**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, 31 JANUARY 2017 AT 14:00 HOURS
IN COMMITTEE ROOM 6, COUNCIL HOUSE, VICTORIA SQUARE,
BIRMINGHAM, B1 1BB**

## A G E N D A

1 **NOTICE OF RECORDING/WEBCAST**

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

2 **APOLOGIES**

To receive any apologies.

**5 - 10** 3 **MINUTES - AUDIT COMMITTEE 22 NOVEMBER 2016 - PUBLIC**

To note the public part of the Minutes of the last meeting held on 22 November 2016.

**11 - 18** 4 **THE LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW 2015/16**

Report of the Chief Executive.

**19 - 64** 5 **EDUCATION AND THE ROLE OF THE LOCAL AUTHORITY**

Report of the Executive Director for Education.

**65 - 82** 6 **GRANT THORNTON - PROGRESS REPORT**

Report of the External Auditor

**83 - 88** 7 **THE VALUE FOR MONEY PLAN FOR BIRMINGHAM CITY COUNCIL**

Report of the External Auditor

8 **GRANT THORNTON - CERTIFICATION OF CLAIMS AND RETURNS**

Report of the External Auditor

9 **GROUP COMPANY GOVERNANCE - INFORMING THE AUDIT RISK ASSESSMENT**

Report of the Strategic Director - Finance & Legal

10 **ANNUAL AUDIT LETTER YEAR ENDED 31/3/2016 - STATUTORY RECOMMENDATION**

To note that the City Council on 10 January 2017 accepted the statutory recommendation of Grant Thornton made under Section 24 of the Audit and Accountability Act 2014 and the responses and actions set out in Section 3 of the report.

11 **DATES OF FUTURE MEETINGS 2017/18**

To approve a provisional schedule of dates for 2017/18.

RECOMMENDED:-

That approval be given to a provisional schedule of dates for 2017/18 for the Audit Committee on the following Tuesdays at 1400 hours in the Council House:-

| 2017 | 2018 |
|---|---|
| 20 June | 30 January |
| 25 July | 27 March |
| 5 September | |
| 21 November | |

12 **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.

13 **AUTHORITY TO CHAIRMAN AND OFFICERS**

Chairman to move:-

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

14 **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 Paragraphs 3 and 4

# P R I V A T E   A G E N D A

15    **MINUTES - AUDIT COMMITTEE 22 NOVEMBER 2016 - PRIVATE**

Item Description

16    **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

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 22 NOVEMBER 2016 AT 1400 HOURS IN COMMITTEE ROOM 6, COUNCIL HOUSE, BIRMINGHAM**

**PRESENT:-**

Councillor Chatfield in the Chair;

Councillors Bore, Burden, M Jenkins, Shah, Spencer and Tilsley.

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**NOTICE OF RECORDING/WEBCAST**

920  The Chairman advised and the meeting noted that this meeting would be webcast for live or subsequent broadcast via the Council's Internet site (www.birminghamnewsroom.com) and members of the press/public could record and take photographs. The whole of the meeting would be filmed except where there were confidential or exempt items.

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**APOLOGIES**

921  Apologies were submitted on behalf of Councillor Robinson.

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

**MINUTES**

922  **RESOLVED**:-

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

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<u>**USE OF DELEGATED AUTHORITY**</u>

The following report of the Chairman of the Audit Committee was submitted:-

(See document No 1)

Councillors Bore and Tilsley declared interests as former directors of the NEC Limited.

Councillor M Jenkins expressed concern, surprise and disagreed with the fact that delegated authority had been used for important amendments to the Council's financial statements. He considered that Members should have been informed of what was happening.

The Chairman, John Gregory and Richard Percival, Grant Thornton, and Jon Warlow, Strategic Director, Finance and Legal, explained the reasons for the use of delegated authority as set out in the report now submitted.

The Chairman suggested that the use of delegated authority be discussed at a future meeting.

923     **RESOLVED**:-

That the amendments to the Council's financial statements, additional audit findings report and the use of the Chairman's delegated authority to act between meetings be noted.

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<u>**CORPORATE RISK REGISTER UPDATE**</u>

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

(See document No 2)

Cynthia Carran, Principal Business Auditor, and Jon Warlow, Strategic Director, Finance and Legal, introduced the report and responded to Members' comments.

Councillor Spencer suggested that Risk 28 regarding the Sustainability Transformation Plan (STP) be considered as a separate agenda item at a future meeting.

Jon Warlow pointed out that the Committee was due to consider the corporate risk register at its meeting scheduled to take place in March 2017 and that the risk ratings for all risks would be reviewed prior to the meeting.

924     **RESOLVED**:-

(i)     That the Committee agrees that the information provided by directorates and risk ratings are reasonable and the action being taken is effective, or if further explanation/information is required; further that the level of risk has remained static for most risks with the following reducing:-

Risk 8 – Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme;

(ii)    that approval be given to the deletion of the following risk for the reasons set out in the report:-

Risk 23 – 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);

(iii)   that approval be given to the following new risks:-

a)  Risk 27 – Risk of claims for payback of search fees charged by the Council;

b)  Risk 28 – Risk that in its early stages of delivery the Sustainability Transformation Plan (STP) will not alleviate the financial position of social care;

(iv)    that approval be given to splitting Risk 10 to have a separate risk relating to setting/balancing the budget ie Risk 29 – Not developing sufficiently robust plans to support setting a balanced budget (including in the medium term) and not containing net spending within the approved budget.

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### ANNUAL AUDIT LETTER

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 3)

Jon Warlow, Strategic Director – Finance and Legal, and Richard Percival and John Gregory, Grant Thornton, introduced the report and responded to Members' comments.

The Annual Audit Letter was due to be considered by Cabinet at its meeting on 13 December 2016.  A written recommendation and response was due to be considered by City Council on 10 January 2017.

In response to Members' comments, John Gregory advised that he did not consider that an additional meeting of the Audit Committee would be necessary prior to the City Council considering the written recommendation.

A discussion ensued and the Chairman agreed to write to the Chief Executive and Leader of the Council outlining the concerns raised by Members regarding the current budget position and savings plan.

925     **RESOLVED**:-

(i)     That the annual audit letter, set out in appendix 1 to the report, be received;

(ii)    that the written recommendation, issued under section 24 of the Local Audit and Accountability Act 2014, contained within the Annual Audit Letter, be noted;

(iii)   that the management responses to the recommendations set out in the audit findings report issued in September 2016, as outlined in appendix 2, be approved.

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The Committee agreed to vary the agenda order and consider the report entitled 'Equal Pay Update' later in the meeting.

**BIRMINGHAM AUDIT – HALF YEAR UPDATE REPORT 2016/17**

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

(See document No 4)

Cynthia Carran, Principal Business Auditor, introduced the report.

926     **RESOLVED**:-

That the report be noted.

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**ANNUAL GOVERNANCE STATEMENT – PROGRESS**

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 5)

Sarah Dunlavey, Assistant Director – Financial Services, and Jon Warlow, Strategic Director, Finance and Legal, introduced the report and responded to Members' comments.

In referring to appendix 1 of the report concerning the governance arrangements background information from AGS, Councillor Spencer suggested and the Chairman agreed to a future agenda item regarding the

Future Council Programme, particularly the clear values, purpose and vision for the future Council, including the future operating model.

927 **RESOLVED**:-

That the report be noted and a further update be submitted to the meeting scheduled to take place in March 2017.

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The Committee considered the report entitled 'Equal Pay Update' at this point.

## EQUAL PAY UPDATE

The following report of the Strategic Director – Finance and Legal was submitted:-

(See document No 6)

Alison Underwood, Senior Solicitor/Acting Head of Law (Employment), introduced the report.

928 **RESOLVED**:-

That the report be noted

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## WEST MIDLANDS PENSION FUND CONTRIBUTIONS UPDATE

929 Jon Warlow, Strategic Director – Finance and Legal, gave a verbal update referring to the deficit position and recovery plan.

He explained that KPMG had been appointed to assess the Council in relation to the West Midlands Pension Fund.

He advised that the next calculation was currently taking place and that new rates would be effective from April 2017.

In response to Members' comments Jon Warlow explained that work was ongoing and advised that the Council had been in dialogue with the West Midlands Pension Fund and other organisations, including the Personal Independence Payment (PIP), regarding investments and different funding solutions.

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## OTHER URGENT BUSINESS

930 No other urgent business was raised.

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**AUTHORITY TO CHAIRMAN AND OFFICERS**

931   **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**

932   **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** |
| --- | --- |
| Equal Pay Update | 3 and 4 |

**BIRMINGHAM CITY COUNCIL**

**PUBLIC REPORT**

**Report to:  Audit Committee**

**Report of: Mark Rogers, Chief Executive**

**Date of Meeting: 31 January 2017**

**Subject:  The Local Government Ombudsman's Annual Review 2015/16**

**Wards Affected:  All**

1.    **Purpose of Report**

1.1   **Each year, the Local Government Ombudsman for England issues a review summarising her work as independent arbiter of complaints about local government administration.**

1.2   **This is available at www.lgo.org.uk and copies have been provided to the Group Offices.**

1.3   **This report highlights for Members the main issues dealt with by the Ombudsman, within the context of complaints involving Birmingham City Council.**

2.   **Recommendation**

   **To receive this report concerning the Local Government Ombudsman's Annual Review for 2015/16.**

**3. Annual Review: Key Issues**

**3.1 Content**

The Local Government Ombudsman issues an Annual Review about Local Government each year which provides her statistics for the enquiries and complaints she has received.

In addition, Dr Martin presents to Parliament her annual report which includes the accounts for her service, too. Of these two items, the annual review concentrates on enquiries, complaints and their resolution and is most closely allied to the Council's handling of Ombudsman matters.

This report includes general information about the LGO's performance during 2015/16 and specific information about the Council's Ombudsman complaints.

This is Dr Martin's final year as Local Government Ombudsman. Her tenure ends in January 2017. Her successor, Michael King, has been her deputy for some time.

**3.2 Volume of Complaints**

The Annual Review reveals that there were 19,702 complaints and enquiries to the Ombudsman last year, a fall from the previous year, when there were 20,286.

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

The number of complaints about Birmingham determined by the Local Government Ombudsman in 2015/16 was 527, a fall from 562 in 2014/15. But, in addition, the Housing Ombudsman investigates complaints against the Council and she determined 61 complaints during the year, resulting in a total of 588 Ombudsman determinations in 2015/16.

Further information about Housing Ombudsman matters appears at paragraph 4 below.

**3.4 Subject of Complaints**

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

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

Birmingham has never followed the LGO's trend as complaints about Housing matters were traditionally our largest category. But the transfer of remit away from the LGO has affected this and Revenues and Benefits received the highest number of LGO enquiries.

Appendix 1 is provided by the LGO and gives two different forms of information.  The first demonstrates the subject matter and numbers of complaints received and determined by the Ombudsman about Birmingham in 2015/16.  However, it is misleading in that we will not have received the 523 referred to by the LGO, as some of these will have been enquiries which her staff advised on, without consulting us.

In addition, we would not include some complaints in the category the LGO has used – for instance, ASB complaints appear as 'Environmental Services, Public Protection and Regulation', because they may concern noise nuisance.  We treat them as housing complaints as they are usually between tenants and will have been responded to by the Housing Service.

## 3.6  Outcomes

The second dataset in Appendix 1 provides the decisions made by the LGO during the year, together with the compliance rate.  It should be noted that of these, the largest category is for complaints which the LGO referred back to the Council to resolve itself.  At 264 cases, this is about 50% of the complaints they receive.

The LGO closed 104 cases after carrying out initial enquiries and undertook detailed investigations in 107 cases.  Of these, 71 were upheld.  As the LGO operates a triage procedure, only those cases considered to be the most serious are investigated in full.  Others will have been returned to the Council at the assessment stage as premature complaints, or they will have been determined at this point, as the LGO's initial enquiries reveal that she could not achieve anything further by undertaking a full investigation.  The determination 'Closed After Initial Enquiries' can be misleading in that it may take a number of months and a lot of information from the Council for the LGO to reach this view.

## 3.7 Reports

The LGO issued 28 reports in 2015/16, 11 concerning Education and Children's Services and 10 about Adult Social care.

None of these were against Birmingham and there are no current cases where the LGO has indicated that there could be a report this year.

## 3.8 Settlements

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

Whilst the Ombudsman upheld 71 complaints in 2015/16, no complaint resulted in a local settlement of this magnitude.

The total cost of payments made as a result of upheld decisions this year was £13,320.40 – which includes the settlement of two Housing Ombudsman complaints as per 4. below.  This was £11,000 less than in 2014/15.  The sums paid in individual cases vary very widely - some have been resolved with a payment of just £100. The highest single settlement this year was for under £3,600.  This was a complaint concerning the Homeless Service, which had failed to carry out a statutory overcrowding assessment.  This resulted in the complainant and her family spending a year in unsuitable accommodation.

## 4. The Housing Ombudsman

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

Denise Fowler, the Housing Ombudsman, has also issued an annual report this year.  She notes that 16,166 complaints and enquiries have been dealt with by her service this year, an increase of 60 % since 2013, when her remit widened to include complaints about local authorities.

