

**Members are reminded that they must declare all relevant pecuniary and non-pecuniary interests relating to any items of business to be discussed at this meeting**

**BIRMINGHAM CITY COUNCIL**

**AUDIT COMMITTEE**

**TUESDAY, 24 NOVEMBER 2015 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**

Chairman to advise meeting to note 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 - 8**

3 **MINUTES - PUBLIC**

To note the public part of the Minutes of the last meeting.

**9 - 42**

4 **CORPORATE RISK REGISTER UPDATE**

Report of the Acting Assistant Director, Audit and Risk Management.

**43 - 58**

5 **ANNUAL GOVERNANCE STATEMENT - PROGRESS**

Report of the Director of Finance.

**59 - 76**

6 **ANNUAL AUDIT LETTER 2014/15**

Report of the Director of Finance.

**77 - 92**

7 **AUDIT COMMITTEE UPDATE FOR BIRMINGHAM CITY COUNCIL**

Report of the External Auditor.

8 **FUTURE AGENDA ITEMS**

To consider any future agenda items.

9 **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.

10 **AUTHORITY TO CHAIRMAN AND OFFICERS**

Chairman to move:-

'That in an urgent situation between meetings the Chair, jointly with the relevant Chief Officer, has authority to act on behalf of the Committee'.

11 **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:-

Minutes - Exempt Paragraph 3

## **P R I V A T E   A G E N D A**

12 **MINUTES - PRIVATE**

Item Description

13 **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  
29 SEPTEMBER 2015**

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON  
TUESDAY, 29 SEPTEMBER 2015 AT 1400 HOURS IN COMMITTEE ROOM  
6, COUNCIL HOUSE, BIRMINGHAM**

**PRESENT:-**

Councillor Burden in the Chair;

Councillors Afzal, Henley, Rice, Robinson, Shah, Tilsley and Wood.

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**NOTICE OF RECORDING**

- 826 The Chairman advised, and the Committee noted, that members of the press/public could record and take photographs except where there were confidential or exempt items.

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**MINUTES**

Councillor Robinson advised that he wished to withdraw his declaration of a non-pecuniary interest relating to the report concerning the statement of accounts 2014/15 as he did not serve on any of the organisations referred to therein (Minute No 818 refers).

- 827 **RESOLVED:-**

That the Minutes of that part of the last meeting of the Committee open to the public be noted.

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**DEMONSTRATION OF BIRMINGHAM AUDIT'S DATA WAREHOUSE**

- 828 Craig Price, Acting Assistant Director, Audit and Risk Management, introduced the item and Lee Cadman, Principal Intelligence Officer, gave a demonstration of Birmingham Audit's data warehouse explaining its purpose and how it was used on a practical basis. This included intelligence searches to support fraud investigations and embedding the warehouse into service areas to enable proactive checking to prevent fraud and error occurring.

In response to questions, the following were amongst the points made:-

1. The data warehouse supplemented the child protection site – multi agency sharing (MASH). Information could be extracted from schools' databases. Lee Cadman undertook to provide Members with further information on whether the Council had a register of all school children.
2. The software used was an 'off the shelf' system which was supported by Service Birmingham.
3. It was hoped to expand the system so that it would enable 'regional' sharing of information.
4. The data warehouse, which had originally concentrated on fraud detection, was moving towards prevention.
5. The highest level of security had been placed on the system to ensure that it was only used by appropriate officers for legitimate checks.
6. Assessments and security checks were carried out as part of Birmingham Audit's Information Security accreditation to ensure the highest level of security was maintained.

The Chairman thanked Lee Cadman for the demonstration of the system.

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### **RISK UPDATE – FUTURE COUNCIL PROGRAMME**

The following report of the Future Council Programme Manager was submitted together with a structure chart tabled at the meeting:-

(See document No 1)

Sarah Homer, Interim Director, Service Delivery, introduced the report and, in response to Members' questions, the following were amongst the points made:-

1. She explained the timescale and plans for engaging with and consulting the community regarding the budget. It was important to encourage conversation.
2. With regard to the findings of Kerslake, progress would be measured through the evaluation framework. However, it was difficult to measure culture change which would progress over a period of time.
3. Work was being delivered via the Birmingham Way and the My Appraisal Scheme which was launched in April 2015. The results of the most recent staff survey, a way of measuring progress, were due to be published in the next few weeks.

4. With regard to capturing the progress of the future council programme, Cabinet had agreed a set of design principles and officers had been looking at various aspects including identifying a set of customer perspectives and what was driving demand for services.
5. It was important to take into account demographic and environmental changes. It was hoped to have an appropriate policy, in the near future, which would build into a budget proposal, long term plan and operating model.
6. Jon Warlow, Director of Finance, acknowledged that Members' roles were changing and explained that the operating model would need to take account of the new ways of working such as the implementation of Parish Councils and any future changes to Ward and Constituency boundaries.

829

**RESOLVED:-**

That the update to risk 2015/16.11 and the following planned activities to further mitigate the risk be noted:-

- (i) Continuing engagement of Cabinet and CLT overseeing programme delivery;
- (ii) Ongoing reporting on progress to the Birmingham Independent Improvement Panel;
- (iii) Formalisation of the risk management processes;
- (iv) Refinement of the project management tool and creation of management reports;
- (v) Consistent monthly focus on delivery of the Kerslake actions.

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**STATEMENT OF ACCOUNTS AND AUDIT FINDINGS REPORT 2014/15**

The following statement of accounts and audit findings report were submitted:-

(See documents Nos 2 and 3)

Sarah Dunlavy, Assistant Director, Financial Services, advised that there had been an amendment to page 150 of the statement of accounts and circulated the revised document at the meeting:-

(See document No 4)

Phil Jones and Richard Percival, Grant Thornton, explained the different sections of the audit findings report and tabled the following revised page 37 thereof at the meeting:-

(See document No 5)

A debate ensued with issues being raised throughout the presentation and the following were amongst the points covered:-

1. With regard to equal pay, compared with the previous twelve months, there had been a significant slowing down in the rate and decrease in the number of new claims received. The rate of settlement was the critical point.
2. Jon Warlow, Director of Finance, explained the difference in the figures relating to usable revenues referred to on pages 18 and 161 of the statement of accounts.
3. Members requested further information as to why the accounts had been submitted so late by Acivico and sought assurance that it would not happen in the future.
4. Grant Thornton confirmed that they were satisfied with the partnership arrangements between the Council and Network Rail regarding the development of New Street Station and the Pallasades Shopping Centre through the Gateway and Grand Central projects.
5. With regard to the Collection Fund for Council Tax and the National Non Domestic Rates, there were a range of factors that could have resulted in an increase in collectable business rates.
6. Grant Thornton, in referring to value for money, explained in more detail why 'key indicators of financial performance' and 'improving efficiency and productivity' had been rated as 'red' and drew Members' attention to the summary findings set out in the report.

The Chairman thanked Grant Thornton for the way in which the audit had been conducted.

830

**RESOLVED:-**

- (i) That the Audit Findings report from Grant Thornton be noted and the recommendations set out in appendix A be accepted;
- (ii) that the final Statement of Accounts 2014/15, which will receive an unqualified opinion from the auditor, be approved;
- (iii) that the letter of representation from the Director of Finance be approved.

**FUTURE AGENDA ITEMS**

The Chairman explained that he had added this item to the agenda to give Members the opportunity to raise any issues that they wished to be considered at a future meeting.

In response to a suggestion by Councillor Tilsley, the Chairman advised that an update on the corporate risk register was due to be considered at the meeting scheduled to take place on 24 November 2015.

The Chairman suggested that a report be submitted to a future meeting regarding the process relating to asset sales.

831 **RESOLVED:-**

That the points raised in the pre-amble be noted.

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**OTHER URGENT BUSINESS**

832 No other urgent business was raised.

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**AUTHORITY TO CHAIRMAN AND OFFICERS**

833 **RESOLVED:-**

That in an urgent situation between meetings the Chair, jointly with the relevant Chief Officer, has authority to act on behalf of the Committee.

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**EXCLUSION OF THE PUBLIC**

834 **RESOLVED:-**

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

**Agenda Item etc**

**Paragraph of Exempt Information  
Under Revised Schedule 12A of the  
Local Government Act 1972**

Minutes

3 and 4





# BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

**Report to:** Audit Committee

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

**Date of Meeting:** 24<sup>th</sup> November 2015

**Subject:** Corporate Risk Register Update

**Wards Affected:** All

### 1. Purpose of Report

1.1 To update the Audit Committee with information on the management of risks and issues within the Corporate Risk Register (CRR) (Appendix A). The information in Appendix A has been compiled using updates received from directorates.

### 2. Recommendations

2.1 That the Audit Committee review the information provided by directorates and decide if the risk ratings are reasonable, if action being taken is effective, or if further explanation / information is required. The level of risk has remained static for most risks, but one has increased:

- 2015/16.22 - Lack of capacity and capability to respond to the threat of industrial action, employee relations tensions, etc. due to organisational downsizing.

2.2 That the Audit Committee note that the element of risk 2015/16.23, relating to the Windows 7 Project has been addressed. However, concerns remain regarding the continuous refresh / update of IT equipment. The risk will therefore remain and be reworded at the next updated.

2.3 That the Audit Committee approves the rewording of two risks:

- 2015/16.11 - to include reference to setting a medium / long term balanced budget.
- 2015/16.20 - to include reference to commitments made in the Council's Improvement Plan and Leaders Policy Statement.

2.4 That the Audit Committee approves the two new risks:

- 2015/16.29 - Risk of Court deciding against the Council regarding the Homeless Service.
- 2015/16.30 - Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme.

- 2.5 That the Audit Committee considers if any additional new risks, further re-wordings or deletions should be included in the CRR.
- 2.6 That the Audit Committee considers if it requires further information on the management of any of the risks included in the CRR.

### **3. Background Information**

- 3.1 Members have a key role within the risk management process.
- 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 CRR focuses on the cross-cutting corporate issues.
- 4.3 A Lead Director has been identified for each risk as well as all Directors taking ownership for the risks. Directors have provided information detailing the management of the risks within their service areas as at September / October 2015.
- 4.4 The CRR is attached as Appendix A.

### **5. Embedding Risk Management**

- 5.1 Presentations, training and facilitated workshops are provided by Birmingham Audit on request to help embed risk management across the Council and in working with our partners. The current main route to provide risk management awareness is the e-learning package for managers, accessed via the internet.
- 5.2 Information on the Council's approach to risk management is available via the BCC website - these are public documents for staff, external partners and anyone else to see. Additional information is attached to the risk management page on InLine, to support staff in using risk management in their day to day role. Advice, support and guidance are provided by Birmingham Audit as requested.

5.3 Service managers are also asked about their risk management arrangements as part of routine audit work. In addition the mandatory Public Sector Internal Audit Standards include a requirement with regard to risk management.

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

## **6. Legal and Resource Implications**

6.1 The work carried out is within approved budgets.

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

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

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

## **8. Compliance Issues**

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

## **9. Recommendations**

9.1 That the Audit Committee review the information provided by directorates and decide if they agree that the risk ratings are reasonable, if action being taken is effective, or if further explanation / information is required.

9.2 That the Audit Committee approves the two new risks:

- 2015/16.29 - Risk of Court deciding against the Council regarding the Homeless Service.
- 2015/16.30 - Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme.

9.3 That the Audit Committee approves the proposed re-wordings, and amendments.

9.4 That the Audit Committee considers if any new risks, further re-wordings or deletions should be included in the CRR.

9.5 That the Audit Committee considers if it requires further information on the management of any of the risks included in the CRR.

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**Interim Assistant Director, Audit & Risk Management**

**Contact officer: Cynthia Carran, Principal Business Auditor**

**Telephone No: 303 2104**

**e-mail address: [cynthia.carran@birmingham.gov.uk](mailto:cynthia.carran@birmingham.gov.uk)**

**Current / Residual risk (i.e. inherent risk mitigated by controls/actions in place):**

**Likelihood:**

High			10	1, 2, 3, 4, 29
Significant		16, 17, 18	30	5, 6, 7, 9
Medium		19, 20, 21	13, 14, 15, 22,	11, 12
Low			23, 24	
	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

**Measures of likelihood:**

<b>Description</b>	<b>Example Detail Description</b>
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.
Medium	Possible, might occur at some time. 20% - 50% chance.
Low	Unlikely, but could occur at some time. Less than 20% chance.

**Measures of impact:**

<b>Description</b>	<b>Example Detail Description</b>
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.

## Index by Risk / Issue Number

Revised No.	Prev No.	Short Description of Risk / Issue	Page
2015/16.01	1c	Defend and / or settle post 2008 equal pay claims	10
2015/16.02	23	Improving children's safeguarding and children's social care	10
2015/16.03	14b / 50	Failure to manage the schools PFI contracts effectively leading to the lack of investment into the schools stock	12
2015/16.04	59	Risk of enforcement action and fines by the ICO for failure to comply with the 40 day timescale for responding to SARs	13
2015/16.05	1a	Defend and / or settle pre 2008 equal pay claims	14
2015/16.06	1b	Further equal pay claims	14
2015/16.07	57	Not responding fully and effectively to the issues from recent reviews concerning school governance and related matters	15
2015/16.08	60	Risk deleted - July 2015	N/A
2015/16.09	61	Not responding fully and effectively to the improvement agenda for Children	16
2015/16.10	46	Resolution of contractual issues in the Highway Maintenance and Management PFI contract, and failure to obtain the full extent of Core Investment Period deliverables in accordance with the business case	17
2015/16.11	N/A	Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme (including setting a medium / long term balanced budget)	18
2015/16.12	45	Loss of personal or sensitive data	19
2015/16.13	2	Failure to comply with the Equality Act 2010 and the Public Sector Equality Duty	20
2015/16.14	28	On-going reduction in government grants resulting in a shortfall in resources and avoid legal challenge	21
2015/16.15	52	Insufficient in-house IT expertise within Directorates & Inadequate or ineffective corporate control of non-core IT spend	21
2015/16.16	32	Not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery	23
2015/16.17	42	Web services may be disrupted by malicious attacks on Council's web based services	23
2015/16.18	55	Ineffective Corporate Risk Marker IT solution	24
2015/16.19	37	Evaluation of cost & benefits of different service delivery options & failure to fully implement the decisions made to change policy / service delivery	25
2015/16.20	41	Delivery of the Localisation Agenda and commitments made in the Council's Improvement Plan and Leaders Policy Statement	26
2015/16.21	44	Unpaid allowances	27
2015/16.22	30	Employee relations, performance issues, sickness absence levels etc.	22
2015/16.23	35	IT refresh / update and running Windows 7 (to be reworded for next update)	28
2015/16.24	54	Risk of fines from HRMC for Directorates employing long term consultants	29
2015/16.25	47	Risk deleted - July 2015	N/A
2015/16.26	58	Risk deleted - July 2015	N/A
2015/16.27	40	Risk deleted - July 2015	N/A
2015/16.28	56	Risk deleted - July 2015	N/A
2015/16.29	N/A	Risk of Court deciding against the Council regarding the Homeless Service	14
2015/16.30	N/A	Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme	17

## Corporate Risk Register Update for Audit Committee November 2015

**Key:** CO - Corporate Objective. AFC - A fair city: where people are safe, healthy and not living in poverty. APC - A prosperous city: where businesses flourish, where people have education and training, and where unemployment is low. ADC - A democratic city: where people have more say in local decision-making.

