the issuing of cheques.

#### **IT Emerging Issues - Fake E Mail Invoice Scam**

**Council Risk Rating: High**

**Assurance: Level 3**

An incident occurred in June 2018 where a genuine Council invoice, which had been scanned as a PDF document and attached to an email, was intercepted and changed. The attacker used phishing techniques to convince the customer to pay the invoice into a rogue bank account, which ultimately resulted in the loss of their funds. This was a very sophisticated fraud where the attacker convinced the customer that they were corresponding with a genuine Council email address. The incident has been reported to Action Fraud and is subject to a separate investigation. It is believed that the attacker targeted the customer's Office 365 account, placing rules to intercept relevant emails. There is no evidence that the Council's systems have been compromised.



# Grant Thornton

An instinct for growth™

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9 January 2019

Dear Clive

## Certification work for Birmingham City Council for the year ended 31 March 2018

We are required to certify the Housing Benefit subsidy claim submitted by Birmingham City Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments Ltd (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2017/18 relating to subsidy claimed of £539 million. Further details are set out in Appendix A.

We identified several issues from our certification work which we wish to highlight for your attention. There were a number of errors from the extended testing that we carried out on this year's subsidy return, which recurred from 2016/17. There were also 7 new areas where we identified errors from our discovery testing. The extrapolated financial impact on the claim, which we have reported to the DWP, was relatively insignificant compared to the total subsidy receivable.

As a result of the errors identified, the claim was amended and qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or to provide assurances on the errors we have identified.

The indicative fee for 2017/18 for the Council was based on the actual 2015/16 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2017/18 was £17,594. Due to the additional work required to address the issues we identified in performing more 40+ workbooks, we have agreed an additional fee of £4k subject to confirmation from PSAA. This is set out in more detail in Appendix B.

Yours sincerely

*Grant Thornton UK LLP*

Grant Thornton UK LLP

## Appendix A - Details of claims and returns certified for 2017/18

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£539,184,933	Yes	£3,837	Yes	See below

### **Findings from certification of housing benefits subsidy claim**

#### **Cell 011 (Rent Rebates- Non HRA)**

Testing of the initial sample identified the following errors:

- Benefit did not end when the rent liability ceased.
- Miscalculation of earned income.

In addition, as a result of the 16/17 qualification letter, the Council performed additional testing on the following areas where:

- The Council had incorrectly applied the 'No Netting Off' indicator.
- The Council had applied the incorrect amount of child tax credits.
- There has been incorrect application of the bedroom tax percentages

The extrapolations of each error type above were relatively insignificant to the total subsidy received and have been reported to the DWP in our qualification letter.

#### **Cell 055 (Rent Rebates)**

Testing of the initial sample identified the following errors:

- Incorrect application of non-dependant deductions.
- Ending a claim on an incorrect date which caused an overstatement in the overpayment cells.
- Incorrect application of the additional earnings disregard.

In addition, as a result of the 16/17 qualification letter, the Council performed additional testing on the following areas where:

- The Council had incorrectly applied the 'No Netting Off' indicator.
- The Council had applied the incorrect amount of child tax credits.

The Council also undertook testing on cases with a personal deduction on self-employed earnings, however any errors found did not have impact on subsidy.

The extrapolations of each error type above were relatively insignificant to the total subsidy received and have been reported to the DWP in our qualification letter.

#### **Cell 094 (Rent Rebates)**

Testing of the initial sample identified the following errors:

- Miscalculation of earned income.
- Incorrect application of child tax credits and working tax credits.
- Incorrect end date applied to earnings used which meant the income was duplicated.

In addition, as a result of the 16/17 qualification letter, the Council performed additional testing on the following areas:

- Incorrect application of the bedroom tax percentage.

The extrapolations of each error type above were relatively insignificant to the total subsidy received and have been reported to the DWP in our qualification letter.

**Appendix B: Fees for 2017/18 certification work**

<b>Claim or return</b>	<b>2015/16 fee (£)</b>	<b>2017/18 indicative fee (£)</b>	<b>2017/18 actual fee (£)</b>	<b>Variance (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	£17,594	£17,594	£21,594	£4,000	In 15/16 we completed 8 40+ workbooks, in 17/18 we completed 12.