The Housing Ombudsman highlights the fact that her service works with landlords to try to resolve complaints without a formal determination, succeeding in 91% of cases they handle.  976 cases were determined formally in 2015/16.

The report strongly emphasises customer satisfaction, although the Housing Ombudsman states that cases currently joining the backlog of complaints to be investigated formally will mostly be determined within the next twelve months.  This is much slower than the LGO.

The Housing Ombudsman enquired about 61 complaints against Birmingham in 2015/16, 43 of them were premature complaints which we resolved ourselves directly with the complainant.  Of the remaining 18, the Housing Ombudsman found in the Council's favour in 11 cases, 4 were outside her jurisdiction and just 2 resulted in a financial settlement.  These cases concerned delay in completing repairs and delay in communicating about repairs and the decant process with a tenant following a fire at her council house.  The cost was relatively low, at £400 and £250 respectively.  The majority of our complaints investigated by the Housing Ombudsman concern repairs, though there are some relating to landlord issues, such as anti-social behaviour.

The Housing Ombudsman has a different approach to the Local Government Ombudsman in that complainants must exhaust the Council's own complaints procedure.   The LGO may intervene at any point if she considers the complaint to be serious enough to merit it.  If still dissatisfied, the complainant must either wait eight weeks to complain to the Housing Ombudsman or ask a

'Designated Person' (a Councillor or MP usually) to help them to resolve their complaint. This makes the process slow in reaching the point where the Housing Ombudsman will investigate.

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

## 5. Police and Crime Panels

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

I am pleased to advise that only one such complaint was considered by the Local Government Ombudsman in 2015/16. It was rejected as the Ombudsman found insufficient evidence of fault and personal injustice to merit an investigation.

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

Members will be aware from the Learning from Complaints report to this Committee in March 2015 that a great deal of work is invested in resolving complaints whilst they are still within the Council's internal complaints procedure and in learning from those complaints in order to improve services. Therefore, only the most serious of complaints reach either the LGO or the Housing Ombudsman. Everyone has the right to make a complaint to the Ombudsman and the LGO continues to criticise Councils which fail to make this clear to their citizens when they have exhausted their own complaints procedure. That does not apply in Birmingham as our Stage 3 letters include advice about how to pursue a complaint further with the appropriate Ombudsman.

Once the Ombudsman has determined a complaint there is also consideration about how services might learn from them to make improvements. Quarterly reports are analysed by the Housing Service and Revenues and Benefits, both are proactive in implementing changes.

Training on learning from Ombudsman complaints is given to various services – this year both Planning and Regeneration and Adult Social Care Officers have received training in how to use Ombudsman determinations to avoid future complaints.

In addition, the Assistant Chief Executive advises that the Corporate Leadership Team has been holding monthly performance boards since 2016

to get a better grip on performance across all services and key indicators of operational health.  Twice a year, the performance board has a particular focus on an analysis of all forms of complaints and citizen feedback to pick up on trends and drive service improvement.

## 7. Legal and Resource Implications

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

## 8. Risk Management & Equality Impact Assessment Issues

No specific issues have been identified.

## 9.  Compliance Issues

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


**Mark Rogers**
**Chief Executive**


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

**Telephone No:    303 2033**

**e-mail address:    Miranda.Freeman@birmingham.gov.uk**

**Local Authority Report:** Birmingham City Council
**For the Period Ending:** 31/03/2016

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

## Complaints and enquiries received

| Adult Care Services | Benefits and Tax | Corporate and Other Services | Education and Children's Services | Environment Services | Highways and Transport | Housing | Planning and Development | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| 55 | 132 | 11 | 71 | 88 | 48 | 80 | 32 | 6 | 523 |

## Decisions made

| Incomplete or Invalid | Advice Given | Referred back for Local Resolution | Closed After Initial Enquiries | Detailed Investigations | | Uphold Rate | Total |
|---|---|---|---|---|---|---|---|
| | | | | Not Upheld | Upheld | | |
| 22 | 30 | 264 | 104 | 36 | 71 | 66% | 527 |

### Complaints Remedied

| by LGO | Satisfactorily by Authority before LGO Involvement | Compliance Rate |
|---|---|---|
| 60 | 5 | 100% |

### Notes

Our uphold rate is calculated in relation to the total number of detailed investigations.

The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.

The compliance rate is the proportion of remedied complaints where our recommendations are believed to have been implemented.

**REPORT TO THE AUDIT COMMITTEE TUESDAY 31 JANUARY 2017**

**EDUCATION AND THE ROLE OF THE LOCAL AUTHORITY**

### 1. Executive Summary

This report was requested by the chair of the Audit Committee, Cllr Tristan Chatfield, following a qualifying statement in Grant Thornton's 2016 Audit Letter in relation to OfSTED's comments on the management of schools, and in particular governance issues. It sets out the background of change of education policy at national level and then shares Birmingham's improvement journey since Trojan Horse in 2014. Evidence is provided to both demonstrate progress and outline remaining challenges. The potential fragmentation of education as a result of increased numbers of academies which diminishes the local authority's role is a cause for concern. Measures are in place to mitigate the impact of academisation.

In November 2016, there were 228 maintained schools and 219 academies and free schools in the city.

### 2. National background

At national level, the role of the local authority in relation to education has been changing since the Education Reform Act 1988. That legislation introduced local management of schools, the most salient features of which are delegation of an increasing share of the budget to schools and stronger local governance.

Incrementally, successive governments have since increased the overall level of delegation of responsibility to schools and favoured a school-led system based on long-term international research which demonstrates that the best people to run and improve schools are the school leaders themselves.

To address the chronic failure of some inner city schools, the New Labour Government created city academies which were run directly via a contract, known as the funding agreement, between the academy trustees and the Secretary of State.

In 2010, the Coalition Government passed a new education act which enabled highly successful schools (only those graded "outstanding" by OfSTED and pledging to support other local schools) to convert to academy status.

During these years, the role of the local authority was reduced and redefined. Local authorities' statutory duties in relation to education are:

1. Early Years - promoting high quality early years provision centres to secure sufficient, high quality, free early education for all three and four year olds and disadvantaged two year olds. Plus securing sufficient childcare for working parents.

2. Sufficiency of school places and fair admissions to schools – ensuring there are enough school places for children in Reception through to students in Year 11. Making sure that the statutory Admissions Code is applied fairly.

3. Keeping children safe in education from early years through to further education colleges.

4. Identifying, assessing and meeting children's high level Special Educational Needs and Disabilities (SEND).

5. Ensuring clear pathways for students at fourteen plus and reducing those not in education, employment and training (NEET).

6. School improvement - LAs have the responsibility to maintain high standards in maintained schools and support vulnerable schools. (This duty was due to be removed in 2017 following publication of the White Paper *Educational Excellence Everywhere* in March 2016. That policy decision has now been reversed and the duty continues, albeit with significantly reduced funding).

### 3. The position in Birmingham

Birmingham City Council's (BCC) education service was the subject of Department for Education intervention in 2014 following publication of the Trojan Horse letter; 21 inspections of schools resulting in 5 requiring "special measures" (4 academies and 1 maintained school) due to serious failings in leadership, governance and safeguarding. Thousands of Birmingham children had been exposed to risk as a result of the influence of a group of governors who had exercised a profoundly negative impact on those schools.

Trojan Horse was symptomatic of a wide and deep failure in BCC's custodianship of its schools. There were equally serious failings at DfE in relation to the academies in the city and at OfSTED where its inspectors' judgments lurched from "outstanding" to "special measures" in relation to certain academies.

The Secretary of State appointed Sir Mike Tomlinson as Education Commissioner in September 2014. Sir Mike reported to both BCC's Chief Executive and the Secretary of State on a monthly basis from the start of his tenure until it ended in July 2016. BCC produced an Education Improvement Plan which was signed off by the Secretary of State in early 2015.

The priorities contained in the Improvement Plan, 2015/16, were:

- Getting the basics right in relation to governance and safeguarding

- Ending the isolation of schools and commissioning BCC's school improvement duties via the Birmingham Education Partnership (BEP), an organisation comprising over 300 of the city's schools

- Creating a source of joined-up management information about schools via the new Education Data Dashboard

- Improving overall leadership and management of the education service and restoring good relationships with schools

- Improving communications with schools, particularly via the establishment of the weekly Schools Noticeboard.

By April 2016, 92% of the activities in the 15/16 Improvement Plan were completed. The impact of the outputs and outcomes of the Plan were assessed by:

- LGA Peer Review November 2015 (with the positive report highlighted by the Auditor's letter)

- Reports from the Programme Manager and Executive Director for Education to the Education Quartet on a fortnightly basis

- Monthly reports of the Education Commissioner to the Secretary of State and BCC Chief Executive

- Bi-annually at the Education Stocktake, chaired by the Education Commissioner, with senior representatives from OfSTED and DfE

- Bi-annual meetings with the Secretary of State, her ministers and officials

- A self-assessment underpinning the creation of the Education Services Delivery and Improvement Plan 2016/17 (appended)

- Contract Management Group meetings to assess the effectiveness of the BEP school improvement contract.

Overall, good progress has been made addressing the biggest risks that were evident in 2014. DfE officially ended the intervention in summer 2016 when the Education Commissioner submitted his final report.

### 4. The Annual Audit Letter November 2016

The letter stated that weaknesses were evident in areas of SEND, links with independent schools and governor checks. The following actions have been taken to reduce these risks.

> **Full time placement of children with SEND**. This continued to be a major issue until June 2016. Since then numbers of children without a school placement, including those with an Education, Health and Care Plan or those

permanently excluded from school, have dropped dramatically following management intervention.

**Links with independent schools**. BCC has worked closely with OfSTED and DfE to ensure that any unregistered schools operating unlawfully in the city were closed. This joint work has been praised widely and received national recognition. Additionally, there is now an Independent Schools Forum to which all independent schools are invited which meets termly with BCC officers to ensure that these schools are safe.

**Checks on the suitability of governors**  BCC's procedure and process for nominating Local Authority school governors in Birmingham was updated in 2015. All applications for Local Authority governor positions are now subject to approval by a School Governor Nomination Committee that is chaired by a member of the Council, includes Headteachers and Chairs of governing boards who are national leaders in governance. As well as providing personal details and employment history, applicants must declare any relationship they have with people working in Birmingham schools and any previous governor positions held. Applicants must also provide two references, complete an audit of their skills, experience and attributes and agree to comply with the BCCModel Code of Conduct for governing boards.

Regulations that came into force on the 18/3/2016 require all governors to be DBS checked. Any governor appointed on or after the 1/4/16 must apply for a DBS check within 21 days of appointment. Any governor appointed prior to 1/4/16 must apply for a DBS check by 1/9/2016. This does not include checks on any 'barring' list.

It is important to note that all of the above information relates to the governance of LA maintained schools and *not* academies and free schools. The governance of academies and free schools is the direct responsibility of the trustees and directors with accountability to the Education Funding Agency.


### 5. Evidence from the Audit programme

The headline findings from audit visits 2015/17 covering 104 maintained schools are set out below. It can be seen that, as is evident nationally, there are weaknesses in areas of school governance.

- **Governance** – Our audits up to November **2016** identified that workload pressures have contributed to delays in governing boards'responding to the need to self-evaluate their skills and their impact on the school. In addition, number of governing boardshad yet to develop training plans to show completed and planned training.

- **Financial Governance** – Weaknesses continue to be identified in the delegation framework in a proportion of schools. While these do not stop the school functioning effectively, it means that there is not the required clarity around financial responsibilities. Improvements are required in the financial reporting to governors and this is coupled with developing financial challenge and its recording in minutes. The correct completion of pecuniary interest forms remains an ongoing issue in a number of schools together with the improved recording of gifts and hospitality. Generally, the majority of schools are now completing their Schools Financial Value Standard on an annual basis but this is not always submitted by the deadline or recorded as approved.

- **Strategic Oversight** – Our audits up to November identified that while governing boardsere still developing an overarching school strategy which should be used to drive the improvement plan there were instances of governing boardsnot formally approving the School Improvement Plan. This area is no longer reviewed however the 3 year financial strategy and financial weather proofing is covered by our 'budget planning' review (see below).

- **Budget Planning** – Whilst day to day financial management was well established, a high proportion of schools are relying on their carry forward balance surplus to set a balanced budget. This poses a risk for future years when the surplus has been utilised unless action plans to reduce expenditure/increase income are developed. We did not see the depth of planned responses, and corrective actions, to the situation we would have hoped for. It is not surprising that this continues to be an area of significance as the financial challenges in schools grow, notably there is a continued increase in school forecasting deficits in future years.

- **Purchasing –** We identified the need for greater compliance regarding the control environment for the ordering and receipting of goods as well as improved division of duty.

- **Delegated Powers** - We have recently seen an improvement of the reporting of quotes to governorsin the appropriate way however, improvement is required in the effective monitoring of cumulative expenditure to ensure value for money obtained.