INDEX OF RISKS / ISSUES ( in order of severity of risk)											
Ranking	New Ref No.	Old Ref No.	C. O.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2015	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
								July 2015	Mar 15	Nov 14	
1	1	1c	A P C	Defend and settle post 2008 equal pay claims.	Deputy Chief Executive, Economy Directorate	Actual: H/H Target: H/H	Same	H/H	H/H	H/H	10
2	2	23	A F C	Failure to improve children's safeguarding and children's social care.	Strategic Director, People Directorate	Actual: H/H Target: M/H	Same	H/H	H/H	H/H	10
3	3	14b / 50	A P C	Failure to manage the schools PFI contracts effectively leading to the lack of investment into the schools stock.	Deputy Chief Executive, Economy Directorate	Actual: H/H Target: M/S	Same	H/H	H/H	H/H	12
4	4	59	A P C	Risk of enforcement action and fines by the ICO for failure to comply with the 40 day timescale for responding to SARs.	Deputy Chief Executive, Economy Directorate	Actual: H/H Target: L/L	Same	H/H	H/H	N/A	13
5	29	N/A	A F C	Risk of Court deciding against the Council regarding the Homeless Service.	Strategic Director, People Directorate	Actual: H/H Target: M/H	N/A (New Risk)	N/A	N/A	N/A	14
6	5	1a	A P C	Defend and settle pre 2008 equal pay claims.	Deputy Chief Executive, Economy Directorate	Actual: S/H Target: L/H	Same	S/H	S/H	S/H	14
7	6	1b	A P C	Further equal pay claims.	Deputy Chief Executive, Economy Directorate	Actual: S/H Target: M/H	Same	S/H	S/H	S/H	14
8	7	57	A F C	Not responding fully and effectively to the issues from recent reviews concerning school governance and related matters.	Strategic Director, People Directorate	Actual S/H Target L/H	Same	S/H	S/H	S/H	15

## Corporate Risk Register Update for Audit Committee November 2015

INDEX OF RISKS / ISSUES ( in order of severity of risk)											
Ranking	New Ref No.	Old Ref No.	C. O.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2015	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
								July 2015	Mar 15	Nov 14	
9	9	61	A F C	Not responding fully and effectively to the improvement agenda for Children.	Strategic Director, People Directorate	Actual: S/H Target: S/L	Same	S/H	S/H	N/A	16
10	10	46	A P C	Resolution of contractual issues in the Highway Maintenance and Management PFI contract, and failure to obtain the full extent of Core Investment Period deliverables in accordance with the business case.	Strategic Director, Place Directorate	Actual: H/S Target: L/S	Same	H/S	M/S	M/S	17
11	30	N/A	A F C	Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme.	Strategic Director, People Directorate	Actual: S/S Target: M/S	N/A (New Risk)	N/A	N/A	N/A	17
12	11	N/A	A P C	Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme (including setting a medium / long term balanced budget).	Chief Executive	Actual: M/H Target: L/H	Same	M/H	N/A	N/A	18
13	12	45	A P C	The loss of significant personal or other sensitive data.	Deputy Chief Executive, Economy Directorate	Actual: M/H Target: L/H	Same	M/H	M/H	L/H	19
14	13	2	A D C	Failure to comply with all the requirements of the Equality Act 2012 and the Public Sector Equality Duty.	Deputy Chief Executive, Economy Directorate	Actual: M/S Target: M/S	Same	M/S	M/S	M/S	20
15	14	28	A P C	On-going reduction in government grants resulting in a shortfall in resources and avoid legal challenge.	Deputy Chief Executive, Economy Directorate	Actual: M/S Target: L/L	Same	M/S	M/S	M/S	21
16	15	52	A P C	Insufficient in-house IT expertise within Directorates and inadequate or ineffective corporate control of non-core IT spending.	Deputy Chief Executive, Economy Directorate	Actual: M/S Target: L/S	Same	M/S	M/S	M/S	21

## Corporate Risk Register Update for Audit Committee November 2015

INDEX OF RISKS / ISSUES ( in order of severity of risk)											
Ranking	New Ref No.	Old Ref No.	C. O.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2015	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
								July 2015	Mar 15	Nov 14	
17	22	30	A P C	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.	Deputy Chief Executive, Economy Directorate	Actual: M/S Target: L/M	Increased	L/S	L/S	L/S	22
18	16	32	A P C	Not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery.	Deputy Chief Executive, Economy Directorate	Actual: S/M Target: M/L	Same	S/M	S/M	S/M	23
19	17	42	A P C	That web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services.	Deputy Chief Executive, Economy Directorate	Actual: S/M Target: L/M	Same	S/M	S/M	S/M	23
20	18	55	A F C	Ineffective Corporate Risk Marker IT solution.	Deputy Chief Executive, Economy Directorate	Actual: S/M Target: L/M	Same	S/M	S/M	S/M	24
21	19	37	A P C	Failure to adequately evaluate the costs and benefits of different service delivery options.  Failure to fully implement the decisions made to change policy and service delivery.	Deputy Chief Executive, Economy Directorate	Actual: M/M Target: M/M	Same	S/M	M/S	M/S	25
22	20	41	A D C	Failure to deliver the Council's localisation agenda and commitments made in the Council's Improvement Plan and Leaders Policy Statement.	Strategic Director, Place Directorate	Actual: M/M Target: M/M	Same	M/M	M/M	M/M	26
23	21	44	A P C	Unpaid allowances / contractual overtime payments / equality of flex time agreements.	Deputy Chief Executive, Economy Directorate	Actual: M/M Target: M/M	Same	M/M	M/M	M/M	27



## Corporate Risk Register Update for Audit Committee November 2015

INDEX OF RISKS / ISSUES ( in order of severity of risk)											
Ranking	New Ref No.	Old Ref No.	C. O.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2015	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
								July 2015	Mar 15	Nov 14	
24	23	35	A P C	IT Refresh / update and running Windows 7. (To be reworded for next update).	Deputy Chief Executive, Economy Directorate	Actual: L/S  Target: L/S	Same	L/S	M/S	M/S	28
25	24	54	A P C	Risk of fines from HMRC for Directorates employing long-term consultants.	Deputy Chief Executive, Economy Directorate	Actual: L/S  Target: L/M	Same	L/S	L/S	L/S	29

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.01	1c	<p>Failure to successfully defend and / or settle post 2008 equal pay claims. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate</p> <p>Council Plan risks 11 &amp; 13</p>	High / High	<p><b>Lead Director comment</b></p> <p>A significant number of claims have been issued. A proportion of these have already been settled or are in the process of settlement. A growing proportion are now progressing through the tribunal and civil court process.</p> <p>No win / no fee solicitors are still canvassing for claimants.</p> <p>The validity of claims is constantly challenged by Legal Services. Each claim before any offer to settle is made is subject to robust legal challenge where available.</p> <p>Settlement of claims is subject to financial provision and establishing validity of claims.</p>	<p><b>Target risk rating:</b> High / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Unlikely to reduce in the next two years, with on-going liability to 31 October 2017.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance - regular separate reporting to Corporate Governance Group, EMB and the Audit Committee. External &amp; internal audit review.</p>
2015/16.02	23	<p>Failure to improve children's safeguarding and children's social care. (Risk)</p> <p>Lead: Strategic Director, People Directorate Owner: All Directors</p> <p>Council Plan risk 2</p>	High / High	<p><b>Lead Director comment</b></p> <p>Lord Norman Warner was appointed as Commissioner to oversee a new approach to improvement. His reports on services acknowledge that the City Council continues to make steady progress with improving Children's services.</p> <p>Lord Warner's work with BCC has ended and his report is with the DfE. Lord Warner has no involvement with the Independent Improvement Panel.</p> <p>The Executive Director for Children's Services was appointed in February 2015. All staff from Service Director through to Team Manager level have completed competency assessments and now have learning and development plans in place. Groundbreaking work on child sexual exploitation, leading to civil injunctions on men posing risks, has shown that Birmingham can do confident and innovative social work.</p>	<p><b>Target risk rating:</b> Medium / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> January 2016.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance, Peer review, Ofsted visits, Scrutiny Committee monitoring, Monitoring Board, and Children's Commissioner.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				<p>Lord Warner concluded his work at the end of May 2015. A 2-year improvement plan has been agreed by Cabinet and includes practice improvement, recruitment and retention, commissioning and partnership working. It reflects a new vision and purpose for Children's Services and focuses on how we will support workers to deliver more direct social work with families, to bring about positive change for children.</p> <p>A major financial investment of £21.5m for 2015/16 has been agreed.</p> <p>There is still much to do, (for example, about the capacity of HR corporate resources, a credible recruitment and retention strategy and effectiveness of the Safeguarding Board) to ensure the quality of practice and its timeliness. To that end a proposed future operating model is currently being discussed with partners, and we are investigating the replacement of the CareFirst case system so that practitioners are freed up to undertake direct social work practice.</p> <p>An HMI improvement visit to MASH undertaken in January 2015 noted improvements and areas for development, including workforce and early help. In September HMI returned to look at assessment practice and workflow and we await their feedback.</p> <p>Following a short peer review by Essex in July, the DfE have agreed that Essex will be our improvement partner and a plan of activities has been agreed.</p> <p>The Chief Social Worker has been appointed, and with Principal Social Workers for each of the areas and MASH, will review and drive practice improvement underpinned by a new Quality Assurance Framework.</p> <p>We have also recruited a dedicated Head of Service for the Independent Reviewing Service, linked to a much more effective Quality Assurance Framework and a more robust 'Safety Net' for children across the city.</p> <p>The Children's Service is now fully staffed.</p>	