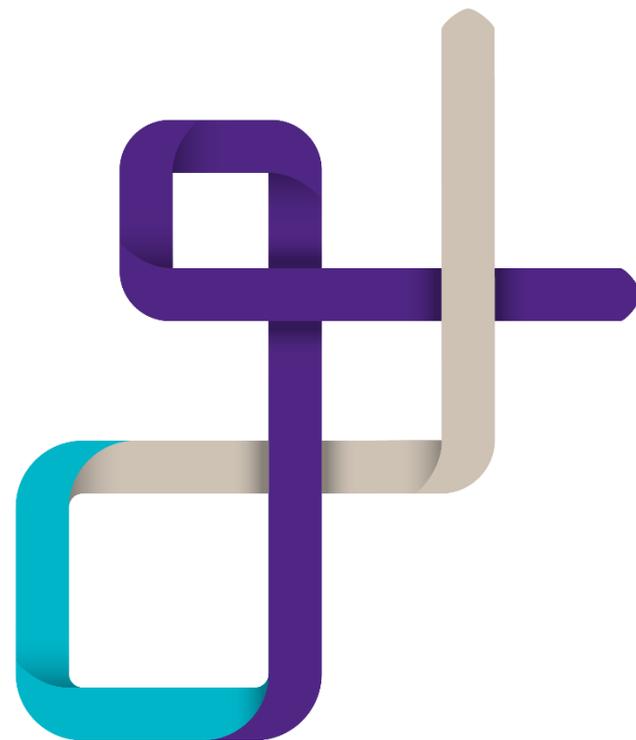


# Value for Money Plan

*Year ending 31 March 2019*

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Birmingham City Council  
January 2019



# Contents



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## Section

1. Value for Money arrangements

## Page

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Value for Money arrangements

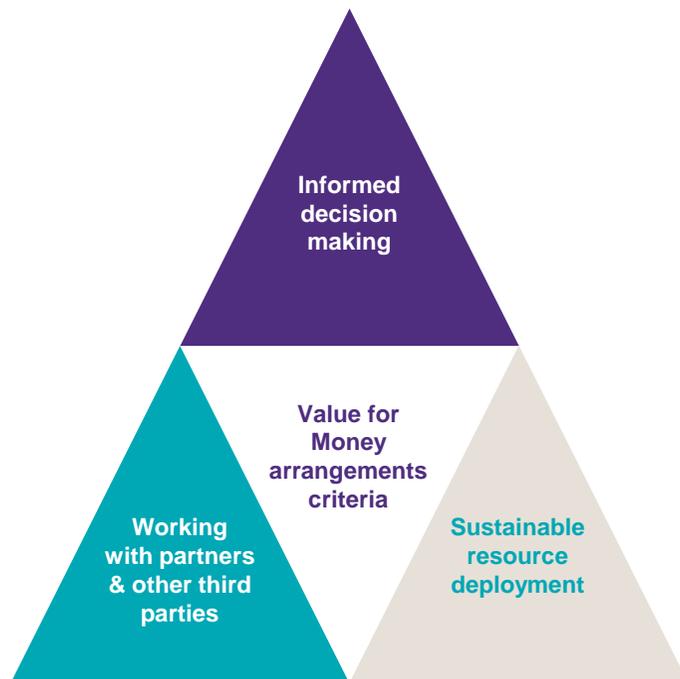
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money. In light of the significant financial risks that the Council is facing, and as it prepares its 2019/20 budget, we will be reviewing whether it is appropriate or not, to exercise any of the auditor's formal powers.



### Financial Sustainability

The key risk is that the proposed 2018/19 savings schemes will not deliver the required recurrent savings, or will take longer to implement than planned. In addition, the Council's medium term financial plan for 2018/19 to 2021/22 needs to incorporate realistic and detailed savings plans and take account of key budget and service risks, whilst maintaining an adequate level of reserves to mitigate the impact of budget risks including equal pay, Paradise Circus and any industrial action.

We will review the Council's latest financial reports including savings plans trackers, to establish how the Council is identifying, managing and monitoring this risk. This will involve considering the adequacy of reserves and their prudent use and considering the transparency of financial reporting.



### Risk Management and Governance Arrangements

The key risk is that the Council fails to implement adequate risk management and governance arrangements for itself and its subsidiary bodies.

We will review the Council's risk registers and its governance arrangements to establish how the Council is identifying, managing and monitoring this risk.

We will also review action taken to ensure that the serious governance issues identified in VWV's "lessons learned" governance report have been addressed.

# Value for Money arrangements (continued)



## Improvement Panel

The key risk is that the Panel will conclude that the Council is not making sufficient progress in implementing the changes needed.

We will consider the Panel's reports and discuss the progress made and key issues with the Improvement Panel Vice Chair, to establish how the Council is identifying, managing and monitoring this risk.



## Commonwealth Games

The key risk is that the cost of hosting the Commonwealth Games will impact on the Council's future financial sustainability.

We will review the Council's latest governance arrangements for the delivery of the XXII Commonwealth Games in 2022 and the associated funding arrangements, to establish how the Council is identifying, managing and monitoring this risk.



## Services for Vulnerable Children

The key risk is that the service does not show demonstrable improvement and continues to be subject to external intervention. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements. Ofsted is currently undertaking an inspection of services for vulnerable children.

We will review Ofsted's findings which are due to be reported in January 2019, to establish how the Council is identifying, managing and monitoring this risk.



## Amey Contract

The key risk is the ongoing contractual disputes with Amey in respect of the Highways PFI contract, which could have a significant impact on the Council's financial sustainability.

We will review the latest information relating to this contract, to establish how the Council is identifying, managing and monitoring this risk.



## Management of Schools

The key risk is that the governance issues identified at schools will not be effectively addressed.

We will review the progress made by Internal Audit within their coverage of schools governance, to establish how the Council is identifying, managing and monitoring this risk.