- **Safeguarding** – Schools were well aware of their responsibilities in relation to safeguarding their children and take that responsibility seriously. There was one school that had not obtained DBS clearance within 5 weeks for a new governor but this in now in place. There remains the need for improvement in respect of effective monitoring of IT and Internet use and undertaking due diligence prior to lettings for both safeguarding and the 'No Platform for Extremism Policy' (Responding to speakers promoting messages of hate and intolerance in Birmingham) requirements. Schools are rolling out Prevent training but still need to improve the recording of when employees have been trained.

- **Attendance** - Overall attendance remains well managed and effective arrangements are in place. There are two areas that continue to require further development – the retention of sufficient records where pupils leave a school in year and ensuring correct codes are used to record attendance.

    - **Governor and Senior Leadership Surveys (There is confidence in the financial management of the school, appropriateness of roles, core values and Culture of Tolerance/Mutual Respect).** Overall, there have been no significant concerns identified. When governors or members of Senior Leadership have raised concerns, where appropriate we have provided recommendations and/or consulted/informed relevant officers within the directorate. In the main, the surveys have raised training issues for the governing boards Governing Body where there is a lack of knowledge or understanding of the questions.

## 6. Conclusion

My assessment is that the overall pace of change has been fast when the 2014 baseline is considered. The Education Commissioner remarked on the pace regularly in his reports. However, there is a long improvement journey ahead before Birmingham's schools are at national average for the % judged "good" or better by OfSTED and its results are approaching national par. There are encouraging signs at Key Stage 4 GCSE results and Key Stage 5 A levels but the primary position overall remains weak. The correct strategic partnerships and strong leadership and management are now in place at BCC education.
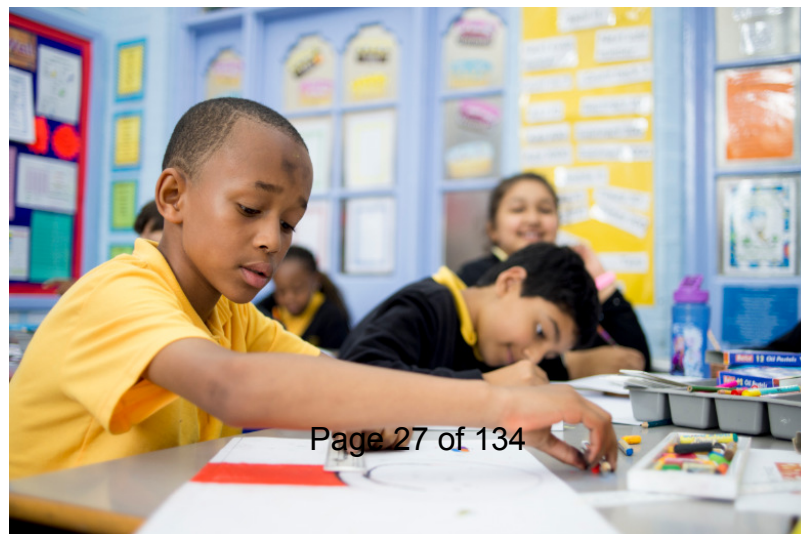
## Appendices

Extract from Grant Thornton letter November 2016

Education Services Delivery and Improvement Plan 2016/17

# Value for Money conclusion

| Risk identified | Findings and conclusions |
|---|---|
| **Management of schools**<br>The Council's management of the governance of schools was found to be weak and an Education Commissioner was appointed by the Secretary of State. This appointment is continuing and the Birmingham Education Partnership (BEP) has responsibility for implementing the improvement plan. The key risk is that plan implementation will be slower than envisaged and underlying issues will not be effectively addressed. | **We concluded that there were weaknesses in the Council's arrangements to manage risks effectively and maintain a sound system of internal control, demonstrating and applying the principles and values of good governance, as part of informed decision making and planning, organising and developing the workforce effectively to deliver strategic priorities as part of strategic resource deployment.**<br><br>The Birmingham Education and Schools' Strategy and Improvement Plan (2015-16) was subject to an LGA peer challenge which reported to the Council in December 2015. The peer challenge considered five work streams. Its findings included the following.<br>• The Council has made good progress across the five work streams<br>• There is confidence amongst members, officers and partners that the basics for strong effective city wide system of school improvement<br>• Stronger professional leadership is making a significant impact and governance is now high on the agenda<br>• The Birmingham Education Partnership (BEP) is widely regarded as the right vehicle for school improvement and has good buy-in from schools.<br><br>These findings are not wholly consistent with the Ofsted monitoring visit findings, which indicated that there are continuing and serious weaknesses in the management of schools. In particular, arrangements for ensuring children with special educational needs receive full time education, weak links with independent schools and ensuring appropriate suitability checks are carried out for potential governors of schools not maintained by the Council.<br><br>As part of the assessment of schools governance improvement Birmingham Audit (internal audit) have been commissioned to carry out a programme of audits over a two year period. Their findings so far have shown that there are a range of governance issues to address across the schools visited (approximately a third of all Birmingham schools).<br><br>We identified in our initial risk assessment that the key risk was that plan implementation will be slower than envisaged and underlying issues will not be effectively addressed. Although it is clear that progress has been made with the establishment of the BEP and the implementation of the improvement plan there is still work to do. The pace of school improvement is the key issue affecting our judgement. |

**Birmingham City Council**

# EDUCATION SERVICES DELIVERY & IMPROVEMENT PLAN 2016 /17

**Date of issue: May 2016**

# TABLE OF CONTENTS

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# 1. INTRODUCTION FROM THE LEADER OF BIRMINGHAM CITY COUNCIL

*In introducing this plan I want to say a few words about my commitment to children and the challenge to all of us to do better for our children and young people.*

*As a teacher, it is something I feel very personally. It is more important to me than anything else I could ever do as Leader of this City Council.*

*This Council will put children front and centre in terms of priorities.*

*Safeguarding children remains our number one priority. But a good education, starting at the earliest stages of learning and care, is the best route to improving the lives of our citizens. Every child who lives in the city deserves to be educated in a good or outstanding school. Schools that are properly regulated and where children and young people are given the protections they deserve and the opportunity to learn in an atmosphere of curiosity, freedom and equality.*

*I have coined the phrase: 'Every Child, Every Citizen, Every Place Matters'. This is not just a slogan. It is a promise that every school matters, and everyone in those schools matter.*

*So, we will challenge provision where outcomes for our children are not good enough and we will ensure that the right support is put in place to see that swift improvements are made.*

*I want to see Birmingham recognised as the leading city for young people, for learning and for skills, in a city in which active citizenship and cohesive communities are a given. In a city where no young person is left behind, and education and employment is used to address inequality and introduce fairness. In a city in which we give our children and young people the best opportunities of any city, whether that is about learning, leisure, travel, connectivity or any other aspect of their lives.*

*I will work with other civic leaders including those who can be found in all our schools: certainly our governors, teachers and support staff; and, yes, civic leaders can be found amongst our children and young people.*

*Through this plan the Council will be an advocate for children and citizens, regardless of the future local authority role in education or the category of a school. This is at the core of our shared education vision and strategy.*

Councillor John Clancy
Leader of Birmingham City Council

## 2. THE EDUCATION SERVICES DELIVERY & IMPROVEMENT PLAN 2016/17

### 2.1 The Future Landscape

Education has the power to transform lives; that is why in Birmingham we are continuing to improve learning across the City to drive positive outcomes for all Birmingham children.

This Education Services Delivery & Improvement Plan 2016/17 (the Plan) recognises Birmingham City Council's (BCC's) role as a champion for all of Birmingham's children, young people and their families. BCC will provide leadership by influencing, shaping and partnering. It is a one-year plan, focussing on the quality of learning provision, the safeguarding of children, extending opportunities for vulnerable children and harnessing exceptional leadership across and beyond the educational system. Underpinning the Plan is our aim to narrow the gap in achievement between those groups performing highly, above national average, and those groups that underperformed for a long time. This aim is hard wired into Birmingham Education Partnership's (BEP's) approach to school improvement.

The recently published White Paper, 'Educational Excellence Everywhere (March 2016)' outlines a future vision for education which builds on previous reforms. Nothing stays the same which means the role of BCC is ever changing. In the drive for consistently high quality education across Birmingham, there is a need for us to work with all educational leaders in order to secure improvement.

Whilst delivering these priorities, we will be working on a more radical, transformative plan for 2017/18 onwards in the light of imminent changes at national education policy level. This will be achieved by refreshing and updating the Plan as the future picture becomes clearer. The Adoption and Education Act has increased the powers of the Regional Schools Commissioner (RSC) and mandated that all schools found to require special measures will become academies. The new version of Schools Causing Concern guidance (March 2016) sets out the new arrangements for school improvement between local authorities and the RSCs. The Department for Education (DfE) is also consulting on ending Local Authority (LA) school improvement duties and the removal of almost all of the Education Support Grant (ESG) by September 2017. The new Act and the anticipated outcome of the consultation, combined with the debate generated by the White Paper will have a profound impact on BCC's role and relationship with schools.

BCC, like all other local authorities, will no longer be running schools in the traditional way but instead will be working in partnership with all education providers to achieve its aims.

## 2.2 Summary of the Plan

Birmingham Education Services are organised into core statutory and traded services delivered by BCC and its strategic partners (e.g. Services for Education (S4E) and BEP).

The Plan drives improvement across all education services and is designed to ensure that all of the progress and change to date is sustained, while continuing to meet new challenges.

The four key actions of the Plan are:
1. To work with strategic partners to build a great education offer for all in a changing landscape
2. To improve safeguarding and resilience for all to keep all children safe from harm
3. To champion fair opportunities for vulnerable children and young people
4. To ensure exceptional leadership across and beyond the education system.

This will be achieved via the delivery of actions across 22 service plans covering all education services. The service plans are explained in more detail in **Appendix 4 – The 22 Service Plans** are available at:
➢ www.birmingham.gov.uk/educationimprovement

To take account of the future landscape, these service plans will be refreshed at least annually to support the overall delivery of the single plan and keep it on track to achieve the required outcomes.

The service plans pull together all services' key activities to support the delivery of the priorities, vision and principles detailed in this paper.

The service plans are structured around each service within Education, as described in the Core Offer and Traded Offer to Schools documents. These documents can be found at:
➢ www.birmingham.gov.uk/education-coreoffer
➢ www.birmingham.gov.uk/tradingforeducation.

Each service plan details:
- Activities and deliverables to be completed
- Performance indicators that will measure progress
- Outcome and impact to be achieved through completing the activity
- Officers leading the activities and timeframes for completion
- The headline service budget and number of Full Time Equivalent (FTE) staff dedicated to that service.

The plans also include core schools-facing services outside of the Education Services management structure such as Schools HR, Schools Financial Services and Stakeholder Engagement.

In outline, the Plan includes:
- The to-be-completed activities remaining from the Education and Schools Strategy & Improvement Plan 2015/16 (where the service agrees this action is still relevant)
- Actions to address the recommendations from the Local Government Association (LGA) Peer Review (November 2015), including the shape of the Education Improvement Group (EIG)

- The actions needed to secure the radical, sustained improvement of Birmingham's Education Services that:
  - Perform better
  - Are more efficient and effective
  - Are client-focused
  - Are commercially agile and responsive to the changing education landscape
- Deliverables to develop the relationship and structure of Education Services within the Directorate for People, including defining support service relationships with the Commissioning Centre of Excellence and Business Change
- Actions to:
  - Ensure closer working links between Education Services and Children's Social Care (CSC) services and with Health and other key stakeholders, to ensure joined up working on supporting children, their families and their schools. In particular, ensure there are links between the CSC 13 priorities 2016/17 and the 22 education service plans (and vice versa)
  - Link Social and Community Cohesion to the 14+ Pathways economic well-being work and key target outcomes (e.g. No Children NEET[1])
  - Build on the Ladywood Pathfinder project and the Birmingham Education Partnership (BEP) work in Districts to establish full links with BCC District structures

- Actions to ensure we are in line with Future BCC vision and value to support:
  i. Protecting the most vulnerable children and young people
  ii. Understanding service demand to do less directly and within smaller budgets
  iii. Cross-organisational working
  iv. Partnership working within BCC, across the city and regionally.

**Appendix 3 (Co-ordination of the Plan),** provides an outline of how delivery of the plan will be co-ordinated and managed.

In terms of closure of the 2015/16 Education Plan, **Appendix 1 (Self-Assessment of the 2015/16 Education Plan)**, provides a summary of key progress to date and **Appendix 2 (LGA Peer Review recommendations)**, provides an update against each of the LGA Peer Review recommendations.

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[1] Not in Education, Employment or Training

**Birmingham City Council**

# 3. BIRMINGHAM FACTS

## Population

- In terms of population Birmingham is the largest UK city outside of London with an estimated population of over 1.1million[2] as of 2014. The city has also grown at a faster rate than the national average. It is estimated to have grown by 3% between 2011 and 2014 alone[3]
- This growth brings with it many challenges; Birmingham already has a larger than average household size and a higher proportion of overcrowded households than the country as a whole. Birmingham's population is expected to grow by a further 150,000 people by 2031, and it is estimated that the city will need a further 80,000 houses by this time[4]. This will have significant impact on our schools and education services
- Birmingham is one of the youngest cities in Europe with just under 46% of the population aged under 30. Within the next 5 years the population aged between 0 to 4 is due to grow by 1.1% to 87,753 children; the 5 to 9 population is expected to grow by 5.0% to 84,588 but the largest growth in Birmingham's children will be the 10 to 14 age group – increasing by 7.7% to 78,876[5].