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.03	50 & 14b	<p>Failure to manage the schools PFI contracts effectively leading to the lack of investment into the schools stock.</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p>	High / High	<p><b>Lead Director comment</b></p> <p>Major review of PFI contract arrangements underway following Local Partnerships pilot project.</p> <p>External consultants are engaged and a Lead Officer allocated to fully explore all opportunities to reduce PFI costs. Proposals are being brought forward and while the project more than pays for itself, there are limited opportunities to impact on the major £6m annual affordability gap. School engagement to explore potential re-scoping of elements of the FM contracts is scheduled for Autumn 2015.</p> <p>The savings proposal, being implemented to meet the current PFI affordability gap from within the funds available to invest in the maintenance of the estate, has not yet impacted on the funding available for emergency repairs. However, there are significant risks of funding shortfall into 2017/18, due to the diminishing annual maintenance grant funds available, particularly as more schools convert to academy status.</p> <p>The High / High risk rating relates to the PFI affordability gap and subsequent impact on availability of funding to address backlog maintenance across the schools' estate. The opportunities to reduce the PFI costs are limited, and this therefore remains a high risk in terms of management of the education infrastructure and potential impact of asset failure. There is a very substantial Schools Capital Programme in delivery that includes basic need and planned maintenance programmes, with further emergency maintenance projects emerging regularly. Mitigations include:</p> <ul style="list-style-type: none"> <li>Continued work to ensure schools spend their allocated funding and surplus budgets on priority maintenance.</li> <li>Allocation of dedicated resource to maximise any PFI savings and mitigate risk of increased PFI costs associated with imminent benchmarking exercises.</li> <li>Lean Review to secure better value from Acivico / supply chain across planned and emergency maintenance and basic need projects.</li> </ul>	<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>Source(s) of assurance regarding progress with mitigating the risk:</b> Management reporting to Director of Finance on PFI savings.</p> <p>Oversight and monitoring of temporary school closures due to asset failure.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.04	59	<p>Risk of enforcement action and fines of up to £500,000 by the Information Commissioner's Office (ICO) for failure to comply with the 40 day timescale for responding to Subject Access Requests (SARs). (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owners: <a href="#">Alastair Gibbons</a> / <a href="#">Jonathan Evans</a></p>	High / High	<p><b>Lead Director comment</b></p> <p>The ICO wrote to BCC in December 2014 stating that they had carried out an analysis on complaints they received during 2014. The data indicates an issue with timely responses to SARs. An analysis of the complaints shows Children's Services and HR as areas where failure to respond within 40 days is a problem.</p> <p>An internal audit has been undertaken in respect of Children's Services. The report identified a number of recommendations, including:</p> <ul style="list-style-type: none"> <li>• Reviewing systems / processes, and improving management information to accurately report &amp; monitor progress on responding to SARs.</li> <li>• Reviewing resourcing levels to ensure SARs requests received in relation to children's social care records are prioritised.</li> <li>• Providing more targeted training to support staff dealing with complex SARs.</li> </ul> <p>The Council is subject to an ongoing ICO enquiry into its response times for SAR's, Attended a meeting with the ICO on 17<sup>th</sup> June 2015, led by the SIRO. The Council is required to provide monthly reports to the ICO for the next three months beginning July 2015, and possibly a further three months thereafter as part of their monitoring of the Council's performance and response rates to SAR's.</p> <p><a href="#">HR Management Team now considers progress on SARs on a weekly basis, with reports on progress made with ongoing SARs and escalation where necessary. Performance has improved.</a></p> <p><a href="#">The monitoring of internal performance has shown an overall improvement in SARs both in Children's Services and the Council as a whole. It is anticipated that the target risk rating of Low / Low will be met.</a></p>	<p><b>Target risk rating:</b> Low / Low</p> <p><b>Anticipated date of review/attainment of the target risk rating:</b> <a href="#">April 2016</a>.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance from HR and Children's Services.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.29	N/A	<p>Risk of Court deciding against the Council regarding the Homeless Service. (Risk)</p> <p>Lead: Strategic Director, People Directorate Owner: Alan Lotinga</p>	High / High	<p><b>Lead Director comment</b></p> <p>The Homeless Service is currently facing challenge regarding the fulfilling of its statutory duties.</p>	<p><b>Target risk rating:</b> Medium / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Ongoing - review January 2016.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> We have identified some concerns regarding the service and these have been changed in line with legal advice.</p>
2015/16.05	1a	<p>Failure to successfully defend and / or settle pre 2008 equal pay claims. (Issue)</p> <p>Lead: Deputy Chief Executive, Economy Directorate</p> <p>Council Plan risks 11 &amp; 13</p>	Significant / High	<p><b>Lead Director comment</b></p> <p>In 2010, the Tribunal determined that the Council had no defence to pre 2008 equal pay claims (Barker v Birmingham City Council). C12,000 early claims without the involvement of solicitors have been already settled including a further cohort as part of settlement agreements reached in 2011 and 2013.</p> <p>Claims issued since January 2015 are now out of time and therefore are not valid claims. The Council is currently succeeding in striking out these out of time claims.</p> <p>The validity of claims is constantly challenged by Legal Services. Each claim before any offer to settle is made is subject to robust legal challenge where available.</p> <p>A significant proportion of valid claims for pre 2008 liability, are in the process of settlement or profiled for settlement depending on available financial resources.</p>	<p><b>Target risk rating:</b> Low / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Ongoing - review January 2016.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance - reporting to Corporate Governance Group, Audit Committee, external &amp; internal audit review.</p>
2015/16.06	1b	<p>Risk of further equal pay claims. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate</p> <p>Council Plan risks 11 &amp; 13</p>	Significant / High	<p><b>Lead Director comment</b></p> <p>Claimant solicitors are continually 'fishing' for further equal pay liability by issuing further equal pay claims in addition to those referred to in risks 01 and 05.</p> <p>The validity of these type of claims is, and will be subject to robust legal challenge. At the moment, there is no determination as to liability or attainment as to target risk due to the nature of the challenge.</p>	<p><b>Target risk rating:</b> Medium / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Not known at current date.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance - reporting to Corporate Governance Group, Audit Committee, external &amp; internal audit review.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.07	57	<p>Failure to respond fully and effectively to the issues from recent reviews concerning school governance and related matters. (Risk)</p> <p>Lead: Strategic Director, People Directorate</p>	Significant / High	<p><b>Lead Director comment</b></p> <p>Sir Mike Tomlinson was appointed as Commissioner to oversee a programme of improvement and his time in Birmingham has been extended to March 2016. Improvement is being driven by the Leader, Cabinet Member, Chief Executive and Strategic Director.</p> <p>The City Council and DfE agreed to the appointment of Colin Diamond, Deputy Commissioner, to the interim post of Executive Director Education, <a href="#">from April 2015</a>.</p> <p>The Education and Schools Strategy Improvement Plan agreed in December 2014 builds on a number of pieces of work including the Clarke and Kershaw reports triggered by Trojan Horse, along with transformation already underway in SEND and Education Services. Progress has been made on a number of issues (for example: a revised recruitment process for LA governors; guidance to schools on the Nolan principles of good governance; improved take up of safeguarding training; a new whistleblowing policy implemented from January 2015; improved communications). <a href="#">The Council has commissioned</a> Birmingham Education Partnership to deliver school improvement support and challenge functions from September 2015.</p> <p>An Education Improvement Group comprising BCC, DfE, Regional Schools Commissioner and Ofsted meets monthly to share information on schools causing concern.</p> <p>Systematic school surveys are in place to inform the work of the local authority.</p> <p>Work on civic leadership and community cohesion is being developed given the need to tackle the causal factors underlying Trojan Horse. This will complement the city leadership approach to be established in the light of the Kerslake review.</p> <p><a href="#">Arrangements are currently in hand for a week long peer review, by the LGA, of progress to date and next key steps.</a></p>	<p><b>Target risk rating:</b> Low / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> <a href="#">January 2016</a>.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance obtained through the usual systems, and checked by the Cabinet Member. There will also be verification through key channels - the Unions, meetings with Heads and Governors etc.</p> <p>Oversight of the Action Plan and checks on implementation.</p> <p>Monitor Key Indicators - for example, the extent to which Head Teachers feel complaints / concerns are identified and responded to.</p> <p>Assurance via the Commissioner is an external check.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.08	60	Risk Deleted - Following Audit Committee approval in July 2015			
2015/16.09	61	<p>Risk that BCC is not able to respond to the improvement agenda for Children's. (Risk)</p> <p>Lead: Strategic Director, People Directorate Owner: <a href="#">Alastair Gibbons</a></p>	Significant / High	<p><b>Lead Director comment</b></p> <p>Corporate level discussions are taking place about alignment of finance, improvement budget, HR practice and legal practice. A Chief Officer discussion at corporate strategy level is required to define business requirements and drivers for change. The Council's response to the Kerslake report offers the opportunity for Children's Services to shape, influence and determine priorities for the action plan aligned with the Children's Social Care Improvement Plan, and define the requirements to get to 'low' likelihood. Kerslake action plan to monitor percentage delivery. Scoring needs to move to Significant / Low by 31st March tailing off to Low / Low.</p> <p>Cabinet approved a years 2 and 3 improvement strategy on 20 April 2015. There is now greater clarity on resources and priorities going forward.</p> <p>The appointment of the Executive Director for Children Social Care also helps mitigate this risk.</p> <p>The vast majority of the required year 1 improvement was delivered. However, there is still more work to do on a small number of issues.</p> <p>There has been a lot of Corporate support to help in ensuring the success of the Children's Social Care Improvement Plan. The HR function is being re-shaped corporately and there has been significant financial and other support. Discussions continue with Chief Officers to ensure that there is appropriate support for the Children's Improvement Agenda. However, we need to see real improvements in outcomes for children before we can safely downgrade this risk.</p>	<p><b>Target risk rating:</b> Significant / Low</p> <p><b>Anticipated date of attainment of the target risk rating:</b> <a href="#">January 2016</a>.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Bi-weekly Quartet Board Meetings (Children's Improvement Programme Board).</p>



## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.10	46	<p>a. Failure to resolve performance, contractual and commercial matters in the Highway Maintenance and Management PFI contract.</p> <p>Lead: Strategic Director, Place Directorate</p> <p>b. Failure to obtain the full extent of Core Investment Period deliverables in accordance with the business case for the Highway Maintenance and Management PFI contract.</p> <p>Lead: Strategic Director for Place</p>	<p>High / Significant</p> <p>High / Significant</p>	<p><b>Lead Director comment</b></p> <p>Resolution is being sought, via a commercial settlement, of a number of contractual issues with Amey Birmingham Highways Limited (ABHL) regarding the Highway Maintenance and Management PFI Contract. The proposed settlement has been under discussion since January 2015.</p> <p><b>Lead Director comment</b></p> <p>The Council has sought to resolve the issue informally but this has not been possible.</p> <p>The City Council referred this matter for adjudication under the contractual Dispute Resolution procedure on 07 May 2015. The adjudication hearing is on 23 June 2015. <a href="#">The outcome has now been referred to court by the Service Provider.</a></p>	<p><b>Target risk rating:</b> Low / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b> <a href="#">October / November 2015.</a></p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> The settlement has been agreed with ABHL, but requires lender consent. Approval has been obtained from Cabinet (16 March 2015) to reach a settlement and established the parameters for this.</p> <p><b>Target risk rating:</b> Low / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b> <a href="#">Procedural hearing to be held in October 2015 to determine a timetable.</a></p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> External legal advice and representation has been engaged.</p>
2015/16.30	N/A	<p>Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme. (Risk)</p> <p>Lead: Strategic Director, People Directorate Owner: Alan Lotinga</p>	Significant / Significant	<p><b>Lead Director comment</b></p> <p>The Younger Peoples Re-Provision programme is focused on maximising people's independence and moving them to less restrictive accommodation, which has encountered opposition from carers who do not want people to move. There has also been opposition from providers.</p> <p>Legal Services involved in high risk cases.</p> <p>Proposed new team to script and roll out the offer - to be appointed.</p>	<p><b>Target risk rating:</b> <a href="#">Medium / Significant</a></p> <p><b>Anticipated date of attainment of the target risk rating:</b> <a href="#">Ongoing - review January 2016.</a></p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b></p> <p>The Care &amp; Housing Allocation Panel is in operation, and receives all information regarding placement moves.</p> <p>The Personalisation, Empowerment &amp; Placement Strategic Group has been formed, which has been informed by a 'peer review' led by the Director of Public Health.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.11	N/A	<p>Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme (including setting a medium / long term balanced budget). (Risk)</p> <p>Lead: Chief Executive Owner: All Directors</p> <p>Risk reworded</p>	Medium / High	<p><b>Lead Director comment</b></p> <p>The following key activities have been undertaken:</p> <p>Implementation of the Future Council Programme (of which Kerslake is an important sub-set):</p> <ul style="list-style-type: none"> <li>Each of the sub programmes has a project plan, risk register and functioning governance arrangements in the form of a sub programme board. In addition they have a group of 'Link Members' who provide guidance and challenge from a member perspective. All current and future activity is being recorded within the project management tool - Verto.</li> <li>Programme management has been strengthened. A new programme manager has been appointed along with a programme planner, and there is one overall milestone plan for the programme.</li> <li>The Programme Board has been reviewed / reconstituted, and includes the senior responsible officers (SROs) for each of the sub programmes. The Board meets weekly and agendas include coverage on key risks as part of the 'highlights report' presented by the Programme Manager.</li> <li>Risks and issues are being debated / mitigated at each sub programme level, and escalated to the Programme Board if mitigation is not possible at that level.</li> <li>The Future Council Programme budget has been identified and is being supplemented with funding from the Department for Communities and Local Government. This means that funding is secure for at least the next two years, and additional capacity can be sought to strengthen our work and ensure that implementation is swifter. For example: additional resource to implement the ideas coming from the 'Demand' work.</li> </ul>	<p><b>Target risk rating:</b> Low / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> Ongoing - review April 2017.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Planned activities to further mitigate this risk:</p> <ul style="list-style-type: none"> <li>Continuing engagement of Cabinet and CLT overseeing programme delivery.</li> <li>Ongoing reporting on progress to the Birmingham Independent Improvement Panel (next report October).</li> <li>Formalisation of the risk management processes.</li> <li>Refinement of the project management tool and creation of management reports.</li> <li>Consistent monthly focus on delivery of the Kerslake actions.</li> </ul>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				<ul style="list-style-type: none"> <li>The Kerslake actions are a sub set of the programme and delivery is being monitored on a monthly basis. The first Kerslake monitoring report has been signed off by the Board and submitted to the Birmingham Independent Improvement Panel.</li> </ul>	
2015/16.12	45	<p>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 £500,000 from the Information Commissioner. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p>	Medium / High	<p><b>Lead Director comment</b></p> <p>Current controls based on encryption of data on mobile devices or copied to removable media; and programme of staff education and training. The mandatory information governance e-learning is being tracked monthly and take up is being reported to Strategic Directors and the Information Assurance Board (IAB).</p> <p>Breach management processes have been established with clear lines of responsibility to the Senior Information Risk Owner, (Deputy Chief Executive) and the Monitoring officer. Known data breaches are discussed at the Breach Management Panel and reports and recommendations are presented to the Monitoring Officer for consideration to notify Information Commissioner's Office. An annual report for 2013/14 was prepared and presented to the IAB in June 2014.</p> <p>The training programme has been in place for 2 years and was reviewed over summer 2014 to determine the way forward and ensure ongoing compliance.</p> <p>The SIRO has written to Strategic Directors detailing staff yet to complete the mandatory training / requesting that it be completed by 31<sup>st</sup> March 2015. Strategic Directors &amp; Management Teams have been asked to lead on ensuring compliance.</p>	<p><b>Target risk rating:</b> Low / High</p> <p><b>Anticipated date of attainment of the target risk rating:</b> April 2016.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance via reports to Breach Management Panel. Further controls on assuring that suppliers and partners impose similar controls on City Council data in their possession. The mandatory training for staff is currently being updated, and the new modules will be available for staff to take up from the new year.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.13	2	<p>Failure to comply with all of the requirements of the Equality Act (2010) and the Public Sector Equality Duty. (Risk)</p> <p>Lead: Strategic Director, Place Directorate Owner: All Directors</p> <p>Council Plan risk 3</p>	Medium / Significant	<p><b>Lead Director comment</b></p> <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 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. Legal Services are advising on high risk EAs.</p> <p>The Equality Analysis toolkit is available to Directorates to undertake Equality Assessments for all new Policies and Procedures. Advice and support on completion of the Equality Assessment is provided from the Equalities, Community Safety and Cohesion Service (ECS&amp;CS) and Legal Services. Guidance on undertaking consultation has been updated and is available on Inline and this is now aligned with the EA process. Over 700 staff ranging from GR5 through to JNC have been trained on the EA toolkit and on undertaking an EA and this training continues to be available.</p> <p>Corporate consultation and Equality Assessments have been undertaken on all relevant corporate savings. Directorates will continue to undertake consultation and Equality Assessments for individual initiatives where appropriate.</p> <p>A robust approach exists for savings proposals. Corporate Consultation, Equality Assessments and all associated consultation are aligned, with emphasis on feedback from the protected groups. All EAs and consultation are tracked corporately. A cross directorate steering group chaired by the Service Lead for Equalities, Community Safety and Cohesion has been tasked to oversee compliance to this agenda.</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 Equality Analysis submitted for approval.</p>	<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 proposals to be undertaken.</li> <li>Legal advice sought on high risk initiatives.</li> <li>Process of Legal sign off on Cabinet Reports.</li> <li>Birmingham Audit undertook an audit of EA compliance in Directorates March / April 2014.</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 Equality Analysis. The toolkit provides a step by step process and on line guidance to completing an Equality Analysis 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>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.14	28	<p>Not planning appropriately for the on-going reduction in government grants resulting in a shortfall in resources, and avoid legal challenge. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p> <p>Council Plan risks 9, 10, 15 &amp; 16</p>	Medium / Significant	<p><b>Lead Director comment</b></p> <p>Savings proposals from 2015/16 onwards were approved at the City Council meeting on 3 March 2015. The delivery of the savings programme is monitored through the savings trackers and the Star Chamber meetings convened by the Deputy Leader, and reported in the monthly revenue budget monitoring reports to Cabinet.</p> <p>Projections of resources are updated on a regular basis in the light of announcements made by the Government.</p> <p>Planning for the further savings that will be required from 2016/17 onwards is being taken forward as one of the workstreams within the Future Council Programme. Arrangements are being made to ensure that the process is adequately resourced.</p> <p>Budget proposals will be subject to equality analysis and the necessary consultation processes during the course of the Autumn / Winter in the normal way.</p>	<p><b>Target risk rating:</b> Low / Low</p> <p><b>Anticipated date of attainment of the target risk rating:</b> March 2018.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance as detailed in Lead Director comments also an Internal Audit review.</p>
2015/16.15	52	<p>Inadequate or ineffective corporate control of non-core IT spend as a result of insufficient in-house IT expertise within Directorates to ensure software/systems changes are adequately specified, that their implementation is adequately managed and that changes are adequately coordinated across the organisation to maximise the benefit to the Council. (Issue)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p>	Medium / Significant	<p><b>Lead Director comment</b></p> <p>The review of Service Birmingham (SB) has emphasised that SB has an expert role and a duty to BCC to fulfil this role. This includes ensuring BCC making the right choices of software / systems and avoiding duplication of spending.</p> <p>Following a discussion at EMCB in July 2014 it was agreed that they would champion some of the risks highlighted in the Corporate Risk Register. Risk 52 was one of those selected for consideration at the September 2014 meeting.</p> <p>New governance processes are in place to manage the ICT contract and particularly directorate spend, and further additional changes are planned. An ICT Improvement Programme is in place and is reported to the ICT Programme Board Chaired by the Deputy Leader. All spend over £200k will be approved at this Board.</p>	<p><b>Target risk rating:</b> Low / Significant</p> <p><b>Anticipated date of attainment of the target risk rating:</b> March 2016</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Risk is reduced due to the governance structure in place and from the planned actions.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				<p>A seven year plan for changes to the management and governance of ICT is in place (subject to review and consultation).</p> <p>A critical friend <a href="#">has been</a> appointed to provide the Council with advice and guidance on a range of ICT matters to support the ICT improvement programme and to support the 7 year plans actions.</p> <p><a href="#">The original FOM (Future Operating Model) has been delayed whilst more consideration is given to the impact of the Future Council Programme. However, two additional posts will be recruited by the end of November 2015.</a></p>	
2015/16.22	30	<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. (Issue &amp; Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p> <p><a href="#">Council Plan risk 18</a></p>	<a href="#">Medium</a> / Significant	<p><b>Lead Director comment</b></p> <p>Given the degree of budget cuts and consequential organisational changes alongside national changes to pensions and other possible terms and conditions changes there remains a risk of industrial action although more likely to be on a national rather than a local level.</p> <p>There are business continuity plans in place in readiness for industrial action and they have been effective in reducing the impact of action on service users. Particular areas of risk such as Fleet and Waste management have well progressed contingency plans.</p> <p>Effective workforce planning is required along with clear transition plans from existing to new models. Facilitated sessions will be required with Directorates to develop the workforce strategy and approaches and to provide quality assurance around achievability.</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> The Council's workforce strategy is currently in development. This includes; strategic workforce planning aligned to scale and impact of proposed change, robust management of organisational redesign to foresee and manage risks around workload volumes, development and retention of core skills, specialist knowledge, morale and staff engagement.</p> <p><a href="#">HR working with each Directorate on contingency plans.</a></p>



## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.16	32	<p>Risk of not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery; driving out property for disposal, but beyond capital receipt generation, ultimately solutions should deliver radical reductions in future revenue operating costs. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p> <p>Council Plan risk 7</p>	Significant / Medium	<p><b>Lead Director comment</b></p> <p>Risk mitigated by:</p> <ul style="list-style-type: none"> <li>LoCAL Programme - property information has been provided, a programme formed and a series of outline business cases produced.</li> <li>Our Corporate Landlord Service has cleared, decommissioned and sold Tamebridge House. Accommodation changes across Directorates are being dealt with including freeing up of space to accommodate Call Centre and Service Birmingham staff to be relocated from B1 in 2016.</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, etc.</li> </ul>	<p><b>Target risk rating:</b> Medium / Low</p> <p><b>Anticipated date of attainment of the target risk rating:</b> April 2016.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance as detailed in Lead Director comment.</p>
2015/16.17	42	<p>That web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services. (Risk).</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p>	Significant / Medium	<p><b>Lead Director comment</b></p> <p>Service Birmingham on behalf of City Council:</p> <ul style="list-style-type: none"> <li>Have updated the council's firewalls and introduced Intrusion Prevention Services (IPS) as part of the firewall implementation. This means that 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.</li> <li>Have implemented a cloud based Distributed Denial of Service (DDoS) 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.</li> <li>Continuously scan the information security landscape with their partners to detect upcoming and new vulnerabilities which could be exploited by potential hackers.</li> <li>Have implemented the PSN walled garden which has enhanced the security of all users accessing web based government systems.</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 the firewalls.</li> <li>Service Birmingham, on behalf of the Council, are 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> </ul>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				<p>PSN services have been remodelled and are currently being monitored to ensure secure transmission.</p> <p>The Council has retained its PSN certification until April 2016.</p> <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 incidents which will be presented to the Corporate Information Security Group (CISG) bi-monthly. This will ensure BCC are fully aware of potential regulatory and legal exposures and can assess the implications for future investment decisions. An annual security statement will also be developed.</p> <p>The annual health check required for PSN will be carried out in November 2015, and will provide further assurance and evaluation of BCCs ICT security.</p>	
2015/16.18	55	<p>Ineffective Corporate Risk Marker IT solution. (Issue)</p> <p>Lead: Deputy Chief Executive, Economy Directorate</p> <p>Owner: All Directors</p>	Significant / Medium	<p><b>Lead Director comment</b></p> <p>The CRM (Corporate Risk Marker) solution went live in May 2013. There are a number of technical issues which have yet to be resolved including data not being shared as required. Further, the designed solution when working will only partially deliver the benefits sought.</p> <p>Consequently, the risk of not sharing information in respect of violence from residents has yet to be adequately mitigated. There is a further risk that there may be a perception that the CRM risks have been fully mitigated with the closure of the CRM project, when this is not the case.</p> <p>It is evident that the technical solution will not be delivered in the foreseeable future. Given this, a paper is being written for consideration at EMOB, including re-visiting the risk assessment to determine the requirement for a corporate risk marker solution, and identify appropriate solutions to mitigate the revised requirements.</p>	<p><b>Target risk rating:</b> Low / Medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> 31 December 2015.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> Management assurance. On-going liaison regarding technical fixes to be made.</p> <p>Monitoring the use of the IT system by Corporate Safety Services.</p> <p>Continued use of existing (previous) systems by service providers. An alternative solution is now being scoped.</p>



## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.19	37	<p>Failure to adequately identify the costs and benefits of different service delivery options arising from Service Reviews to enable them to be fully and accurately modelled and ensure they are feasible and the changes proposed can be delivered, before the decision to move forward is made.(Risk)</p> <p>Failure to fully implement the decisions taken to change BCC policy and service delivery to enable delivery of expected benefits / efficiency gains. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p> <p>Council Plan risks 4 &amp; 5</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 and benefits as part of the formulation and evaluation of options in the consideration of the business case.</p> <p>The Assistant Directors of Finance will provide support on key projects based on their area of expertise.</p> <p>Those developing new service delivery options need to evaluate the full circumstances on a case-by-case basis, seeking proper advice where necessary, in order to identify the implications of the change in service delivery model. This will include assessing what will be left behind in BCC (e.g. fixed overheads, income targets etc.) as well as ensuring that all of the costs and income of the new model are taken into account - including those which are not applicable to a local authority model of delivery (e.g. taxation), together with some sensitivity and risk analysis. This needs to be done before any commitments are given.</p> <p>The risk to the transferred service is the possible future loss of the Council as a customer and the risk to the Council is the loss of services provided to the transferred service as a customer, if the transferred service obtains these same services from another provider.</p> <p>These risks need to be managed by the corporate commissioning hub with peer reviews undertaken by Thematic Centres of Excellence and approval via Cabinet. New, updated and easier to use guidance on commissioning and service delivery options was provided to all directorates in January 2013.</p>	<p><b>Target risk rating:</b> Medium / Medium</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> Management assurance - reports to EMCB, notes and actions from Corporate Commissioning Board agenda. Dialogue with directorate lead commissioners. Finance to be involved in commissioning reviews.</p> <p>Additional resources to support commissioning have been recruited (internally) to support the commissioning approach.</p> <p>Commissioning Toolkit in place.</p> <p>Risk will be managed on a case by case basis through proper use of the Toolkit, and through reviews supported by the Assistant Directors of Finance.</p> <p>A checklist developed by AD Finance (Strategy) will continue to be used to ensure proper evaluation and appraisal of decision making reports.</p> <p>Corporate Commissioning Board will provide the governance for new commissioning strategies.</p> <p>CPS believes that given the challenges encountered in supporting alternative delivery models, and the innovative approaches required, the risk remains at Medium / Medium (target met). Only when we have examples of alternative delivery models being successfully implemented should this risk be removed.</p> <p>Mitigations detailed above are now in place with commissioning checklists to CCB ensuring that appropriate resources are in place to manage risk in implementing alternative service delivery models.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.20	41	<p>Failure to deliver the Council's localisation agenda <a href="#">and commitments made in the Council's Improvement Plan and Leaders Policy Statement</a>. (Risk)</p> <p>Lead: Strategic Director, Place Directorate Owner: All Directors</p> <p>Risk Reworded</p>	Medium / Medium	<p><b>Lead Director comment</b></p> <p>Following the specific recommendation in the independent Kerslake report on localisation, and commitments made in response to this in the Council's Improvement Plan, a number of significant changes have been made to the constitutional, structural and service management arrangements for District Committees, and subsequently reported to the Improvement Panel.</p> <p>The Council's constitution for 2015/16 has removed District Committees' delegations for local services devolved to them, including financial responsibility for these services. This includes community libraries, neighbourhood advice, community development/play, school crossing patrols, local car parks and district engineering alongside with SLA services including pest control, parks / allotments, parts of fleet on waste management on SLA arrangements, housing management and adult education.</p> <p>District Committees and Ward Committees / Forums have been issued clear terms of reference within the constitution as well as in executive guidance agreed by Cabinet in July 2015. This sets out a clear role for District Committees in relation to community planning and neighbourhood challenge in line with commitments in the Council's Improvement Plan. Executive Members (District Chairs) and Vice Chairs have engaged in three development sessions over the early summer, to engage on how this remit can be taken forward effectively. Ward Committees / Forums will continue to fulfil a role to assist councillors take forward their community leadership role. Both the constitution and new executive guidance sets out detailed guidance on this, and two sessions were held during September 2015 to brief Ward Chairs on discharging this remit effectively.</p> <p>An interim support structure has been in place for the first six months, to support the discharge of the new role for District Committees, with a new permanent structure being introduced from the beginning of October.</p>	<p><b>Target risk rating:</b> Medium / Medium</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> Management assurance as detailed in Lead Director comment - Scrutiny Report in January 2013, bi-monthly reports on progress of the secondary work streams.</p> <p><a href="#">Ongoing review of risk through the Future Council political governance sub programme.</a></p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
				<p>The oversight of further policy development of localisation has been embedded in the Council's Future Council arrangements, specifically the political governance sub programme, to enable a corporate and long-term approach to be shaped.</p> <p>The Community Governance Review initiated by Council in September 2014, to review whether a Town Council should be established in Sutton Coldfield, alongside the impact of this on the Council's devolution arrangements will conclude in September 2015, with a report from the cross party Governance Working Group. In line with the result of the postal consultative ballot conducted with residents registered to vote in Sutton Coldfield during June 2015, the member group is recommending to Full Council that a parish council (this may be changed to a Town Council once the arrangements have been put in place), should be instituted in Sutton Coldfield. The Governance Working Group will through Council Business management Committee, continue with its oversight of the parish council, as well as considering policy options for further establishment in Birmingham in the year ahead.</p>	
2015/16.21	44	<p>Unpaid allowances / contractual overtime payments / equality of flex time agreements. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p>	Medium / Medium	<p><b>Lead Director comment</b></p> <p>Whilst significant work has been undertaken to achieve harmonisation of terms and conditions there remains a small number of risks that are currently being addressed.</p> <p>The bulk of unpaid allowances claims have now either been successfully defended or settled. Any remaining claims are being considered and managed by Legal Services on a case by case basis.</p> <p>There also remains the potential of excessive use of overtime across the Council; this could potentially create equal pay risks. The Council ceased the use of all regular overtime with effect from 1st April 2014. Employees have potentially 6 years within which to make claims.</p>	<p><b>Target risk rating:</b> Medium / Medium</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> Management assurance.</p> <p>All new claims for allowances are being assessed on their merits and defended wherever practical.</p> <p>Use of overtime is being monitored on a monthly basis, with Strategic Directors taking responsibility for addressing any areas of concern.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.23	35	<p>Current information technology equipment not being refreshed / up dated to maximise use and obtain full benefit from utilising technology and will not wholly support the refresh to using Windows 7 operating system. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p> <p>Council Plan risk 8</p> <p>Risk description to be changed at next update to delete reference to Windows 7.</p>	Low / Significant	<p><b>Lead Director comment</b></p> <p>The Windows 7 Project is now complete with all 'in scope' assets having been migrated to Windows 7 and Office 2010, or been disabled or removed from the asset register. Service Birmingham is generating the formal Project Closure Report.</p> <p>The Desktop Refresh Phase 1 project to replace 1000 XP machines achieved refresh of 850 devices and is now in project closure stage. Failures that occurred in Phase 1 have been transferred to Phase 2 for further investigation.</p> <p>The Desktop Refresh Phase 2 to replace a further 1956 Windows XP machines is underway and scheduled for completion in March 2015.</p> <p>An additional project to migrate a further 370 BCC Customer Contact Centre devices is underway.</p> <p>Post April 2015 there may still be approximately 500 community library public network devices remaining on the Windows XP platform. These assets were placed on hold during phase 2 due to Netloan application software upgrade requirements. The plan is to replace these assets using the BAU refresh process however this may be subject to change dependent upon the future business operating model within the community libraries.</p> <p>The original number of replacements and migrations for Community libraries Windows XP devices increased significantly to 600. Service Birmingham have managed to absorb the majority of this increase and completion of library refresh remains largely on track for the end of October. At this point this element of the risk can be considered closed.</p>	<p><b>Target risk rating:</b> Low / 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> <p>BCC achieved Public Services Network Certification to 29 April 2016. Any potential risk has been considerably reduced by decommissioning the majority of Windows XP devices on the BCC network. There remains a small number of devices (10) awaiting applications upgrades to Windows 7. This risk has been reduced by moving these devices to the DMZ and the approach has been accepted by the PSN assessors.</p> <p>Desktop Refresh Project Phase 2 reporting plus subsequent Service Birmingham projects, currently underway.</p> <p>The IT Helpline database has been locked-down to prevent ad hoc purchases outside of the desktop refresh programme. To cover exceptional circumstances users can complete a business case form and send it to the ICF Service Review mailbox for review, approval, rejection. There is now a defined BAU exceptions process. The only exception to this is when the request is for non- standard ICT devices. Non-standard requests will continue to follow the non-standard process. This has been agreed with Service Birmingham.</p>