## Diversity

- Birmingham is a welcoming place and is proud of its "super-diversity". Academic research suggests that there are people from nearly 200 countries who have made Birmingham their home[6]. The 2011 Census revealed that just over two in five people (42.1%) classified themselves within an ethnic group other than white British, compared to 30% in 2001, a rise of 12%
- The demographic makeup of Birmingham's young people has also changed significantly over recent years and is becoming increasingly diverse. For example, according to the 2011 census over 60% of the under 18 population is now from a non-white British background, compared to around 44% in 2001.

## Language

- Some 7.5% of households in Birmingham do not have/use English as their main language
- Two-fifths (43%) of Birmingham's school children have a first language that is known or believed to be other than English. This equates to 38,089 pupils, which is 1.3% more than in 2014.

## Deprivation

- Birmingham has significant pockets of deprivation across the city. According to the 2015 Index of Multiple Deprivation (IMD), Birmingham is ranked the 6th most deprived local authority district in relative rankings[7]. The income deprivation affecting children index (IDACI) ranks Birmingham 15th nationally, with over 30% of children living in a deprived household.

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[2] ONS Mid Year Estimates 2014 (1,101,360)
[3] Difference between 2014 MYE and 2011 Census population
[4] Based on the 2012 Strategic Housing Market Assessment, as used for the Birmingham Development Plan 2031 - http://www.birmingham.gov.uk/plan2031
[5] ONS Population Projects 2012

[6] Institute for Research into Superdiversity (IRiS) University of Birmingham 2013
[7] IMD 2015 for Birmingham data: https://researchbcc.wordpress.com/2015/09/30/index-of-multiple-deprivation-2015-national-and-birmingham/

**Birmingham City Council**

## Birmingham Education Overview

Source: EdSI Schools Database April 2016

**446 Schools**

| | LA | Academy | Free | Total |
|---|---|---|---|---|
| Nursery | 27 | | | 27 |
| Primary | 207 | 90 | 1 | 298 |
| Secondary | 30 | 45 | 7 | 82 |
| All Through | 2 | 1 | 2 | 5 |
| Special | 24 | 3 | | 27 |
| Alternative | | | 6 | 6 |
| PRU | 1 | | | 1 |
| Total | 291 | 139 | 16 | 446 |

### Early Years and Children Centres

| | |
|---|---|
| Nursery School | 27 |
| Nursery Class | 174 |
| PVIs | 1,542 |
| (of which Childminders) | 620 |
| EEE-Registered PVIs | 707 |
| (of which Childminders) | 308 |
| Children Centres | 60 |

## School Population

Census Jan 2015

| | BME | EAL | FSM | SEN |
|---|---|---|---|---|
| Birmingham | 66.6% | 35.8% | 28.9% | 17.8% |
| Nationally | 28.9% | 17.3% | 15.2% | 15.5% |

## Ofsted Ratings

February 2016

**78%** Good or Outstanding → **67%** Primary / **79%** Secondary

**30** In special measures

## Early Years

In 2015 **62%** of pupils achieved a Good Level of Development

Proportion achieving Good Level of Development 2015

National 66% | Birmingham 62%
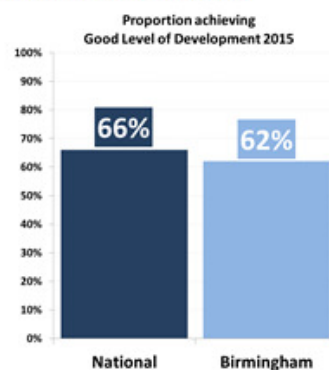
## Key Stage 1

Birmingham is slightly below national average across reading, writing and maths

Proportion of Pupils at Key Stage 1 achieving Level 2 or above

Reading: National 90%, Birmingham 89%
Writing: National 88%, Birmingham 85%
Maths: National 93%, Birmingham 91%
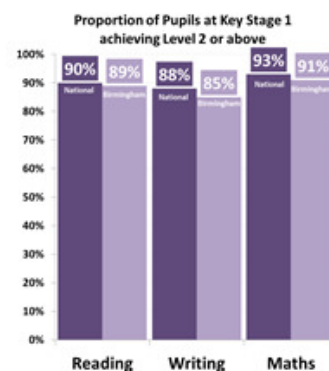
## Key Stage 2

In 2015 **78%** achieved Level 4+ in RWM at Key Stage 2 (80% nationally)

Proportion of Pupils at Key Stage 2 achieving Level 4+ in Reading, Writing and Maths

National 80% | Birmingham 78%
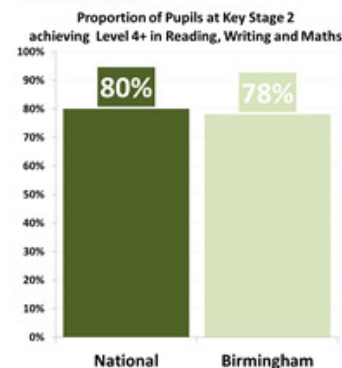
## GCSE

In 2015 **54%** of pupils achieved 5 A* to C inc English and Maths below the national average (57%)

Proportion of Pupils achieving 5 A* to C GCSEs inc English and Maths

National 57% | Birmingham 54%

# 4. EDUCATION SERVICE PERFORMANCE MEASURES

## 4.1 The Education Performance Measures

The nine education measures included in the BCC Corporate Business Plan are:

1. Proportion of Pupils in Good/Outstanding Schools
2. Early Years Foundation Stage (EYFS)
3. Key Stage 2 Attainment
4. GCSE Attainment
5. Children in Care at GCSE
6. Percentage of Year 12-14 pupils Not in Education, Employment or Training (NEET)
7. School Places for Excluded Children
8. Special Education Needs (SEN) – Education Health and Care Plans (EHCP)
9. School Attendance.

The table below provides baseline data, comparators and targets for the nine performance measures, which will be used to determine the impact of the Plan and the effectiveness of the partnership with BEP. Due to changes in the way progress and attainment outcomes are to be measured, it has not been possible to provide numerical targets against some of the performance measures.

## 4.2 Performance Summary

- The proportion of good and outstanding schools has improved slightly and the number of schools in special measures has reduced slightly
- EYFS performance has improved in Birmingham across all subjects and areas. Birmingham is in line with statistical neighbours and core cities but below national average
- Key Stage 2 performance has improved in all areas and across subjects, however Birmingham is still slightly below national average and statistical neighbours
- GCSE performance has declined over the past 3 years and is now below national averages, however GCSE performance from Children in Care is above national comparators
- The proportion of 16 to 18 year olds classed as NEET decreased between 2014 and 2015; however, there is still a significantly above average proportion of the cohort whose situation is unknown.

| Key Performance Measure | Baseline 2015/16 | DOT | National Average | Statistical Group Average | Core City Average | 2016/17 Target |
|---|---|---|---|---|---|---|
| **Proportion of Schools Inspected as Good or Outstanding** | **78%** (Feb 2016) | ↑ | 81.8% (July 2015) | 80.9% (July 2015) | 78.2% (July 2015) | **90%** |
| **Early Years Foundation Stage** (Good Level of Development) | **62%** (2015) | ↑ | 66% | 62% | 62% | **70%** |
| **Key Stage 2 Attainment[1]** (2015: Level 4 or above in Reading, Writing and Maths, 2016, TBC) | **78%** (2015) | ↑ | 80% | 79% | 78% | **In line with national average** |
| **GCSE Attainment[2]** (2015: 5 A* to C inc English and Maths, 2016: TBC) | **54.3%** (2015) | ↓ | 57.3% | 51.9% | 52.4% | **In line with national average** |
| **Children in Care GCSE[2]** (2015: 5 A* to C inc English and Maths, 2016: TBC) | **16.7%** (2015) | ↑ | 13.8% | N/A | N/A | **Above national average** |
| **Persistent Absence[3]** (2015 data: State-funded Pri, Sec and Special Schools - six half terms, 2016 - TBC) | **4.0%** (2014/15) | N/A | 3.7% | 3.9% | 4.4% | **In line with national average** |
| **Percentage of Pupils Not in Education Employment or Training** | **5.2%** (2015/16) | ↑ | 4.2% | 4.8% | 5.9% | **4%** |
| **Excluded Children without a school place for more than 6 days** | **61** (March 2016) | TBC | N/A | N/A | N/A | **0** |
| **Special Education Needs - Education Health and Care Plans** Percentage of EHCPs completed within 20 weeks | **71%** (Mar 2016) | N/A | N/A | N/A | N/A | **100%** |

**N/A** – Comparator Data not available

[1]Key Stage 2 Assessment processes due to change in 2016

[2]GCSE Assessment process due to change in 2016

[3] Persistent absence definition changing for 2015/16 academic year

Statistical Group: Derby, Enfield, Luton, Manchester, Nottingham, Sandwell, Slough, Walsall, Waltham Forest, Wolverhampton

The above measures are the high level performance targets embedded in the Council wide Business Plan and this Plan.

However, these will be underpinned by a more detailed performance management framework – covering the whole of the Education and Skills landscape. This framework will contain more detailed  measures around school attainment, attendance, and exclusions, along with destination measures for students at 16, 17 and 18 - for example the proportion gaining a Level 2 and 3 qualification.

It is also crucial that performance monitoring is disaggregated to ensure that support and interventions are targeted at the groups and places most in need. Therefore the wider performance management framework  will embed "closing the gap" at its heart – with disaggregated analysis and information not just across schools, but also by districts and wards, disadvantaged and vulnerable children, and those community groups where performance has historically been below average.
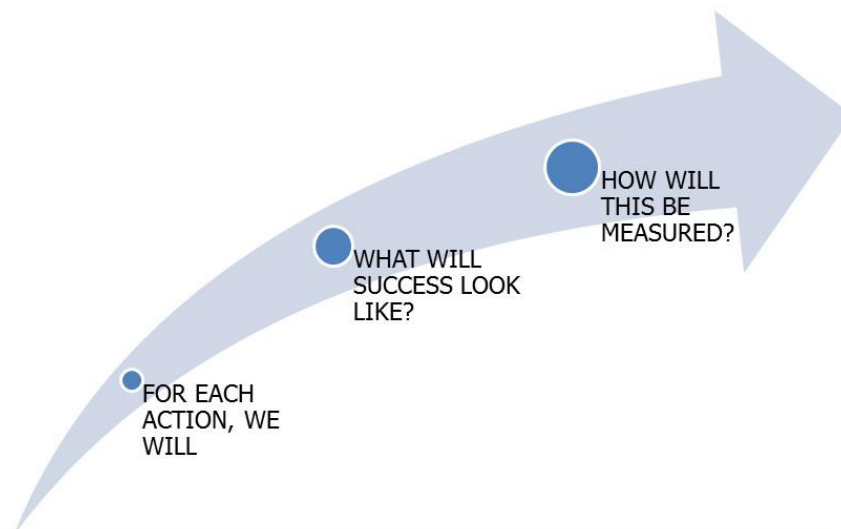
# 5. THE PLAN AND KEY ACTIONS

## 5.1 The Service Map

| WE WANT TO GET TO…. | BUT WE NEED TO KNOW WHERE WE ARE NOW? | IN ORDER TO ACHIEVE…. | WHICH WE WILL DO BY….. | KEEPING TO SOME PRINCIPLES…… | DELIVERED VIA…… | WHILST TAKING ACCOUNT OF….. | |
|---|---|---|---|---|---|---|---|
| Achieving the Leader's Vision<br><br>What success looks like | Baseline Data | Improved Outcomes | Delivering some key actions | Goals and Design Principles | 22 Service Plans | Embedding and Sustaining Improvements from the 2015/16 Plan | The need to manage effectively and deal with changes and risks |
| WHERE IN THE PLAN WILL I FIND THIS? | | | | | | | |
| S1<br>Introduction from the Leader of the Council<br><br>S5.2<br>The Key Actions - What Will Success Look Like? | S3<br>Birmingham Facts<br><br>S3<br>Birmingham Facts - Birmingham Education Overview<br><br>S4.2<br>Performance Summary | S4.1<br>The Education Performance Measures<br><br>S4.2<br>Performance Summary (Targets)<br><br>S5.2<br>The Key Actions - How Will This Be Measured? | S2.2<br>Summary of the Plan<br><br>S5.2<br>The Key Actions | S2.2<br>Summary of the Plan<br><br>App 4<br>The 22 Service Plans | S2.2<br>Summary of the Plan<br><br>S5.2<br>The Key Actions - We Will<br><br>App 4<br>The 22 Service Plans | App 1<br>Self-Assessment of the 2016/16 Education Plan<br><br>App 2<br>LGA Peer Review Recommendations | S2.1<br>The Future Landscape<br><br>S6<br>The Financial Landscape<br><br>App 3<br>Co-Ordination of the Plan |

## 5.2   The Key Actions

The tables below describe for each of the four actions:



HOW WILL THIS BE MEASURED?

WHAT WILL SUCCESS LOOK LIKE?

FOR EACH ACTION, WE WILL

The 4 key actions of the plan are:
1. To work with strategic partners to build a great education offer for all in a changing landscape
2. To improve safeguarding and resilience for all to keep all children safe from harm
3. To champion fair opportunities for vulnerable children and young people
4. To ensure exceptional leadership across and beyond the education system.

ACTION 1: TO WORK WITH STRATEGIC PARTNERS TO BUILD A GREAT EDUCATION OFFER FOR ALL IN A CHANGING LANDSCAPE

| WE WILL: | WHAT WILL SUCCESS LOOK LIKE? | HOW WILL THIS BE MEASURED? |
|---|---|---|
| **Create a learning culture across the city that expects high levels of attainment for all children, starting from early years** | Every family should be able to send their child to a good or outstanding early years setting, school or post 16 provider | Proportion of Good/Outstanding schools |
| | Wide range of settings positively engage all children and young people in quality education and learning pathways | Excluded children without a school place after 6 days<br><br>Percentage of YR12-14 pupils NEET |
| **Shape school organisational proposals in order to ensure all Birmingham's children and young people are in receipt of a suitable education**<br><br>**Sustain Inclusion through early intervention and collaboration** | All children and young people make good educational progress and reach high levels of attainment, regardless of their background | Early Years - Proportion of children achieving a Good Level of Development<br><br>Percentage of pupils reaching the expected standard at the end of KS2<br><br>KS4 - GCSE Attainment Average Progress 8 Score<br><br>     Percentage achieving threshold in English and maths<br><br>Post 16 - Percentage of YR12-14 pupils NEET |
| **Influence the 16-19 reforms** | A successful traded programme which supports schools and academies in ensuring standards and training are of the highest quality | Proportion of Good/Outstanding schools |
| **Secure a traded offer that provides professional support and advice to subscribing schools and academies** | High quality learning provision and progression pathways for all learners, including those with Special Educational Needs and Disabilities (SEND) Children in Care, in order to secure economic prosperity | Percentage of YR12-14 pupils NEET<br><br>Children in Care at GCSE |
| **Engage with partners in reviewing and shaping a highly effective Early Years offer** | The Early Years sector delivering improved outcomes through a period of system change | Early Years - Proportion of children achieving a Good Level of Development |

**Birmingham City Council**

| ACTION 2: TO IMPROVE SAFEGUARDING AND RESILIENCE TO KEEP ALL CHILDREN SAFE FROM HARM | | |
|---|---|---|
| **WE WILL:** | **WHAT WILL SUCCESS LOOK LIKE?** | **HOW WILL THIS BE MEASURED?** |
| **Continue to work with schools and settings to ensure that all children and young people in Birmingham learn in an environment that is safe and promotes their overall well being** | Every pupil in alternative provision receives the same quality of education and care that they would get in a school classroom | Proportion of Good/Outstanding schools<br><br>Excluded children without a school place after 6 days |
| | All children and young people have excellent school attendance records which enhances their ability to achieve well in education | School Attendance |
| **Ensure closer working links with the police, social care, health and other agencies to ensure a partnership approach in protecting children, their families and schools** | Robust tracking mechanisms that ensures all children are in suitable education, with swift safeguarding interventions for vulnerable children out of school | Children in Care at GCSE<br><br>Percentage of Year 12-14 pupils NEET<br><br>School Places for Excluded Children<br><br>Special Education Needs - Education Health and Care Plans |
| **Secure high quality Alternative Provision, Elective Home Education and Independent schools with focussed pathways for children who require non mainstream education**<br><br>**Develop an integrated approach in the delivery of school attendance and children missing education** | All children, young people and their families have access to early help and prevention support | School Attendance<br><br>School Places for Excluded Children<br><br>Special Education Needs - Education Health and Care Plans<br><br>Children in Care at GCSE |

| ACTION 3: TO CHAMPION FAIR OPPORTUNITIES FOR VULNERABLE CHILDREN AND YOUNG PEOPLE | | |
|---|---|---|
| **WE WILL:** | **WHAT WILL SUCCESS LOOK LIKE?** | **HOW WILL THIS BE MEASURED?** |
| **Develop a new approach to SEND with shared outcomes across education, health and care for 0-25 year olds**<br><br>**Embed the SEN Reforms**<br><br>**Raise educational outcomes and narrow the gap for vulnerable groups** | A co-produced future which offers education, health and care opportunities for young people and adults to reach their potential and to actively participate in community life throughout their lives | Percentage of Year 12-14 pupils NEET |
| | Access to high quality educational provision and effective support in place for children and young people with SEN | Percentage of EHCPs completed within 20 weeks |
| | Disadvantaged children and young people will perform at the same level as their peers | KS4 Progress 8 for Children in Care |
| | Deliver fair and sustainable funding | Proportion of Pupils in Good/Outstanding schools |
| | Parents/carers and children are empowered to improve educational outcomes | Early Years - Proportion of children achieving a Good Level of Development<br>Percentage of pupils reaching the expected standard at the end of KS2<br>KS4 - GCSE Attainment Average Progress 8 Score<br>    Including Percentage achieving threshold in English and maths<br>Percentage of YR12-14 pupils NEET |

| ACTION 4: TO ENSURE EXCEPTIONAL LEADERSHIP ACROSS AND BEYOND THE EDUCATION SYSTEM |||
| --- | --- | --- |
| **WE WILL:** | **WHAT SUCCESS WILL LOOK LIKE?** | **HOW WILL THIS BE MEASURED?** |
| **Continue to strengthen system leadership and school governance across Birmingham** | Greater collaboration and effective partnerships taking collective responsibility for pupil outcomes and progress | Pupils in Good/Outstanding schools |
| **Review the commissioning agreement with BEP to lead sustainable school improvement** | A school-led system with strong leadership at the heart of Birmingham's education system | Pupils in Good/Outstanding schools |
| **Establish rigorous monitoring and use of data at all key stages to identify areas that need improvement** | There is a detailed local intelligence about the quality and performance of Birmingham's education provision, starting from early years | Percentage of pupils reaching the expected standard at the end of KS2 KS4- GCSE Attainment Average Progress 8 Score  Including Percentage achieving threshold in English and maths Percentage of YR12-14 pupils NEET |
| **Champion the needs of children and young people by strengthening networks, developing strategic partnerships and securing intelligent commissioning** | Parents and carers state that their child has had the opportunity to attend great local provision and reach their full potential in a Birmingham school | Pupils in Good/Outstanding schools Special Education Needs - Education Health and Care Plans |

# 6. THE FINANCIAL LANDSCAPE

The Dedicated School Grant (DSG) is the primary source of funding for schools and other eligible educational providers. It is a ring-fenced grant which is allocated to Local Authorities (LAs) in 3 blocks:

- **Early Years block** covering 2, 3 and 4 year olds for 15 hours provision a week in either nursery schools or primary schools with nursery classes or Private, Voluntary and Independent (PVI) registered providers
- **Schools block** covering pupils from Reception to Year 11 in primary and secondary schools
- **High Needs block** covering pupils and students from age 0 - 25 with high cost Special Educational Needs and Alternative Provision. As such funding will be allocated to special schools, primary and secondary schools with specialist resource bases, Further Education and Independent sectors.

The funding allocation received by LAs includes funding for academies and free schools. LAs apply their local formula (in line with prescribed statutory regulations) to calculate each school's delegated budget for the following financial year. In the case of academies and free schools, the budgets calculated by the LA are recouped by the DfE from the DSG and the DfE will fund them directly. It is therefore the case that as schools convert to academies during the year the LA's DSG will reduce as more recoupment is undertaken by the DfE.

The current DSG regulations allow for some centrally funded services and commitments to be funded from DSG but this is heavily prescribed and accounts for less than 10% of the overall DSG allocation in Birmingham's case. In many cases, approval will be required from Schools Forum, which is a statutory body in each LA that oversees the DSG funding arrangements and acts as both a body which we must consult with in certain areas and from which we must seek approval in other defined areas.
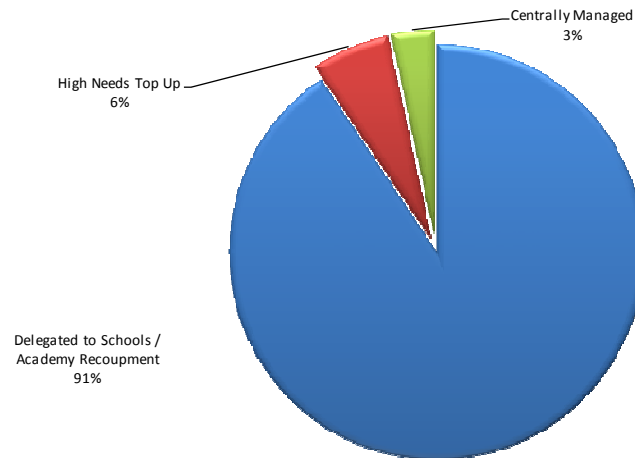
The following page contains two pie charts:
- One breaking down the School Funding sources
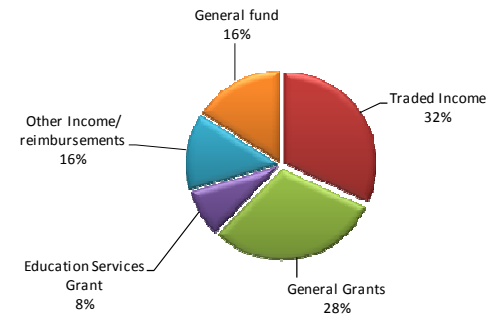- The other breaking down the non school funding.

**Birmingham City Council**

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**Directorate For People**
**Funding Analysis 2016/17**

**Direct School Funding**
(Including Academy Schools - Includes DSG, PPG, Post 16, UIFSM & PE Sports Premium)



Centrally Managed
3%

High Needs Top Up
6%

Delegated to Schools /
Academy Recoupment
91%

**Non School Funding**



General fund
16%

Traded Income
32%

Other Income/
reimbursements
16%

Education Services
Grant
8%

General Grants
28%

| | £'m | | £'m |
|---|---|---|---|
| Dedicated Schools Grant | 1,096.0 | Traded Income | 46.7 |
| Pupil Premium Grant (Estimated) | 93.1 | General Grants | 41.3 |
| EFA Post 16 Grant (Estimated) | 12.6 | Education Services Grant | 12.1 |
| Universal Infant FSM | 13.3 | Other Income/ Reimbursements | 22.7 |
| PE & Sports Premium Grant | 3.0 | General Fund | 23.4 |
| Total Schools Funding - as at 1 March 16 | 1,218.0 | Total Non Schools Funding | 146.2 |

**Notes**
**DSG allocation does not include the use of 2014/15 carry forward balance in 2016/17.**
**To Prevent Double Counting - The EFA Post 16 does not include post 16 high needs places,**
**as this is originally allocated in the DSG and subsequently recouped to be allocated back to**
**schools, through the EFA Post 16 grant.**

# 7. APPENDIX 1 – SELF-ASSESSMENT OF THE 2015/16 EDUCATION PLAN

Following Trojan Horse, BCC was required to produce an improvement plan to address the serious weaknesses exposed in its custodianship of education.

The Education Quartet (including the Education Commissioner) approved the Education and Schools Strategy & Improvement Plan on 1 December 2014 and it was subsequently approved by Cabinet in March 2015.

A key workstream of the 2015/16 plan was to strengthen BCC's duties to vulnerable schools as set out in the statutory Schools Causing Concern guidance. The Education Commissioner supported the proposal that the delivery of these duties should be commissioned from BEP. Twenty years of international evidence supports the view that the best, most sustainable form of school improvement is where strong schools support weaker ones. BCC officers, the Deputy Education Commissioner and BEP representatives worked from late 2014 to get the contract in place to commence on 1 September 2015. The early signs are that BEP has started its work strongly for BCC, having visited 87% of maintained schools. The formal contract monitoring is now in place and by the end of the school year in July 2016 BCC will have a full picture of BEP's first year in operation.

In terms of the overall plan, it is over 92% completed (as at end of April 2016). Any outstanding work has been carried forward into this Plan.

The Plan will ensure that the outcomes expected are carried forward and work is undertaken to ensure they are achieved (e.g. to ensure that the recommendations from the LGA Peer Review (November 2015) are addressed. This work is covered at **Appendix 2 - LGA Peer Review recommendations**).

The LGA Peer Review confirmed strong progress across all areas of the 2015/16 plan, with particular endorsements for the major achievements regarding progress for Safeguarding and Resilience, Strengthening Governance, the Education Data Dashboard (EDD) and School Improvement. Overall the direction of travel and political and officer leadership was validated, recognising the long journey ahead to consolidate the improvements.