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Prev Ref No.	Description – risk / issue	Current level of risk: Likelihood / Impact	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating
2015/16.24	54	<p>Risk of fines from HRMC for Directorates employing long term consultants. (Risk)</p> <p>Lead: Deputy Chief Executive, Economy Directorate Owner: All Directors</p>	Low / Significant	<p><b>Lead Director comment:</b></p> <p>Where a council appointed Managed Service Company (MSC) fails HMRC tests on employment status, there are potential fines related to tax and National Insurance avoidance.</p> <p>A new process and gateway for the engagement of off payroll 'Individuals' was approved by EMCB on 13<sup>th</sup> August 2013. In effect there are two gates, one within the Agency Gateway Team and the other within Corporate Procurement Services (CPS) and the Helpdesk, therefore the potential for officers to engage an individual incorrectly has been greatly reduced which in turn ensures compliance.</p> <p>Staff appear to be bypassing the gateway process that was established, exposing the City to the same risk as before. Alternative means of identifying non-compliance need to be established and more effective controls introduced.</p>	<p><b>Target risk rating:</b> Low / Medium</p> <p><b>Anticipated date of attainment of the target risk rating:</b> 31 December 2015.</p> <p><b>Source(s) of assurance regarding progress with mitigating the risk:</b> The new process has been widely publicised to all Directorates and is available on People Solutions as well as Voyager. It has been embedded in to the procedures within Payroll and CPS. In addition CPS are in the process of arranging information events for officers to attend in order to gain further advice, guidance and support in order to minimise the Council's exposure to risk.</p> <p>Following a restructure within HR the engagement process is to be reviewed with changes implemented by the end of quarter 3.</p>
2015/16.25	47	Risk Deleted - Following Audit Committee approval in July 2015			
2015/16.26	58	Risk Deleted - Following Audit Committee approval in July 2015			
2015/16.27	40	Risk Deleted - Following Audit Committee approval in July 2015			
2015/16.28	56	Risk Deleted - Following Audit Committee approval in July 2015			

## Corporate Risk Register Update for Audit Committee November 2015

## Removed Risks:

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
13	Succeed economically	Failure to progress with delivering against the Birmingham Prospectus.	Risk flagged for deletion by Development & Culture Directorate, this risk should now be picked up at the Directorate level due both to the progress of individual projects and the engagement which is now in place with public and private sector partners.	November 2008
10	Achieving excellence	Property Utilisation of Central Admin Buildings – failure to take full advantage of the opportunities arising from the Working for the Future (WFTF) Business Transformation Programme.	Merged with risk 3 regarding WFTF cross portfolio buildings, at request of Business Transformation Steering Group.	July 2008
7	Achieving excellence	Reduction in non-core budgets e.g. Working Neighbourhoods Fund Comprehensive Spending Review, grant regimes etc.	Risk flagged for deletion by Corporate Director of Resources. Will remain on Directorate Risk Register.	July 2008
19	Achieving excellence	Failure to deliver on the Executive Management Team's (EMT's) key supporting outcomes.	Risk flagged for deletion by Effectively Managed Corporate Business group – EMT's key supporting outcomes were identified in June 07 and are fully embedded within the Directorate Business Plans and monitoring of the Performance Plan. It is a duplication to have this as an issue in the Corporate Risk Register.	January 2008
22	Achieving excellence	Failure to meet the code of connection for Government Connect.	Risk flagged for deletion by the Corporate Director of Resources. Will be managed via ICF Risk Register.	March 2010
8	Succeed economically	Failure to co-ordinate / control all of BCC's Accountable Body roles and responsibilities.	This has improved and will continue to be monitored via the Resources risk register	July 2010
14a	Succeed economically	Failure to progress the Highways Public Finance Initiative (PFI).	The PFI contract was signed on 7 May 2010.	July 2010
15	Achieving excellence	Failure to achieve the efficiencies agreed in the budget round and plan for the efficiencies necessary for the next two years.	This has been incorporated into risk 28.	July 2010
16	Achieving excellence	Lack of compliance with and appropriateness of, corporate people management policies & procedures and national regulations.	The policies & procedures have been updated on People Solutions with the Excellence in People Management system, and compliance with them is covered in risk 18.	July 2010

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Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
17	Achieving excellence	Failure to act on the sustainability agenda.	This has been included by Directorates as business as usual now. It will continue to be monitored via the Development risk register.	July 2010
21	Succeed economically	Adverse impact of the economic downturn.	This has been included by Directorates as business as usual now. It will continue to be monitored via Directorate and Department risk registers.	July 2010
3	Succeed economically	Failure to progress the Cross portfolio elements of the Working For The Future (WFTF) programme.	This has been flagged for deletion by the Corporate Director of Resources as progress is being made on this and where there are problems with buildings this is covered in new risk 32 added November 2010.	November 2010
1c	Achieving excellence	Failure to implement the pay and grading review for <b>all</b> non-schools staff.	The pay and grading structure for has now been fully implemented and this is no longer a risk.	March 2011
6a	Achieving excellence	Failure to adopt the new working practices implemented through the EPM programme which in turn will impact on benefit delivery.	The new working practices have become business as usual. Benefits delivery is being monitored as part of risk 4.	March 2011
6b	Achieving excellence	Failure to achieve the IT infrastructure which allows all employees to access information electronically.	A full business case is being developed to achieve this. This is no longer a corporate risk and will be monitored through the Corporate Resources Directorate risk register.	March 2011
24	Achieving excellence	Failure to manage pay progression effectively.	The pay progression framework has been applied to Council managed staff and is no longer a risk. The pay progression issue regarding schools staff is covered in risk 1a and will also be monitored through CYP&F Directorate risk register.	March 2011
12	Make a contribution	Failure to engage and inform communities around the Council's approach to improving community cohesion.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and it has been delegated to the Strategic Directorate of Corporate Resources' risk register for continued management.	July 2011
18	Achieving excellence	Failure to implement recommendations made to improve internal control in the External Audit Annual Letter and by Internal Audit to help prevent fraud and error.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and the risk has been delegated to each Directorate to continue to manage.	July 2011
29	Achieving excellence	Failure to achieve progress against local priorities as stated in the Sustainable Community Strategy.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and the risk has been delegated to each Directorate to continue to manage.	July 2011

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Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
27	Succeed economically	Failure to put in place action plans and strategies to fully mitigate the effects of reductions in area based grants.	Merged with risk 28 "Need to meet the massive spending reductions over the three years from 2011/12" at request of Strategic Director of Corporate Resources.	December 2011
11	Enjoy a High Quality of Life	Failure to deliver Achieving Excellence with Communities.	The target risk level has been met. Cabinet Committee Achieving Excellence with Communities receives progress reports. The risk has been delegated to Homes and Neighbourhoods directorate to manage.	March 2012
33	Succeed Economically	Failure to adapt to Climate Change.	The target risk level has been exceeded and long term planning has now been put in place. This risk will continue to be managed by directorates.	March 2012
9	Public Service Excellence	Need for capacity to react promptly to and manage the significant workforce changes occurring.	The level of risk has reduced to the target level.	July 2012
31	Public Service Excellence	HRA Finance Reforms.	This is no longer a risk - the funding has been agreed and is included in the 2012/13 budgets.	July 2012
34	Enjoy a High Quality of Life	Independent Care Sector Fees.	The target level of risk has been attained. The risk will continue to be monitored by the Adults & Communities Directorate.	July 2012
38	Public Service Excellence	Failure to maintain infrastructure assets including responsibilities regarding protected listed buildings.	Merged with risk 32 and changed to: Shortage of capital and failure to take appropriate long term decisions to manage the property asset portfolio (by disposals and reinvestment of capital in the residual estate); including responsibilities regarding protected listed buildings, leading to escalating costs.	November 2012
39	Public Service Excellence	Shortfall in resources compared to projections from 2013/14 onwards as a result of the new system of local retention of business rates.	Merged with risk 28 and changed to: Need to plan appropriately for the on-going reduction in government grants resulting in a shortfall in resources compared to projections from 2013/14, particularly the significant potential reduction in resources from 2014/15, and avoid legal challenge.	November 2012
53	Public Service Excellence	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



## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
5	Stay Safe	Safer recruitment.	Had been at target level of risk for over 12 months, will be managed locally in future.	July 2013
36	Public Service Excellence	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	Succeed Economically	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	Enjoy a High Quality of Life	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	Public Service Excellence	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	Public Service Excellence	Failure to successfully settle pay & grading and allowances equal pay claims.	The issues will be addressed within risks 1a - 1c & 44.	July 2014
26	Be Healthy	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	Be Healthy	Delivery of new Public Health responsibilities.	All of the actions relating to the transition of Public Health have been actioned.	July 2014
20	A Prosperous City	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

## Corporate Risk Register Update for Audit Committee November 2015

Ref No.	Strategic Outcome / Corp Object	Risk description	Reason for removal	Date removed
25	A Prosperous City	Production of timely & accurate IFRS Final Accounts.	The accounts were submitted on 30 <sup>th</sup> June 2014.	November 2014
51	A Prosperous City	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	A Fair City	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	A Prosperous City	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	A Prosperous City	PSN resubmission.	The Council has successfully retained PSN submission till April 2016.	July 2015
2015/16.27	A Prosperous City	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	A Prosperous City	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

## BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

**Report to: AUDIT COMMITTEE**

**Report of: Director of Finance**

**Date of Meeting: 24 November 2015**

**Subject: ANNUAL GOVERNANCE STATEMENT - PROGRESS**

**Wards Affected: All**

### **1. Purpose of Report**

- 1.1. The Annual Governance Statement (AGS) was approved at Audit Committee on 28<sup>th</sup> July 2015 and formed part of the Statement of Accounts for 2014/15, agreed at Audit Committee on 29<sup>th</sup> September 2015.
- 1.2. Section 6 of the AGS identified significant governance issues in 2014/15. The section included 7 key issues for the Council which may impact on the organisation's governance arrangements.
- 1.3. This report advises Audit Committee of the arrangements which are in place for these issues including reference to recent reports which have been made on these matters.

### **2. Recommendation**

- 2.1. To consider the report and to agree that a further update should be made to the Committee in March 2016.

**Contact officer:** Sarah Dunlavey  
**Telephone No:** 0121 675 8714  
**e-mail address:** [sarah.dunlavey@birmingham.gov.uk](mailto:sarah.dunlavey@birmingham.gov.uk)

### **3. Background**

- 3.1 The AGS has been developed as part of local government's response to the corporate governance agenda.
- 3.2 The evaluation and development of Internal Control within the Council forms a core function of Audit Committee. The 2014/15 AGS report was formally approved by Audit Committee on 28<sup>th</sup> July 2015. The AGS formed part of the Statement of Accounts for 2014/15 approved by Audit Committee on 29<sup>th</sup> September 2015 and formally published on 30<sup>th</sup> September 2015.
- 3.3 The significant issues raised were summarised in section 6 of the original AGS. This section comments very broadly on the Council's achievement of its central objectives and external assessments, it raises issues arising from joint working with partners and refers to significant matters highlighted by the annual review of internal control.
- 3.4 The Schedule at Appendix 1 to this report picks out these key issues and identifies the lead directorate addressing them.
- 3.5 The Schedule gives Audit Committee an overview of the issues which bear on the AGS and how the Council is managing these.

### **4. Legal and Resource Implications**

- 4.1 The AGS is a requirement of Regulation 6 (1) of the Accounts and Audit Regulations 2015 and meets the corporate governance best practice recommendations. There are no direct resource implications arising from this report.

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

- 5.1 The Statement forms part of the Council's risk management approach and the relevant issues are those considered in the attached schedule.

### **6. Compliance Issues**

- 6.1 The AGS forms part of the statutory requirements for the Council's Annual Statement of Accounts.
- 6.2 The Council's continued improvement in responding to the issues referred to in the Statement will complement the development and delivery of culture change under the Future Council.

## **7. Recommendations**

- 7.1 To consider the report and to agree that a further update should be made to the Committee in March 2016.

.....  
**Jon Warlow – Director of Finance**

Governance Statement Issue	
<p><b>1. <u>Safeguarding</u></b>  <b><u>Background Information from AGS</u></b></p> <p>Safeguarding children remains a priority.</p> <p>Work will include implementing action plans as a result of the review by Commissioner Lord Warner, producing a robust Business Plan for 2015/16 and future years and evaluating the strength of Senior Management arrangements.</p> <p>The Care Act 2014 sets out the legal requirements for adult safeguarding.</p>	
<p><b>Responsible Directorate:</b>  People</p>	
Original Proposed Action AGS	Update/Progress
<p>The Council has worked with the Children's Commissioner, Lord Warner, to produce a Children's Social Care Improvement Plan 2014-17 (published 7th July 2014) in order to take forward the key and fundamental changes that are urgently required to improve safeguarding and protection of children.</p> <p>Increased funding of £21.5m has been allocated in the 2015/16 financial year.</p> <p>The Care Act established the requirement to set up an independent Safeguarding Board for Adults. Arrangements are in place to work alongside the existing membership of the Birmingham Adults Safeguarding Board (BSAB) with a view to ensuring that local arrangements are compliant with the Care Act.</p>	<p>The improvement plan has been agreed by Cabinet and includes practice improvement, recruitment and retention, commissioning and partnership working. It reflects a new vision and purpose for Children's Services and focuses on how we will support workers to deliver more direct social work with families to bring about positive change for children.</p> <p>The improvement plan is closely monitored by the Lead Cabinet Member and reports are regularly received by Quartet arrangements and Scrutiny.</p> <p>The Chief Social Worker has been appointed and, with Principal Social Workers for each of the areas and Multi Agency Safeguarding Hub (MASH), will review and drive practice improvement underpinned by a new Quality Assurance Framework.</p> <p>The Council has recruited a dedicated Head of Service for the Independent Reviewing Service, linked to a much more effective Quality Assurance framework and a more robust 'Safety Net' for children across the city.</p> <p>Discussions in future models for Safeguarding</p>

	<p>Boards are underway.</p> <p>Arrangements for conducting Safeguarding Adults Reviews have been established and an officer from within the partnership appointed to lead these.</p> <p>Adult safeguarding policy and procedures have been reviewed and redrafted to bring them in line with the Care Act, in partnership with the other West Midlands regional leads for adult safeguarding.</p> <p>All adult social workers and managers have been briefed on the changes to practice required under the Care Act in relation to Adult Safeguarding, in particular the need to always conduct enquiries in a person-centred outcome-focused manner, adopting the principles of Making Safeguarding Personal.</p>
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<b>Governance Statement Issue</b>	
<p><b>2. <u>Financial Resilience</u></b>  <b><u>Background Information from AGS</u></b></p> <p>The Council faces continued reducing resources. This poses challenges to the financial resilience of the Council, the potential for significant organisational upheaval as well as workforce reductions and compulsory redundancies.</p> <p>The Council's Business Plan sets medium term strategies for business changes, the management and development of its services and maintenance of its assets, and a specific plan over a period of up to 10 years.</p> <p>Given the Council is in the fifth year of budget reductions the possibility of Judicial Review challenge to the budget or elements of it remains high.</p>	
<p><b>Responsible Directorate:</b>  Economy</p>	
<b>Original Proposed Action AGS</b>	<b>Update/Progress</b>
<p>7 Member-led service reviews considered options for future service delivery in the light of corporate priorities, statutory duties, service performance standards and resources available.</p> <p>Recommendations from the reviews were considered as part of the Business Plan 2015+.</p> <p>In its future years' business planning, by focusing on the position at 2020/21 and changes required to meet the budgetary position at this time, the Council is able to ensure that sustainable plans are put in place for its services and its assets, and the full on-going consequences of these taken into account, rather than just concentrating on short-term and, potentially, sub-optimal solutions.</p>	<p>Extensive work has been undertaken over the Summer period, as part of the Future Council programme, to develop medium-term savings proposals within the context of the Future Operating Model for the Council and its vision for the city of the future. A particular, although not exclusive, focus this year has been on the potential for reducing the demand for services, and in exploring new ways of commissioning improved outcomes for the people of Birmingham.</p> <p>A period of public engagement and formal consultation on specific proposals in the Autumn will be followed by formal reporting and the setting of the budget at the City Council meeting on 1st March 2016, in the context of a refreshed medium-term financial strategy.</p>



## Governance Statement Issue

### **3. Equal Pay**

#### **Background information from AGS**

The risk of Equal Pay Claims remains significant and is being actively managed by a joint team from Legal Services and Human Resources. Financial resilience continues to be a focus for external auditors and increasing demands to evidence Going Concern.

#### **Responsible Directorate:**

Economy

Original Proposed Action AGS	Update/Progress
<p>The law in respect of equal pay is complex and has developed over the past 10 years. Any entitlement to compensation has to be justified in accordance with the legal position.</p> <p>Equal pay claims issued against the Council are subject to detailed analysis and robust legal challenge.</p> <p>The Council has sought to secure settlements that represented the best outcome for the taxpayer.</p>	<p>Any equal pay claims issued against the Council continue to be subject to detailed analysis and robust legal challenge. Where payments are justified, the Council has sought to secure settlements that represent the best outcome for the taxpayer.</p> <p>There remain a significant number of claims that are either valid claims suitable for settlement or are claims that are currently subject to legal challenge.</p> <p>The Council has planned its resources proactively in order to seek to ensure that appropriate funding will be in place when needed, and actions are being put in place to generate the required level of capital receipts.</p>

## Governance Statement Issue

### **4. Responding to the Kerslake Review**

#### **Background information from AGS**

Lord Kerslake reviewed the governance arrangements of the City Council during 2014/15. The recommendations in the report are summarised as follows:

- Appoint an independent improvement panel and draw up an improvement plan
- Clarify roles and responsibilities between officers and members, develop a simplified planning framework, strengthen the corporate centre and introduce a programme of culture change
- Move to all out elections and undergo an Electoral Review
- Develop a robust financial plan up to 2018/19
- Strengthen the HR function
- Establish a new model for devolution
- Facilitate the creation of a new independent leadership group
- Redefine the council's partnership approach
- Complete a combined authority governance review by July 2015
- Creation of a new partnership vehicle focussed on employment and skills

The Independent Improvement Panel signed off the council's Year 1 Improvement Plan on 23 March 2015.

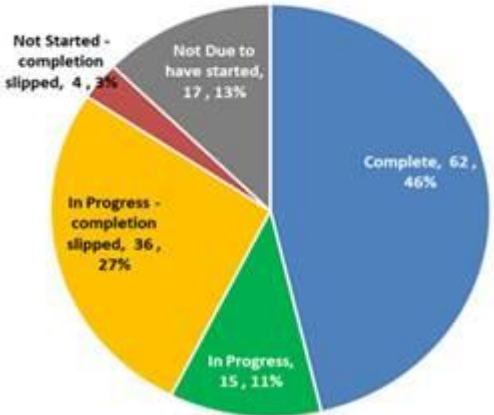
#### **Responsible Directorate:**

Council wide

<b>Original Proposed Action AGS</b>	<b>Update/Progress</b>	
<p>The Council's response is encompassed in the Future Council Programme. The Future Council Programme has six key parts which are referred to in the Independent Improvement Panel June 2015 report. These are:</p> <ul style="list-style-type: none"> <li>• <b>Whole Council</b> – this is the key building block for all of the work programmes and identifies the vision and values for the Council of the future – answering the “what are we here for?” and the “how will we change?” questions</li> <li>• <b>Council Operating Model</b> – this focuses on developing an approach for how the Council will work in the</li> </ul>	<p>The Future Council Programme is progressing under the sub-programmes listed to the left, alongside delivery against specific actions arising from the Kerslake review. An Evaluation Framework is in place to track progress against actions and outcomes and oversight is provided through the Programme Board chaired by the Chief Executive.</p> <p>The Improvement Panel's latest letter was issued on 5 November 2015.</p>	
	<p>Appoint an independent improvement panel and draw up an improvement plan</p>	<p>The Birmingham Independent Improvement Panel (BIIP) meets regularly, with both formal and informal sessions. The next formal, public session is on 14th December.</p>
	<p>Clarify roles and responsibilities between officers and members, develop a simplified planning framework, strengthen the corporate centre and introduce a</p>	<p>A series of member-officer workshops have taken place and a member development programme created. The Protocol on Councillor-Officer Relations has been reissued.</p> <p>A report from INLOGOV, which is assisting the Council with work on</p>

<p>future and the financial planning to underpin it</p> <ul style="list-style-type: none"> <li>• <b>Forward the Birmingham Way</b> – this looks at the changes we need to make to the workforce, and how we can work together better, both internally and with our partners</li> <li>• <b>Political Governance</b> - this focuses on the role of elected members in empowering communities and better connecting people to the design and delivery of local services</li> <li>• <b>Partnerships</b> - this creates an outward looking, inclusive approach to the way we operate that concentrates on the best interests of the city and those who live and work here</li> <li>• <b>Integrated Support Services</b> - this ensures that internal support services (e.g. Human Resources (HR), Finance, Performance, Policy etc.) work in an integrated, efficient way that serves the rest of the organisation and our customers and partners</li> </ul> <p>A West Midlands Combined Authority Launch Statement was issued on 6th July 2015.</p>	<p>programme of culture change</p>	<p>member and officer roles, is due in late November.</p> <p>The planning framework has been simplified and the Leader's Policy Statement aligned with the Business Plan.</p> <p>The corporate centre is being strengthened through the recent appointment of an Assistant Chief Executive and a Strategic Director for Change and Corporate Services. Other key appointments are also in the pipeline.</p> <p>A programme of culture change is being led by the Forward The Birmingham Way sub-programme.</p>
	<p>Move to all out elections and undergo an Electoral Review</p>	<p>The approach and timescales have been agreed with the Boundary Commission and this is being progressed under the Political Governance sub-programme.</p> <p>In June, the Boundary Commission made the decision to reduce the size of the Council to 100 council members, after considering the council's submission setting out scenarios for Birmingham's governance in 2020.</p> <p>Political Party submissions to Boundary Commission on ward boundaries and member numbers for these were completed in September.</p> <p>A second consultation at the end of this year, will invite residents to comment on draft proposals before final recommendations are published.</p> <p>The new wards will come into effect at the local elections in 2018 when all councillors will be up for election.</p>
	<p>Develop a robust financial plan up to 2018/19</p>	<p>The operating model sub-programme led a series of 37 workshops attended by 120 services to first learn about demand management as a way of designing and delivering services and then secondly, develop options for service change and savings.</p> <p>New options for future service delivery were then developed into cases for change and presented to</p>

		<p>Executive Management Team.</p> <p>Budget proposals for the next four years are being developed from these.</p>
	Strengthen the HR function	<p>Senior interim post holders were immediately brought in to strengthen strategic HR capability. Capability issues have been robustly addressed and the permanent post of HR Director is being recruited. Temporary assistance for Organisational Design in the form of a Team Leader for Culture Change and external support are in place and the service is undergoing redesign.</p>
	Establish a new model for devolution	<p>Changes to the devolution model include:</p> <ul style="list-style-type: none"> <li>the introduction of neighbourhood challenge at District Committees</li> <li>community planning framework in draft with agreed plan to work in two pilot areas to develop and support their respective planning approach</li> <li>community governance (Constitution change and Policy Guidance via Cabinet).</li> </ul> <p>New constitutional changes at ward and district level commenced October 2015.</p> <p>Sutton Coldfield Steering Group has been established to lead into the Sutton Coldfield Interim Parish Council on 1st March 2016 and probable Town Council in May 2016.</p> <p>A new cross party member review group has been established to oversee the Sutton Coldfield Steering Group and consider the learning and replicability of the model and other forms of neighbourhood governance.</p>
	Facilitate the creation of a new independent leadership group	<p>The Birmingham Partners steering group has been established. The Future Council Programme is providing practical support and coordination for partnership activities.</p>
	Redefine the council's	<p>Commitment secured from</p>

	<p>partnership approach</p>	<p>stakeholders to take forward partnership approach. Existing citywide partnerships have been reviewed to identify and develop shared values for partnerships, including 360° feedback from partners on performance and approach.</p> <p>The Council's values and behaviours towards partners and within partnerships are being developed.</p> <p>A statement to help redefine the Council's role in the city with its partners was written by Cllrs McKay and Bore.</p> <p>Changes in leadership will require a review of this approach once a new Leader is in place.</p>																		
	<p>Complete a combined authority governance review by July 2015</p>	<p>The governance review for the Combined Authority has been completed.</p>																		
	<p>Creation of a new partnership vehicle focused on employment and skills</p>	<p>A plan and proposals have been developed with key partners and stakeholders for creation of partnership initiative for improving employment and skills in most deprived parts of Birmingham.</p>																		
<p>Most major milestones for the sub-programmes are on target. Work is ongoing to deliver all budget savings required. Embedding and sustaining changed member and officer behaviours remains a challenge.</p> <p>The status of all Kerslake action plan milestones as of 21st October is shown below. All incomplete actions have owners and are being closely monitored, with updates on a monthly basis.</p> <p><b>Kerslake Action Plan Milestones - Status (as of Oct 2015)</b></p>  <table border="1"> <thead> <tr> <th>Status</th> <th>Count</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Complete</td> <td>62</td> <td>46%</td> </tr> <tr> <td>In Progress</td> <td>15</td> <td>11%</td> </tr> <tr> <td>In Progress - completion slipped</td> <td>36</td> <td>27%</td> </tr> <tr> <td>Not Started - completion slipped</td> <td>4</td> <td>3%</td> </tr> <tr> <td>Not Due to have started</td> <td>17</td> <td>13%</td> </tr> </tbody> </table>			Status	Count	Percentage	Complete	62	46%	In Progress	15	11%	In Progress - completion slipped	36	27%	Not Started - completion slipped	4	3%	Not Due to have started	17	13%
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## Governance Statement Issue

### **5. Alternative Service Delivery Vehicles**

#### **Background information from AGS**

The Council is increasingly using or considering alternative delivery vehicles and innovative solutions in the delivery of Council services to facilitate the Future Council agenda.

This includes the Council created wholly owned company, Acivico into which services such Building Cleaning, Birmingham City Laboratories and Civic Catering have been transferred.

Other options may include:

- The potential transfer of Specialist Care Services to a Mutually Owned Social Enterprise (MOSE) during 2015/16.
- Outsourcing of services.
- Commissioning services.

**Responsible Directorate: Economy/People**

Original Proposed Action AGS	Update/Progress
<p>Any transfer, commissioning or outsourcing of services is subject to the development and Cabinet approval of robust business cases.</p> <p>The business cases are being developed with the full engagement of City Finance, Corporate Procurement, clients and third parties and will seek to address and gain agreement on issues such as income targets, surpluses and cost of transfer.</p> <p>Services should only transfer when there is a mutual benefit to both the Council and the third party.</p>	<p>Following formal TUPE consultation, employees of Cleaning Services, Civic Catering and Birmingham City Laboratories successfully transferred to Acivico on 1st April 2015. The contract requirements include compliance with a set of Key Performance Indicators which are being reported to the Council.</p> <p>With regard to the People Directorate's proposition to transfer its adult care provider services into a MOSE an agreed position has been reached with the Cabinet Member that this is no longer appropriate. The process to externalise the service on a block contract basis became inconsistent with the Council's move to individualised budgets and increasing citizen choice with regards to how their needs are best met.</p> <p>All internal services are going to be evaluated against the outcomes in "A fair deal in times of austerity" policy document approved by Cabinet in April 2014.</p> <p>Proposals have also been fed into the Future Council work around the older and younger adults' cohorts.</p>

## Governance Statement Issue

### **6. Responding to the Tomlinson Review** **Background information from AGS**

Sir Mike Tomlinson was appointed by the Secretary of State as Education Commissioner to oversee the Council's actions to address the fundamental criticisms in the Kershaw and Clarke reports. Sir Mike Tomlinson's review is on-going, however initial discussions and actions were brokered to ensure a strong future in Education.

**Responsible Directorate:**  
People

Original Proposed Action AGS	Update/Progress
<p>Sir Mike Tomlinson's role will continue to 2016.</p> <p>Proposals have been brought forward on the role of the Birmingham Education Partnership (BEP) and how the Council will align with new roles for schools.</p> <p>Action is concentrated on completing the final shape of future partnership arrangements, and setting a commissioning plan showing how resources will be utilised to meet needs.</p>	<p>The Education and Schools Strategy Improvement Plan agreed in December 2014 built on a number of pieces of work including the Clarke and Kershaw reports. Progress has been made on a number of issues including a revised recruitment process for LA governors; guidance to schools on the Nolan principles of good governance; improved take up of safeguarding training; a new whistleblowing policy implemented from January 2015 and improved communications.</p> <p>The Education Plan is closely monitored through Cabinet Member, Quartet and Scrutiny.</p> <p>The Council has commissioned Birmingham Education Partnership to deliver school improvement support and challenge functions from September 2015.</p> <p>BEP has been established and is drawing new roles and support.</p> <p>The Council is confident in the progress made and looks to sustain this with future improvement staff leadership roles.</p> <p>The City Council and DfE agreed to the appointment of the Deputy Commissioner to the interim post of Executive Director Education, from April 2015.</p> <p>An Education Improvement Group comprising</p>

	<p>of the Council, DfE, Regional Schools Commissioner and Ofsted meets monthly to share information on schools causing concern.</p> <p>Systematic school surveys are in place to inform the work of the Council.</p> <p>Work on civic leadership and community cohesion is being developed given the need to tackle the causal factors underlying governance and safeguarding concerns in some Birmingham schools. This will complement the city leadership approach to be established in the light of the Kerslake review.</p> <p>Arrangements are currently in hand for a week long peer review, by the LGA, of progress to date and next key steps.</p>
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Governance Statement Issue	
<b><u>7. Compliance with requests under FOI and DPA Legislation</u></b> <b><u>Background information from AGS</u></b>	
<p>The risk of the Information Commissioners Office (ICO) imposing financial penalties for failure to comply with statutory obligations in responding to information requests under Freedom of Information (FOI) &amp; Data Protection (DPA) legislation, or loss of significant personal or other sensitive data.</p>	
<b>Responsible Directorate:</b> Economy	
Original Proposed Action AGS	Update/Progress
<p>Strengthened procedures.</p> <p>All staff to be aware of their responsibilities to manage data effectively and be appropriately trained.</p> <p>Improved response rates to Subject Access Requests (SARs).</p>	<p>Human Resources Management Team now considers progress on SARs on a weekly basis, with reports on progress made with ongoing SARs and escalation where necessary.</p> <p>Children's Services consider progress on SARs with ongoing cases and have seen an improvement in performance due to additional resources in the Disclosure Team who now manage all requests in this service area.</p> <p>The monitoring of internal performance has shown an overall improvement in SARs both in Children's Services and the Council as a whole.</p> <p>Monthly reports are provided to ICO on SAR performance.</p>



## BIRMINGHAM CITY COUNCIL

### PUBLIC REPORT

**Report to: AUDIT COMMITTEE**

**Report of: Director of Finance**

**Date of Meeting: 24<sup>th</sup> November 2015**

**Subject: ANNUAL AUDIT LETTER**

**Wards Affected: All**

#### **1. Purpose of Report**

1.1. Each year, the Council's auditors, Grant Thornton, are required to produce an Annual Audit Letter. This letter must be circulated to all Members of the Council. This Letter will be formally considered by Cabinet on 8 December 2015.