In terms of a mini self-assessment of progress to date, the following table provides a current state of play for the 2015/16 plan as we move into the new 2016/17 plan. The self-assessment test covers:

1. Are more or fewer schools going into category this year?
2. How is BCC getting on with ensuring it knows all its schools?
3. How do we know Safeguarding and Resilience has improved and children in education are safer?
4. How are we ensuring children are safer in any educational context?
5. Could something like Trojan Horse happen again?
6. How do we know the outcomes from the Year 1 plan are being achieved?

| TEST | RESPONSE |
|---|---|
| 1. Are more or fewer schools going into category this year? | The general trend this year has been an improvement:<br>• Over the past 12 months there has been an improvement in the overall inspection outcomes of many schools in Birmingham<br>• At the beginning of April 2015, there were 32 schools in special measures. As of February 2016 this has reduced to 30<br>• There has been a rise in schools rated as Good or Outstanding (from 335 as of March 2015, to 344 as of March 2016)<br>• As of March 2016, 83% of LA maintained schools are rated as Good or Outstanding (up from 81% a year ago) – with 69% of academies and Free Schools rated as Good/Outstanding (although these may refer to ratings before academisation)<br>• In terms of national comparisons, the latest available position is from the start of the 2015/16 academic year. At this point, Birmingham had a lower proportion of schools classed as good or outstanding - at both primary and secondary level – when compared to core city and national averages<br>• Birmingham also has the second largest proportion of schools classed as inadequate out of all core cities. |
| 2. How is BCC getting on with ensuring it knows all its schools? | BCC has improved communication and engagement with schools through the Communications Theme. The weekly School Noticeboard communications are published and communication channels are available to gather feedback from schools, which includes:<br>• A generic email address<br>• Routes for raising complaints and also for whistleblowing<br>• An education twitter account is available and used<br>• Feedback of progress, including an invite for comment has been implemented via a Schools Survey channel. Later in the year we will be publishing a "You Said, We Did" document.<br><br>BCC also engages schools through publications such as the Core Offer and Traded Offer documents. In terms of engagement, The Core Offer includes a section on engagement which shows the channels used, this includes:<br>• Schools Forum<br>• The BCC HTs Consultative Group<br>• Primary Forum<br>• Special Forum |

| TEST | RESPONSE |
|------|----------|
| | • Secondary Forum<br>• Nursery Forum.<br><br>So, schools know that they have a voice via these forums.<br><br>In addition to this, there is engagement work via our Strategic Partners, for example, S4E and BEP.<br><br>In particular, with effect from September 2015, BEP has been contracted to take over the SI work, previously undertaken by BCC.  BEP has therefore undertaken many engagement events (e.g. the District Strategy Groups) and also visits from the District Leads working on SI to ensure BEP knows all schools and none are isolated.  BEP has reported that[8]:<br>• For maintained schools, 87% have been visited by BEP and 66% of academy schools<br>• District Strategy Groups are in place providing 82% coverage for maintained schools<br>• The BEP staffing and Organisational structure are in place, enabling delivery of the contract<br>• BEP has developed a framework for packages of support and work with schools<br>• BEP now chairs the cross cutting group, which enables a focus (drive) on SI and also fosters close working between BCC and BEP for SI<br>• BEP is engaged in the design authority meetings for the Education Data Board and there are discussions about collecting progress data.  There will need to be detailed discussions about what BEP data will be shared with BCC for inclusion in EDD.<br><br>As part of the contract, information about schools is shared between BCC and BEP via the EDD.  BEP chairs the cross cutting group where BEP and service leads from within BCC discuss schools that are potentially vulnerable and may require support.  This captures potential issues from all service areas, such as safeguarding, governance, finance and HR, not just from the BEP/SI    perspective.<br><br>Finally, the other vehicle used to ensure BCC knows all its schools is via the EIG, a meeting attended by BCC, Ofsted, BEP and the RSC which discusses and also identifies schools potentially requiring school improvement support. |

[8] All data as at 11 April 2016

| TEST | RESPONSE |
|---|---|
| | |
| **3. How do we know Safeguarding and Resilience has improved and children in education are safer?** | The Safeguarding and Resilience Theme is 99% complete (as at February 2016, with any delays simply around ensuring all schools receive the necessary guidance and training).<br><br>The LGA Peer Review confirmed strong progress in this area (a few highlights are below):<br><br>• *Safeguarding training and development for staff across the system is strong, embedded and of high quality. The Council differentiates between a universal, targeted and specialist offer drawing on Home Office training products and more local resources. Targeted responses follow identification either by schools, Ofsted or through s175 (Safeguarding) audits, and the Council has created a bespoke support where serious weaknesses have been identified, including case management, CSE, FGM and forced marriage.  There are robust plans to develop the function with a proactive focus on engaging schools with the UNICEF Rights Respecting Schools Award, supporting schools to pro-actively weave the UN Convention of the Rights of the Child through the life of the school, and to adopt a train the trainer approach to ensure business continuity with 60 schools and multi-agency partners trained to deliver Prevent training*<br>• *Key officers are making a huge difference.  The Resilience Advisor and the Safeguarding Advisor work together very effectively to bridge and broker support for schools and blend skill sets to ensure that bespoke support is available across universal, targeted and specialist responses.  They are held in very high regard by everyone we spoke with.*<br><br>The LGA Peer Review also highlighted some areas for improvement, which included:<br><br>• *There are significant concerns across the system about children missing from home or care, from education, or because they are unknown to the authorities.  This was expressed by all of the stakeholder groups to the peer team.  Linked to this is a concern about growth in the unregistered, unregulated and supplementary school providers exacerbating on-going risks, for example around Prevent, CSE and FGM.  There is an expectation amongst partners that the Council will provide strong leadership in establishing a city wide risk assessment of all settings, but acknowledge that this must be a shared responsibility*<br>• *The 'fuzzy space' between Children's Social Care and Education was highlighted by internal and external stakeholders. This concerns the inevitable lack of clear demarcation between Education and Children's Services. Filling this space will require practitioners from both services to develop better knowledge of each other's policies and practice, and to develop a shared understanding.  Managers have an important role to facilitate this process* |

| TEST | RESPONSE |
|---|---|
|  | • *There is a gap in a systematic roll out of Council Safeguarding training and risk assessment across the Private, Voluntary and Independent (PVI) sector. , This is an area of concern that needs to be addressed.*<br>This work has been carried forward into this Plan. |
| 4. **How are we ensuring children are safer in any educational context?** | BCC has worked closely with Ofsted resulting in the closure of four unregistered independent schools.  The ongoing collaboration between Ofsted and BCC has fostered a joint approach in addressing emerging issues in alternative and independent provision.<br><br>On 7 December 2015 a meeting was held with a group of independent schools and included a representative of the Muslim Liaison Committee.  Sir Mike Tomlinson spoke at the meeting and there were presentations on the requirements for registration as an independent school, safeguarding, governance and community cohesion.  An Independent schools forum is being established alongside the regular nursery, primary, secondary and special forums.<br><br>A suite of new policies have been written, including a Quality Assurance framework for Alternative Provision, which is being adopted and implemented.  Key officers have been trained to level two safeguarding with further training in the pipeline.  A significant number of quality assurance visits to providers have been scheduled.  BCC has also drawn up a new framework to monitor Elective Home Education.   BCC has been working with Faith Associates to launch a new safeguarding toolkit for supplementary schools and wider faith based establishments.<br><br>Recruitment is underway for a new Head of Service post that will be line managed by an Education Services Assistant Director.  It is expected that this post will be filled by Autumn 2016.<br><br>A development programme has been delivered to the current team, who have all participated in training on visits to premises, health & safety, safeguarding, behaviour and attendance. |
| 5. **Could something like Trojan Horse happen again?** | There is always a residual risk, but this is now considered by the Improvement Quartet to be extremely unlikely.  There continues to be effort to manage issues as they arise concerned with extremism.<br><br>In summary, the key steps put in place over 2015 to reduce this risk have been:<br>1.  BCC knows more about all schools through improved data, information and intelligence, via:<br>    o   The EIG, where BCC, Ofsted, BEP and RSC meet to discuss risks and issues monthly |

| TEST | RESPONSE |
|---|---|
|  | o BEP working as a strategic partner with BCC for school improvement and fundamentally as part of the contract to ensure we know all schools and ensure that none are isolated |
|  | o Positive and two-way engagement between BCC and schools has improved (covered in the **How is BCC getting on with ensuring it knows all its schools?** row 2 above) |
|  | 2. The channels for complaints and for whistleblowing have been improved and put in place to ensure anyone working with schools can report issues for investigation |
|  | 3. Improvements have been made in the area of Strengthening School Governance – in particular, roles for oversight and intervention are now active in order for BCC to monitor and assess the quality, impact, strengths and weaknesses of governance. BCC is now more active in issuing warning notices and making interventions (i.e. IEBs) when issues are identified |
|  | 4. The positive work BCC has undertaken on Safeguarding and Resilience and also Equality and Community Cohesion (see row 3 above on **How do we know Safeguarding and Resilience has improved and children in education are safer?**). |
| **6. How do we know the outcomes from the Year 1 plan are being achieved?** | BCC has been testing outcomes on an ongoing basis via audits and the schools survey to ensure changes are embedded, sustainable and viewed in a positive way by schools. The ultimate test over time will be improved Ofsted judgements overall and no repeat of a Trojan Horse or similar event. An appropriate time to judge this and (for example) the performance of BEP for School Improvement will be at the end of school year 2015/16. |
|  | In addition, BCC commissioned an LGA Peer Review (in Oct/Nov 2015) of the Education and Schools Strategy & Improvement Plan 2015/16 (programme) to test independently progress and outcomes. This involved the LGA Peer Review team talking to schools, our partners and to BCC members and officers. The report was generally positive, with some recommended areas for improvement. |
|  | **Scope and focus of the peer challenge** |
|  | BCC asked the peer team to challenge progress with implementing five of the workstreams: |
|  | 1. Build confidence in BCC's ability to lead the overall system of education through a relentless focus on core duties |
|  | 2. Ensure that there are robust and effective governance arrangements in place and working effectively in schools |
|  | 3. Work with schools to ensure that all children and young people in Birmingham learn in an environment that is safe |

| TEST | RESPONSE |
|---|---|
| | and promotes their overall wellbeing<br>4. Work with partners to deliver improvements in schools<br>5. Drive innovation and improvement through new district structures that promote collaborative leadership and enhance accountability.<br>In challenging these, the LGA Peer Review team was asked to focus on progress, outcomes and, where possible, impact of actions.<br><br>**Key Messages from the LGA Peer Review**<br><br>*The Council has made good progress in progressing work across all of the five work streams and there is confidence amongst members, officers and partners that the basics are being put in place for a strong and effective city-wide system of school improvement. Stronger professional leadership of the service is making a significant impact and is seen by many as crucial. Governance is now high on the agenda and has a higher profile with schools and other stakeholders. The Council provides good training and support on safeguarding and practice in data management and audits have improved.*<br><br>*The Birmingham Education Partnership (BEP) is widely regarded as the right vehicle for school improvement with good buy-in from schools. These are robust foundations for an education system that will transform the lives of children and young people. In addition to our feedback on each of the five work streams, there are some corporate reflections for you to consider:*<br>• *Following the leadership election, Birmingham needs to demonstrate the political will and corporate capacity to ensure its resources are focused in shaping and delivering a shared vision which reflects its ambitions for 'the youngest city in Europe'*<br>• *The political and managerial leadership of the City need to rigorously pursue the delivery of a shared ambition and vision for Education*<br>• *Organisational transparency needs to be developed so that members, managers and partners can see the implementation of decisions and support growing self-awareness*<br>• *Birmingham needs to develop a relationship with its schools that reflects its ambitions for the City and which ensures the delivery of its core responsibilities.*<br><br>**Appendix 2 provides an update against each of the LGA Peer Review recommendations.** |

# 8. APPENDIX 2 – LGA PEER REVIEW RECOMMENDATIONS

BCC commissioned an LGA Peer Review (in Oct/Nov 2015) for the Education and Schools Strategy & Improvement Plan 2015/16 (programme) to independently test progress and outcomes. This involved the LGA Peer Review team talking to schools, our partners and to BCC members and officers. The report was generally positive, with some recommended areas for improvement.

The LGA Peer Review team was asked to focus on progress, outcomes and where possible the impact of actions.

*The LGA Peer Review team suggested that the Council considers the following actions. These are things the team thought would build on our main strengths and maximise our effectiveness and capacity to deliver future ambitions and plans for school improvement:*

1. *Develop a clear education vision and strategy that aligns BCC's ambition, resources and desired outcomes for the City's children with its wider objectives*
2. *Provide training and development for all members involved in scrutinising education with clear line of sight from district level to the Council leadership*
3. *Develop a comprehensive risk assessment for Birmingham as a whole that incorporates all settings, including information relevant to the phase and sector, and this is a shared responsibility with partners*
4. *Develop the intelligent client role of BCC in relation to BEP and ensure that resources and ambitions are aligned*
5. *Determine an effective accountability model for BEP*

6. *Using learning from the Ladywood pathfinder, further develop the partnership role of BEP to enable schools to better meet the needs of young people within the City*
7. *Ensure that the Education Improvement Group provides effective and timely challenge where there is evidence of poor governance in schools*
8. *Ensure that the Education Improvement Group facilitates clarity about respective roles and responsibilities of partners to ensure that its positive impact is sustained*
9. *Encourage BEP to prioritise school improvement based on a single definitive process for identification of schools and their performance*
10. *Ensure that BCC staff undertaking visits to settings where there are concerns have the skills and authority to take necessary action*

The table below provides a progress update against each of these actions.

| RECOMMENDATION | CURRENT STATUS |
|---|---|
| 1. *Develop a clear education vision and strategy that align BCC's ambition, resources and desired outcomes for the City's children with its wider objectives* | A plan on a page has been drafted and is being shared with partners; children's partners are to be invited to an event (May/June) where the vision and the plan on a page will be tested. |
| 2. *Provide training and development for all members involved in scrutinising education with clear line of sight from district level to the Council leadership* | BCC and the LGA have agreed the core elements of the programme.  Members from each of the main parties have agreed to help shape the programme and this is planned for late May.<br><br>There are two work streams planned:<br>• Sessions for all members, for example, understanding education landscape, how members can help, how to deal with education appeals<br>• "Specialist" sessions, especially for districts and Scrutiny. |
| 3. *Develop a comprehensive risk assessment for Birmingham as a whole that incorporates all settings, including information relevant to the phase and sector, and this is a shared responsibility with partners* | With effect from September 2015, BEP has been contracted to take over the SI work, previously undertaken by BCC.  BEP has therefore undertaken many engagement events (e.g. the District Strategy Groups) and also visits from the District Leads working on SI to ensure BEP knows all schools and none are isolated.  BEP has reported (as a highlight[9]) that 87% of maintained schools have been visited and 66% of academies.<br><br>In addition to school visits, BEP has also been analysing schools which potentially require support by virtue of data (e.g. attainment, coasting schools) and has identified (currently) 78 schools requiring various levels of support[10].  Some of these data events have been joint BCC/BEP workshops looking at information and agreeing which schools should require appropriate levels of support.<br><br>The risk assessment approach has been jointly agreed between BCC and BEP and is being documented as set of procedures and templates.  This is also part of the work being undertaken to prepare for an inspection of the school improvement arrangements (LASI) between BCC and BEP. |

[9] As at 11 April 2016
[10] As at 6 May 2016

| RECOMMENDATION | CURRENT STATUS |
|---|---|
| | As part of the contract, information about schools is shared between BCC and BEP via the EDD. BEP chairs the cross cutting group where BEP and BCC service leads discuss schools who are potentially vulnerable and may require support.  This captures potential issues from all service areas, such as, safeguarding, governance, finance and HR, not just from the BEP/ school improvement perspective.

Another vehicle to ensure BCC knows all its schools is via the EIG, a meeting attended by BCC, Ofsted, BEP and the RSC at which the group discuss and identify schools potentially requiring support. |
| 4.  *Develop the intelligent client role of BCC in relation to the BEP and ensure that resources and ambitions are aligned* | BCC is working with BEP to establish the Intelligent Client Function (ICF) and Quality Assurance framework and to ensure compliance with LASI framework.

There was a joint LASI workshop with BCC and BEP on 3 February 2016 which identified clear actions and steps to prepare for an inspection (expected anytime from the summer term 2016).

The early ICF work has already started by BEP sharing with BCC details of the work undertaken to date (for the first school term) and a business case detailing the overall demand for school improvement and their capacity to deliver.  This work was shared with the Improvement Quartet in February 2016.  Detailed work started during April 2016, with a Quality Assurance (QA) pilot of BEP activity (with most of the QA work to take place with all BEP District leads during June 2016). The first Contract Management Group (CMG) meeting took place on 10 May 2016.

The CMG is the formal group and meeting by which BEP will be held to account for compliance with the contract and deliver of the outcomes. |

| RECOMMENDATION | CURRENT STATUS |
|---|---|
| 5. *Determine an effective accountability model for BEP* | As outlined in 4 above, this is being achieved via the:<br>• Intelligent Client Function<br>• Contract Management Group<br>• Quality Assurance of BEP activity and work.<br><br>In the contract there are a broad range of indicators that when considered together give a view of the performance of the School Improvement contract.  These include measures of compliance with the contract, of improvement of outcomes and output measures:<br>• **Contractual Compliance** - measures such as the recruitment of the required workforce, attendance at   performance contract management meetings.<br>• **Outcomes** - measures that capture the impact on the quality of education and improvement in education outcomes.<br>• **Outputs** – these are the products of the activities undertaken by BEP in school improvement. These products are evidence of the activity of the BEP – so justify the expenditure and give assurance of the improvement in outcomes which will lag behind the activity.<br><br>Outcomes are the most important – the other measures provide context. The intention is that by considering these Key Performance Indicators (KPIs) the BEP and BCC partnership can understand and respond to changes in outcomes.  These will form part of the contract and therefore define performance<br><br>The early signs are that BEP has started its work strongly for BCC, having visited 87% of maintained schools.  The formal contract monitoring is now in place and by the end of the school year in July 2016 BCC will have a full picture of BEP's first year in operation. |

| RECOMMENDATION | CURRENT STATUS |
|---|---|
| 6. *Using learning from the Ladywood Pathfinder, further develop the partnership role of BEP to enable schools to better meet the needs of young people within the City* | The Ladywood Pathfinder project (LDP) is now complete, a full lessons learned report has been produced and the work has been handed over to BEP.<br><br>The final LDP Board meeting took place on 24 February 2016 and the Improvement Quartet endorsed its close down on 21 March 2016.<br><br>The BEP report to Quartet on 8th February 2016, included a BEP view and update on LDP:<br><br>• *There is no question that this common thread of 'District' approaches has already gone a long way towards achieving the 'local face of education' requirement within the contract. 'Co-construction of services' is a much trickier aim. Ladywood was therefore chosen as a pathfinder district to see how far schools might actually start to work on a more localised approach to commissioned services. A series of workshops were held, looking at areas that included mental health provision, early intervention, school nursing, and recruitment. A number of key themes emerged:*<br>   ○ *'Commissioning' is still an idea that requires a lot of explanation and unpicking for schools.*<br>   ○ *The extent to which BCC services understand the implications and practices of partnership working with schools is still variable and potentially problematic.*<br>   ○ *The model that was piloted in Ladywood, of schools suggesting a more localised approach, generated a host of new ideas and collaborative thinking that schools found both exciting and empowering but that only drew on a small proportion of vocal schools and is not necessarily scalable.*<br>• *The next step is a more detailed research project, led by the University of Birmingham Education Department, to look in detail at processes and barriers around early intervention referral. More broadly there is a great deal for BEP to do in progressing partnership working across all districts in ways that are strategic, sustainable and effective. BEP's place at the Strategic Leaders Group, the Joint Commissioning Group and the Health and Wellbeing Board mean we are approaching this process at the top as well as the ground level of schools in districts.* |

| RECOMMENDATION | CURRENT STATUS |
|---|---|
| 7. *Ensure that the Education Improvement Group provides effective and timely challenge where there is evidence of poor governance in schools* | In addition to work outlined below for Action 8.<br><br>A dedicated EIG dedicated a session has been held to discuss governance and how the governance service could be more effective and improved, including EIG's role in identifying risks and supporting interventions.   This happened at EIG on 13 April 2016.<br><br>Improvements have been made in the area of Strengthening School Governance – in particular, roles for oversight and intervention are now active in order for BCC to monitor and assess the quality, impact, strengths and weaknesses of governance<br><br>BCC is now more active in issuing warning notices and making interventions (i.e. IEBs) when issues are identified. |
| 8. *Ensure that the Education Improvement Group facilitates clarity about respective roles and responsibilities of partners to ensure that its positive impact is sustained* | Based on the LGA Peer Review, EIG decided to re-model its meetings.<br><br>Part A focusses on a key issue of concern to all parties.  The first issue looked at was permanent exclusions.  This led to real time data sharing of exclusions data between BCC/BEP/Ofsted and the RSC office.  There was an immediate impact as Ofsted and RSC had previously relied on historic Raise data.  Governance was included in discussions in April 2016.<br><br>Part B continues to look at vulnerable academies and maintained schools with the addition of independent schools.   DfE Independent Schools Division reps are now invited and have participated. |
| 9. *Encourage BEP to prioritise school improvement based on a single definitive process for identification of schools and their performance* | This is covered by actions 3, 4 and 5 above.<br>• Action 3 relates to risk assessments based on "knowing schools" and data sharing (between BCC/BEP)<br>• Actions 5 and 6 relate to the Intelligent Client Function and the Contract Management Group, which also includes a BCC Quality Assurance of BEP work, to hold BEP to account for delivery of the contract and its outcomes. |

| RECOMMENDATION | CURRENT STATUS |
|---|---|
| 10. Ensure that BCC staff undertaking visits to settings where there are concerns have the skills and authority to take necessary action | A suite of new policies have been written, including a Quality Assurance framework for Alternative Provision, which is being adopted and implemented. Key officers have been trained to level two safeguarding with further training in the pipeline. A significant number of quality assurance visits to providers have been scheduled. BCC has also drawn up a new framework to monitor Elective Home Education. BCC has been working with Faith Associates to launch a new safeguarding toolkit for supplementary schools and wider faith based establishments.<br><br>A new Head of Service post is being recruited and will be line managed by an Education Services Assistant Director.<br><br>A development programme has been delivered to the current team, who have all participated in training on visits to premises, health & safety, safeguarding, behaviour and attendance. |

## 9. APPENDIX 3 - CO-ORDINATION OF THE PLAN AND GLOSSARY OF TERMS

Outlined here are the principles of governance for managing the delivery of the Plan. A detailed governance map will be produced, which will be agreed with all service areas, in order to provide a framework for the management of delivery and the review of progress/outcomes:

- **Organisation** - the Plan will be governed by the Education Senior Leadership Team (SLT) chaired by the Executive Director for Education, and including all Education Assistant Directors (AD).
  There will be a monthly dashboard to review progress at SLT and provide more detail into AD management teams every month (part of service performance, linked to AD portfolios)
- **Stakeholder engagement** – Heads Consultative group and all the school forums and networks/consortia
- **Plans** - Single plan that is reviewed every quarter and fully revised once per year (continuous improvement)
- **Quality** –will be driven by service improvement and by understanding the performance measures and the work needed to "bridge the gap"
  There will need to be a synchronisation of objectives within the Plan into team My Appraisal objectives (i.e. the link between service performance and operational (staff) performance)
- **Risk** - Single risk register reviewed monthly (e.g. categorised into education, programme, individual services)
- **Control** - Progress against budgets reviewed once each month (programme and operational budgets).

At this stage a few high level risks have been identified.  A full risk and issue log will be maintained for the Plan.

| DESCRIPTION | RISK/ISSUE | COUNTER MEASURES |
|---|---|---|
| **Move to all schools becoming Academies by 2022 (Education Excellence Everywhere)** | The White Paper, Educational Excellence Everywhere, which, if implemented by statute and subject to any amendments, is likely to compel or encourage all schools to have an academy plan in place by 2020 or be committed to converting by 2022, would have major consequences for the role of the Local Authority in the education of Birmingham children.  Consequences that are understood at the moment include the administrative effort and cost to BCC when a school converts, and the loss of BCC assets on conversion which are transferred to the Academy (land etc.).  Implementing this agenda will create resource pressures for BCC and may make some parts of the current business unsustainable or in need of fundamental re modelling.  Other legislative changes may come in before 2020 in support of this agenda which could have further effects on BCC, all of which are unknown. | Good stakeholder engagement needs to be maintained between BCC, DfE, RSC and Multi-Academy Trusts (MATs) to ensure all parties are sharing information and are empowered to collaborate on the implementation of the academies agenda.  Efforts need to be made to ensure that the transition to academies is staggered or phased and not all taking place at once.  Further effort needs to be made to ensure schools join, or create, effective and high performing MATs.  Horizon scanning and robust forward planning must take place to model the service in anticipation of the possibility of a full academy school estate to ensure Education Services are positioned to be sustainable and able to meet its statutory duties. |
| **Embedding and operationalising recent Improvement Work and moving to a Continuous Improvement Model** | There is a risk that the recent improvements made as a consequence of implementing the Education and Schools Strategy & Improvement Plan 2015/16 may not fully embed or be fully operationalised.  This means that we are at risk of returning to previous modes of working, viewed as weak and not fit for purpose by the DfE and Ofsted, and letting Birmingham children down. | We are moving to a model of Continuous Improvement with annual plans building upon the successes of the previous year.  Each area will have ownership of detailed plans for improving their services and these will feed upwards to a strategic plan owned by the Executive Director.  Regular Peer Review from partners will be conducted.<br><br>At the same time there will be a strong push to ensure outstanding actions from the current plan are completed and actions from the LGA Peer Review are completed (which will ensure outcomes are fully realised). |

| DESCRIPTION | RISK/ISSUE | COUNTER MEASURES |
|---|---|---|
| **Financial consequences for BCC arising from legislative changes to education funding.** | BCC Education Services are currently not in a position to produce long-term budgetary plans.  This is as a consequence of recent legislative announcements about Education in England.  The conversion of all schools to academy status will result in the end of most funding from DfE to LAs.  This may also mean that some of our internal and traded services are no longer sustainable as schools will exercise further choice and purchase services from other providers. The level of uncertainty means we are unable to produce long term budgets. | Traded services are being positioned to be of high quality and good value for money to be competitive on the open market. Services are to be modelled to ensure they are agile and can adapt over time to the changing economic landscape. Stakeholder engagement will take place with the DFE, RSC and MATs to ensure BCC has high visibility on impending changes as we move forward. |