1.2. The timescales that the Audit Findings Report were produced to in September precluded a detailed response to the recommendations made by the auditor in that report. These are now concluded and submitted for review and approval.

#### **2. Recommendation**

2.1. To receive the Audit Letter (Appendix 1 to this report).

2.2. To approve the management responses to recommendations in the Audit Findings report issued at the end of September 2015 (Appendix 2)

#### **Contact Officers:**

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### **3. Compliance Issues**

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

The coverage of the Audit Letter and actions highlighted in this report are consistent with the policy framework and budget. The preparation and approval of the Letter are statutory requirements.

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

The Chairman 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 Audit Commission in accordance with the Audit Commission Act 1998 and the Local Government Act 1999. The Code identifies the Annual Audit Letter as one of the means by which the auditor will discharge their responsibilities. The Annual Audit Letter is concerned with the Council's management of all of its resources. Implications for finance, people, property and IT are set out in the body of the letter.

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):

These are set out in the Letter, which emphasises areas where Grant Thornton feel significant risks to the Council exist.

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

4.1. The Annual Audit Letter is the statutory report by Grant Thornton of its activities in Birmingham for the year. It covers the external audit of the Council's financial affairs, the Council's financial standing, value for money and overall performance. A copy of the Letter to Members is attached to this report as Appendix 1. It should be noted that there are fewer recommendations than in previous years.

4.2. The Audit Findings Report was approved by the Audit Committee on 29<sup>th</sup> September 2015. At that stage, there had been no time to consider the management responses to recommendations. They are included here for approval as Appendix 2.

### **5 Recommendations**

5.1 To receive the Annual Audit Letter (Appendix 1 to this report).

- 5.2 To approve the management responses to the recommendations in the Audit Findings Report (Appendix 2)

.....  
**Jon Warlow – Director of Finance**



# The Annual Audit Letter for Birmingham City Council

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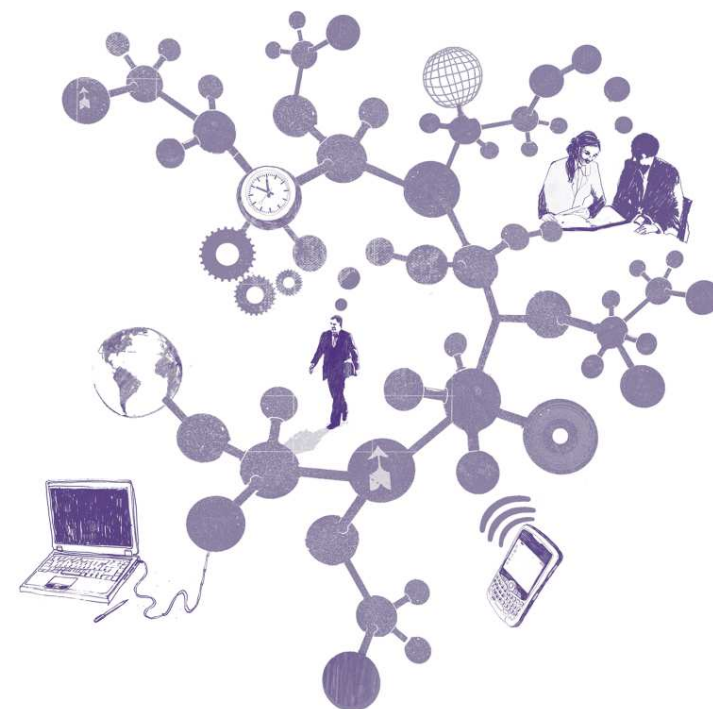
**Year ended 31 March 2015**

October 2015

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# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Birmingham City Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 30 June 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

## Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 29 September 2015 to the Audit Committee. This letter summarises the key issues we reported.

We received draft financial statements by the statutory deadline of 30 June 2015. This was the second year that the accounts were delivered on time. It is pleasing to report that the prompt delivery of the accounts and the support we had from the Financial Accounts Team enabled us to deliver our unqualified audit opinion on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion included an emphasis of matter paragraph with regard to the Council's equal pay liability, due to the difficulties in accurately estimating equal pay liabilities.

The key messages arising from our audit of the Council's financial statements, concerned the:

- accounting treatment of the NEC assets;
- the equal pay provision;
- the accounting treatment of Voluntary Aided, Voluntary Controlled and Foundation schools land and buildings; and
- consideration of the going concern assessment.

We also noted that the Council's management of the change in its bankers was well managed and the transfer was implemented with minimal disruption to the Council's receipts and payments systems.

## Accounting treatment of NEC assets

The Council signed a contract for the sale of the NEC on 16 January 2015. Delivering this sale was a challenging and complex process for the Council and this was well managed.

At 31 March 2015, although the contract to sell the NEC had been signed the transaction had not been completed. The sale agreement was subject to a three month period until the completion of the contract and transfer of assets to the purchaser on the 1 May 2015. We agreed with the Council's view that assets and liabilities relating to the NEC should be included on the Council's balance sheet in accordance with accounting standards.

The disclosure requirements for this unique transaction in the 2014/15 accounts were complicated and dependent on interpreting financial reporting standards relating to assets held for sale and financial instruments. On completion of our

## Key messages (continued)

audit the following amendments were made to the accounts:

- disclosure of the £192 million of NEC loan stock (debentures) as short term investments, rather than assets held for sale in the Council's single entity balance sheet; and
- removal of a £17 million adjustment to the valuation of assets held for sale in the Council's group balance sheet.

### **Equal pay provision**

The audited accounts include a provision for the Council's equal pay liability of £562 million, a decrease of £77 million compared to the 2013/14 accounts. This is the second year that the equal pay liability has decreased and reflects both the settlement of claims and the reduction in the volume of new claims. However, equal pay continues to be a major financial liability for the Council.

The accounting policy adopted by the Council is to recognise a provision for equal pay on receipt of a valid claim. Potential future claims are treated as a contingent liability. A significant number of variables impact the number and value of future claims. We included an emphasis of matter paragraph in our audit opinion to draw the readers' attention to the point at which claims are recognised and the variables impacting on the valuation of the equal pay liability.

### **Accounting treatment of voluntary aided and voluntary controlled schools**

The accounting requirements for voluntary aided, voluntary controlled and foundation schools (VA/VC/FS) schools was clarified by CIPFA for 2014/15 accounts. As typically a local authority does not own either the land or buildings relating to these schools the key issue is whether these assets should be included on their balance sheet or not. In the draft accounts the Council had included both land and buildings relating to these assets on its balance sheet.

A thorough approach was taken by the Council's Financial Accounts Team to reviewing the evidence supporting the accounting treatment and documentation for over 80 schools was examined. On completion of this review land totalling £58 million was removed from the balance sheet value of property, plant and equipment. Our testing confirmed that this was appropriate.

The Financial Accounts Team is planning to continue with this review to reduce the number of schools with insufficient evidence to support their accounting treatment. They anticipate that this will result in more land being included on the balance sheet.

### **Consideration of the going concern assessment**

Going concern is a fundamental principle in the preparation of financial statements. A key consideration of going concern is that the local authority has the cash resources to meet its obligations as they fall due in the foreseeable future. This is usually considered to be a year after the date of issue of the audit opinion.

We have considered whether it is appropriate for the Council to prepare its accounts on a 'going concern' basis. In making our assessment we considered the Council's financial forecast for 2016/17 and the need for the Council to fund the claims made against it with regard to equal pay in 2015/16 and 2016/17. We have also considered the risk of the Council's level of borrowing and its pension liability.

On the basis of our review we are satisfied that the Council remains a 'going concern'.

# Key messages (continued)

## Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

- The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We issued a qualified value for money conclusion on an 'except for' basis. This means that we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We have summarised the issues relevant to our qualified value for money conclusion on the following pages

## Securing financial resilience

The Council continues to face a major financial challenge, with further savings of £359 million needing to be delivered by the end of 2017/18. Although the track record of savings delivery is good, it is clearly increasingly difficult to make the scale of savings required. Responding to the Council's financial challenge is a key part of the Future Council Programme, with a fundamental re-think of the Council's operating model and approach to the development of savings plans.

The settlement of equal pay claims continues to have a negative impact on the Council's financial resilience. Although the volume of new claims has now reduced significantly the outstanding equal pay liability as at 31st March 2015 was £562 million. The Council has generated significant capital receipts to settle its equal pay liability, but still needs to generate more. It continues to be heavily reliant on the sale of major assets to meet these payments and to manage its cash and revenue position.

The Improvement Panel reported that it was concerned about slow progress being made to develop the financial strategy to deliver a balanced financial position in the period up to 2017/18. However, the Panel also recognised that the Council is taking a thorough and professional approach to the development of its financial strategy and that it had recently got back on track with the challenging delivery timetable. We have considered the development of savings plans over the next two financial years. For 2015/16 the Council has a savings requirement of £105 million and detailed implementation plans are not yet in place in all instances. The annual savings requirement increases to £167 million for 2016/17 and plans have not yet been developed for the majority of this.

# Key messages continued

## **Challenging economy, efficiency and effectiveness**

The following three issues were relevant to our conclusion on challenging economy, efficiency and effectiveness.

### **Responding to the Kerslake Report and the Improvement Panel**

The Secretary of States decision to appoint an Improvement Panel is indicative of the scale of concerns identified by Lord Kerslake's report. The Panel has so far issued two progress reports and held two public meetings.

The Council is re-shaping itself through its Future Council Programme as it responds to the issues identified by Lord Kerslake's report. The Programme is very ambitious in both its scope and scale and is recognised by the Improvement Panel as an appropriate approach to delivering change. In its July 2015 report the Panel commended the "energy and commitment demonstrated by the Chief Executive and his team". The Panel, however concluded that it was "not yet seeing the radical shifts necessary to address the starkest of Lord Kerslake's criticisms relating to the Council's culture."

The Panel also expressed concerns about slow progress in three areas in particular; developing a City Partnership and an agreed vision for the City, securing sufficient senior management capacity to deliver the required changes, and developing the financial strategy.

As part of its response to this challenge the Council announced the appointment of the Strategic Director for Change and Corporate Services and the appointment of the new Assistant Chief Executive in October 2015. Two other roles, Director of HR and Assistant Director – Organisation Development, are also in the process of being filled .

## **Arrangements for children in need of help and protection, children looked after and care leavers**

In May 2014 OFSTED reported that the most vulnerable children in Birmingham continue to be failed by the local authority and that there is an insufficient focus on children who need help and protection and who need to be cared for. A Children's Commissioner was appointed as part of the Secretary of State's response to this service failure with the primary purpose of overseeing the implementation of a single integrated plan. Lord Warner issued his final report in March 2015 and the improvement plan is now being implemented.

Services for vulnerable children continue to face significant challenges, not least of which is the recruitment and retention of social workers. Delivery of the improvement plan is closely monitored and managed by senior management and members.

### **Governance arrangements to oversee the management of schools within the City**

Peter Clarke's report found significant failings in the Council's management of the governance of schools. As a result the Secretary of State appointed Sir Mike Tomlinson as Education Commissioner, to oversee the Council's implementation of improvements.

A Single Integrated Plan has been developed and is being implemented. Sir Mike Tomlinson continues to meet regularly with senior members and management to review progress. From September 2015 responsibility for school improvement has been handed over to the Birmingham Education Partnership (BEP). A Director of Schools Improvement has been appointed by the BEP but will not move on to a full time basis until January (interim arrangements are currently in place). Sir Mike Tomlinson's appointment has been extended to at least April

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## Key messages continued

<b>Whole of Government Accounts</b>	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
<b>Certification of housing benefit grant claim</b>	We have not yet certified the Council's 2014/15 housing benefit grant claim. We completed sufficient work to support our audit opinion and anticipate completing our certification audit before the 30 November 2015 deadline.
<b>Audit fee</b>	Our fee for 2014/15 was £417,420 , excluding VAT which was in line with our planned fee for the year and was the same as the previous year. Further detail is included within appendix B.

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No	Issue and recommendation	Priority	Management response
1.	<p>The Council's continued financial resilience is dependent on the delivery of its 2015/16 and 2016/17 savings targets.</p> <p><b>Recommendation</b></p> <p>The Council needs to ensure that detailed implementation plans are in place and monitored for all of the £105 million 2015/16 and £167 million 2016/17 savings requirement.</p>	High	<p>The savings programme is actively monitored through the revenue budget monitoring process. Regard is also had as part of this process to the step-up in savings from 2016/17 onwards within existing plans as well as the further requirement for additional savings. Experience of delivery issues has been taken into account in financial planning for future years.</p> <p>Responsible Officer: Assistant Director – Financial Strategy</p> <p>Timescale: On-going</p>
2.	<p>The Council needs to continue to generate significant capital receipts to settle its equal pay liability.</p> <p><b>Recommendation</b></p> <p>The Council needs to ensure that its asset strategy is delivered and report progress on delivery to Members.</p>	High	<p>The Council keeps its equal pay payment and financing strategy under regular review to inform its plans for asset disposals. Issues are considered by the (officer) Governance Group, with periodic reports to the Audit Committee and the Council's Leadership. The costs of equal pay settlements and the policy implications of the financing strategy are explicitly referred to in the Council's budget report each year, and EMT are regularly appraised as part of medium-term financial updates.</p> <p>Responsible Officer: Director of Finance.</p> <p>Timescale: On-going</p>

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No	Issue and recommendation	Priority	Management response
3.	<p>The Future Council programme includes a fundamental review of financial strategy and the actions needed to secure financial resilience.</p> <p><b>Recommendation</b></p> <p>The Council needs to ensure that it has a clear and detailed financial strategy to deliver a balanced financial position up to and including 2017/18.</p>	High	<p>The Council's approach to its financial planning for 2016/17 and onwards is in the context of a business plan for a sustainable Future Council 2020. There has been a particular focus on options arising from demand management considerations. Additional resources, both internal and external, have been devoted to the business planning task, within a clear governance structure. Options for changes and new ways of working to deliver the medium-term financial strategy are being evaluated and, following an initial period of public engagement, these will be the subject of consultation in December and January. The budget will be approved by the City Council on 1 March 2016.</p> <p>Responsible Officers: Chief Executive and Director of Finance</p> <p>Timescale: 1 March 2016</p>

## Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

### Fees for audit services

	Per Audit plan £	Actual fees £
Authority audit	417,420	417,420
Grant certification fee	26,600	TBC
<b>Total audit fees</b>	<b>444,020</b>	<b>TBC</b>

### Reports issued

Report	Date issued
Audit Plan	June 2015
Audit Findings Report	September 2015
Annual Audit Letter	October 2015

### Fees for other services

Service	Fees £
Certification of grant Claims (outside the PSAA requirements)	11,250
Group Governance Review	33,000
Finance Birmingham (tax advice, due diligence support and secondment )	97,100
Innovation Birmingham (tax advice)	8,000





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## Audit Findings Report Recommendations

## Appendix 2

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The posting of capital expenditure funded by Schools Devolved Funding needs to be reviewed to ensure it is accurate.	Medium	Agreed. A programme of work is in place, including regular testing, to ensure that this is accurate at year-end. Guidance on the identification and coding of capital expenditure has been issued to schools.	Assistant Director Financial Services 31 March 2016
2	Finance staff need to ensure that posting of non-schools capital expenditure is appropriate and meets the Code recognition criteria for capital expenditure	Medium	Agreed. The number of mis-postings found in the 2014/15 audit was low in comparison to previous years. Reviews through the quarterly closedown processes and additional training will focus on further improvements.	Assistant Director Financial Services 31 March 2016
3	The Audit Committee needs to ensure that unaudited accounts of group entities are delivered by the end of May and audited accounts before the completion of the Council's audit.	High	Agreed. We are identifying specific actions for each entity and discussions are taking place to identify blockers and offer support. KPMG are working with Acivico to review their closedown procedures.	Assistant Director Financial Services 31 March 2016
4	Ensure that group accounts and the supporting working papers are adequately reviewed before audit submission and that working papers are submitted promptly.	High	Agreed. Time has been built into the closedown timetable for quality assurance.	Assistant Director Financial Services 31 March 2016
5	Ensure that the valuer provides an analysis to support the assertion that there is no material risk arising from not valuing the whole class of assets each year.	High	Agreed. A review of those assets, valued on the basis of depreciated replacement cost and that are not being valued as part of the 2015/16 valuation process, will be undertaken to reflect up to date building costs.  A review of other assets in the valuation cycle will be undertaken to determine if there are any significant trends in valuations to determine whether there are any material movements in valuations.	Assistant Director Financial Services 31 March 2016



# Audit Committee Update for Birmingham City Council

**Year ended 31 March 2016**

November 2015

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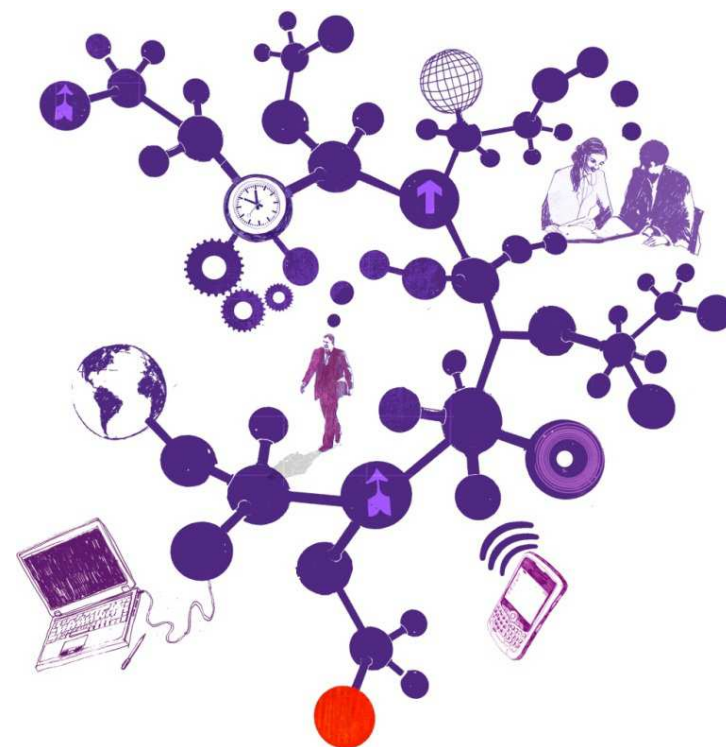
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any 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 declining 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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# Introduction

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

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

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

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# Progress at November 2015

Work	Planned date	Complete?	Comments
<b>2015-16 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.	March 2016	No	We will complete our initial audit planning in January and February 2016. We have already had a joint meeting with the Finance Team to discuss issues arising from the 2014-15 closedown and audit process.
<b>Interim accounts audit</b> Our interim fieldwork visit includes: <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	March and April 2016	No	We are planning to complete more audit work before the accounts are produced to support the earlier closure and audit deadlines. Although these are not mandatory until 2018 we are seeking to move towards them in a structured and systematic way over the next two years.
<b>2015-16 final accounts audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June to August 2016	No	Our target is to complete our audit work and draft our audit findings report by the 31 August 2016. This will enable us to report to the Audit Committee and sign our audit opinion before the end of September 2016.

# Progress at November 2015

Work	Planned date	Complete?	Comments
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2015-16 VfM conclusion will focus on the significant risks that we identify as part of our VfM audit planning. The new Code of Audit Practice includes a revised approach to the value for money audit.	January to June 2016	No	We will identify significant value for money risks as part of our audit planning process.
<b>Other activity undertaken</b> Meetings with Members, Officers and others	On going		We are continuing to meet periodically with key members and officers and the vice chair of the Improvement Panel.

# Making devolution work: A practical guide for local leaders

## Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

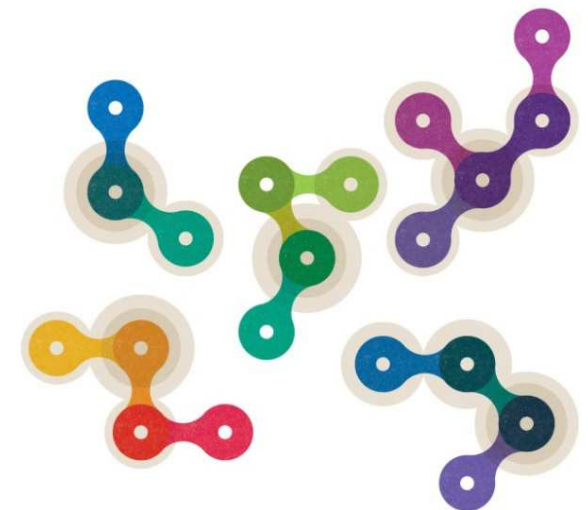
In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>

Hard copies of our report are available from your Engagement Lead and Audit Manager



# Turning up the volume: The Business Location Index

## Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

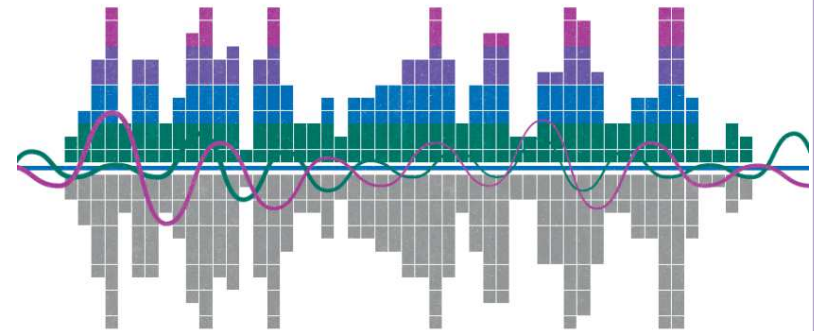
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager



# Growing healthy communities: The Health and wellbeing index

## Grant Thornton market insight

Our Place Analytics team reveals how collaboration between local authority stakeholders can help address health quality determinants (social, economic and environmental) and result in improved health outcomes (quality of lifestyle and health conditions).

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live. Our index assesses 33 key health determinants and outcomes of health for the 324 English local authorities, to provide a coherent, national story on health and wellbeing. It highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes.

The purpose of this report is to help stakeholders – NHS providers and clinical commissioning groups (CCGs), local authorities, health and social care providers, housing associations, fire authorities and the police – to improve collaboration through a better understanding of the correlation between the economic, social and environmental health determinants and the health outcomes within their locality. It includes a concluding checklist of questions to help facilitate discussions in the light of joint service needs assessments.

The data behind the index also allows segmentation which reveals areas around the country with similar health determinants, but better outcomes. This underscores the need to work in collaboration with peers that may not be 'next door' if there is an opportunity to learn from 'others like us'.

Our report, Growing healthy communities: Health and Wellbeing Index, can be downloaded from our website: <http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/growing-healthy-communities-health-and-wellbeing-index.pdf>

Hard copies of our report are available from your Engagement Lead and Audit Manager





# Knowing the Ropes – Audit Committee Effectiveness Review

## Grant Thornton

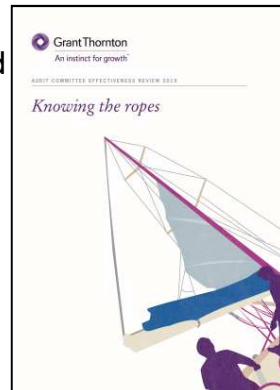
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

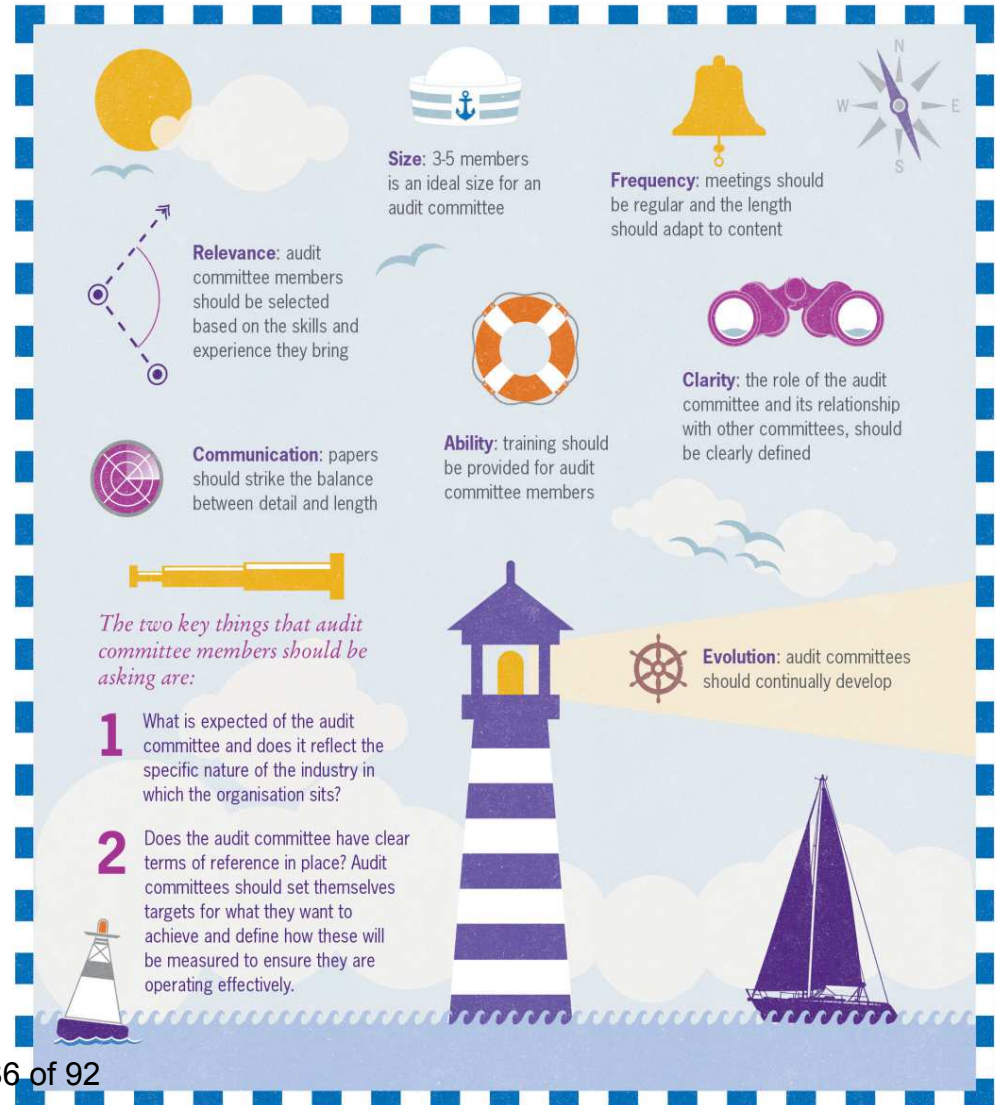
- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



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# Code of Audit Practice

## National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

# George Osborne sets out plans for local government to gain new powers and retain local taxes

## Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.



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# Councils must deliver local plans for new homes by 2017

## Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

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# Improving efficiency of council tax collection

## Local government issues

DCLG have published "Improving Efficiency for Council Tax Collection", calling for consultation on the proposals to facilitate improvements in the collection and enforcement processes in business rates and council tax. The consultation is aimed specifically at local authorities, as well as other government departments, businesses and any other interested parties. The consultation document states that council tax collection rates in 2014-15 are generally high (at 97 per cent), however the government wishes to explore further tools for use by local authorities and therefore seeks consultation from local authorities on DCLG's proposals. The consultation closes on 18 November.

The Government proposes to extend the data-sharing gateway which currently exists between HMRC and local authorities. Where a liability order has been obtained, the council taxpayer will have 14 days to voluntarily share employment information with the council to enable the council to make an attachment to earnings. If this does not happen, the Government proposes to allow HMRC to share employment information with councils. This would help to avoid further court action, would provide quicker access to reliable information, and would not impose any additional costs on the debtor. The principle of this data-sharing is already well-established for council taxpayers covered by the Local Council Tax Support scheme, and it would make the powers applying to all council tax debtors consistent. Based on the results of the Manchester/HMRC pilot, Manchester estimate that £2.5m of debt could potentially be recouped in their area alone.

# Supporting members in governance

## Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager





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