## Glossary of Terms

| | |
|---|---|
| AP | Alternative Provision |
| BCC | Birmingham City Council |
| BAME | Black, Asian, and minority ethnic |
| BEP | Birmingham Education Partnership |
| CSC | Children's Social Care |
| CMG | Contract Management Group (part of ICF) |
| DfE | Department for Education |
| DOT | Direction of Travel |
| DSG | Dedicated School Grant |
| EAL | English as an additional language |
| EDD | Education Data Dashboard |
| EHCP | Education Health and Care Plan |
| EEE | Early Education Entitlement |
| EHE | Elective Home Education |
| EIG | Education Improvement Group |
| ESG | Education Support Grant |
| EYFS | Early Years Foundation Stage |
| FSM | Free School Meals |
| HR | Human Resources |
| ICF | Intelligent Client Function |
| IEB | Interim Executive Board |

| | |
|---|---|
| KS | Key Stage |
| LA | Local Authority |
| LASI | Local Authority School Improvement |
| LDP | Ladywood Pathfinder |
| LEAN | LEAN management is an approach to running an organization that supports the concept of continuous improvement, a long-term approach to work that systematically seeks to achieve small, incremental changes in processes in order to improve efficiency and quality |
| LGA | Local Government Association |
| MAT | Multi Academy Trust |
| NEET | Not in Education, Employment or Training |
| Ofsted | Office for Standards in Education, Children's Services and Skills |
| PRU | Pupil Referral Unit |
| PVI | Private, Voluntary and Independent |
| QA | Quality Assurance |
| RSC | Regional Schools Commissioner |
| S4E | Services for Education |
| SEN | Special Education Needs |

# 10. APPENDIX 4 – THE 22 SERVICE PLANS

The Plan and delivery of key priorities are supported by 22 service plans, across all of education services (listed to the right).

The Plan includes the "Leadership and Education Business Unit", which is about the overall strategic leadership of the system and comprises some cross-cutting functions needed for the overall delivery of Education Services (e.g. the LGA Peer Review and closer working between Education and CSC).

In creating the service plans BCC applied some overall design principles (service characteristics) as follows:
- Improving the efficiency and effectiveness of existing education services
- Using data intelligently to underpin service delivery, improvement and inform impact
- Ensuring education services are customer focused and LEAN, with heads of service empowered to develop the highest quality services
- Establishing positive customer relationships
- Having a fit for purpose workforce with the right people in the right jobs and the organisation making best use of its most important resources
- Having streamlined/integrated services in operation
- Having streamlined/LEAN processes across all service areas.

The 22 Service Plans are available at:
- www.birmingham.gov.uk/educationimprovement

**List of the 22 service improvement plans:**

1. Leadership and Education Business Unit
2. Safeguarding and Resilience
3. Alternative Provision and Independent Education
4. School Improvement and Intelligent Client Function (ICF)
5. Education Infrastructure
6. School Admissions and Pupil Placements
7. Early Years
8. Special Educational Needs and Disability Information, Advice & Support Service (SENDIASS)
9. School and Governor Support
10. Early Years Inclusion Support
11. Access 2 Education
12. Special Educational Needs Assessment and Review (SENAR)
13. Travel Assist
14. Virtual School for Looked after Children
15. Sustaining Inclusion
16. Disabled Children's Social Care (DCSC)
17. Full Participation
18. Cityserve
19. Schools Financial Services
20. School HR and Employee Relations
21. Legal Services
22. Communication and Stakeholder Engagement

# Audit Committee
# Birmingham City Council
# Progress Report and Update
# Year ended 31 March 2017

January 2017

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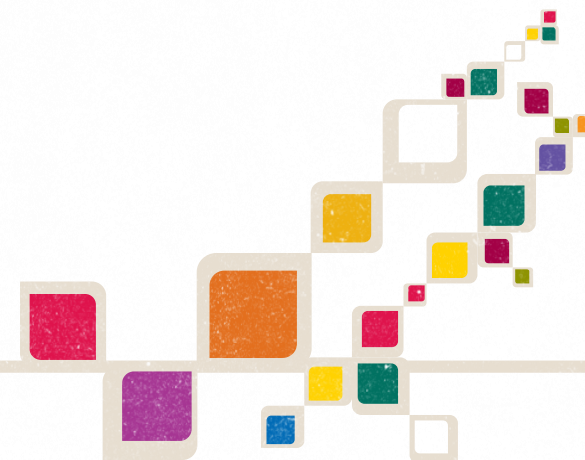**T**   0121 232 5407
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which 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 refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Page 66 of 134

2

# Introduction

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

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:
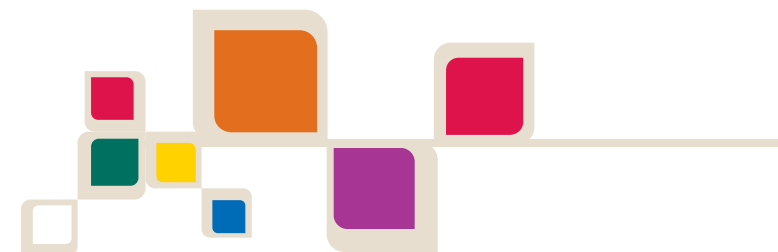
- CFO Insights – reviewing council's 2015/16 spend (December 2016); http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/

- Fraud risk, 'adequate procedures', and local authorities (December 2016); http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/

- New laws to prevent fraud may affect the public sector (November 2016); http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/

- Brexit: local government – transitioning successfully (December 2016) http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/

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

# Progress at January 2017

| 2016/17 work | Planned Date | Complete? | Comments |
|---|---|---|---|
| **Fee Letter**<br>We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016 | April 2016 | Yes | The 2016/17 scale audit fee is £314,168. This is set by Public Sector Audit Appointments. |
| **Accounts Audit Plan**<br>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 2016-17 financial statements. | March 2016 | In Progress | We will present our Accounts Audit Plan to the March Audit Committee meeting. Our Value for Money Conclusion Plan, identifying the significant risks is included as a separate agenda item. |
| **Interim accounts audit**<br>Our interim fieldwork visit plan included:<br>• updated review of the Council's control environment<br>• updated understanding of financial systems<br>• review of Internal Audit reports on core financial systems<br>• early work on emerging accounting issues<br>• early substantive testing<br>• Value for Money conclusion risk assessment. | January – March 2017 | In Progress | Our interim audit work is currently underway. We are working closely with the Finance Team and there are no matters that we wish to bring to your attention at this time. |
| **Final accounts audit**<br>Including:<br>• audit of the 2016/17 financial statements<br>• proposed opinion on the Council's accounts<br>• proposed Value for Money conclusion<br>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 | June – August 2017 | No | Early testing will be completed at interim visits to provide efficiencies to the final accounts visit. We are planning to start our final accounts audit in early June. |

Page 68 of 134

4

# Progress at January 2017

| 2016/17 work | Planned Date | Complete? | Comments |
|---|---|---|---|
| **Value for Money (VfM) conclusion**<br><br>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".<br><br>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".<br><br>The three sub criteria for assessment to be able to give a conclusion overall are:<br><br>• Informed decision making<br>• Sustainable resource deployment<br>• Working with partners and other third parties | January – March 2017 | In Progress | We have completed an initial risk assessment and our VfM Conclusion plan is included as a separate agenda item. We qualified our 2015/16 conclusion in relation to the following risks:<br><br>• Savings challenge – due to the impact of non-recurrent savings in 2015/16 and the weaknesses in the People Directorate's savings plan delivery<br>• Services for vulnerable children – due to the concerns reported by Ofsted following their monitoring visit and the continuing need for the Council to have external oversight of its arrangement by the Children's Commissioner<br>• Management of schools – due to Ofsted feedback indicating that there are significant governance issues in some schools and concerns reported by Ofsted on the pace of change<br>• Improvement Panel – due to continuation of the Panel's appointment<br><br>We are required to bring these matters forward as part of our 2016/17 audit work. |
| **Other areas of work**<br>Statutory recommendations under s24 of the Local Audit and Accountability Act 2014 | Ongoing | Ongoing | We included a statutory recommendation in our 2015/16 Annual Audit Letter. This recommendation and the Council's formal response was considered at the Council meeting on 10 January 2017. |

Page 69 of 134

# Technical Matters

# Highways network asset

On 14 November CIPFA/LASAAC announced a deferral of the move to measuring the Highways Network Asset ('HNA') at depreciated replacement cost in local authority financial statements for 2016/17. This is due to delays in obtaining updated central rates information that was required for the valuations.

CIPFA/LASAAC will issue an Update to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom to confirm this decision once it has completed the full due process before publication. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18 and will consider whether central rates and the central assurance processes will be delivered in a timely manner to allow successful implementation. It expects that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.

In August, CIPFA published the 'Code of Practice on the Highways Network Asset (2016 Edition)' and additional guidance to aid the implementation process.

# Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:
- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

# Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:
- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:
- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Page 71 of 134

# Sector issues and developments

# National Audit Office reports

Below is a selection of reports issued during 2016 which may be of interest to Audit Committee members.  Please see the website for all reports issued by the NAO.

### Overview: Local government

This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as our work with local authorities. The NAO prepares statutory guidance on how local auditors should meet their responsibilities.

Published: 9 Nov 2016

Sector(s): Local services

Performance Improvement area(s): Departmental Overviews, Local service delivery

https://www.nao.org.uk/report/overview-local-government/
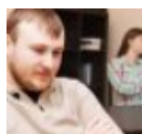
### The Troubled Families programme: update

This report is a factual update to support the Committee of Public Accounts' evidence session on the government's Troubled Families programme on 19 October 2016. It is based primarily on published sources, information supplied by the Department for Communities and Local Government and previous reports published by the National Audit Office.

Published: 18 Oct 2016

Sector(s): Community and society, Local services

https://www.nao.org.uk/report/the-troubled-families-programme-update/

Page 73 of 134

9

# Local Government Association

Below is a selection of reports issued recently which may be of interest to audit committee members. Thee are available on the website:
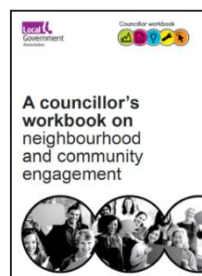
http://www.local.gov.uk/publications

### Provisional LG Finance Settlement for 2017/18

**12 January 2017**
The LGA has published its responses to the DCLG consultation on proposals for the local government finance settlement for 2017 to 2018 and for the approach to future local government finance settlements.

http://www.local.gov.uk/documents/10180/8150261/Local+Government+Finance+Settlement+1718+LGA+response.pdf/dd8d32e1-ec9f-4314-8121-7aae2195f89f

### A councillor's workbook on neighbourhood and community engagement

**11 January 2017**
Neighbourhood and community engagement has a rightful place as one of the key processes involved in planning and decision making. As such, it should not be viewed d as an additional task, but as a core part of the business

### Building our homes, communities and future: The LGA housing commission final report

**22 December 2016**
The Local Government Association (LGA) Housing Commission was established to help councils deliver their ambition for places. It has been supported by a panel of advisers and has engaged with over 100 partners; hearing from councils, developers, charities, health partners, and many others. All partners agree that there is no silver bullet, and all emphasise the pivotal role of councils in helping provide strong leadership, collaborative working, and longer-term certainty for places and the people that live there.

# Local Government Association

Below is a selection of reports issued recently which may be of interest to audit committee members. Thee are available on the LGA website:

http://www.local.gov.uk/publications
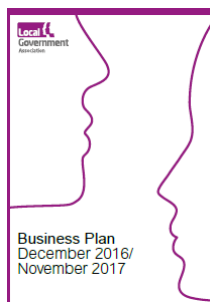
### Business Plan December 2016/November 2017

**30 December 2016**
Britain's exit from the EU means that we are reshaping the way our country is run. Our vision is one of a rejuvenated local democracy, where power from Westminster and from the EU is significantly devolved to local level and citizens feel they have a meaningful vote and real reason to participate in civic life and their communities.
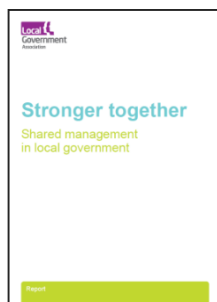
### Stronger together: shared management in local government

**29 November 2016**
Around 45 councils across England share a chief executive and senior management team in about 20 different partnerships. Most also share at least some services. These councils have already delivered savings of at least £60 million through greater efficiencies and the other benefits of collaboration, with more savings planned

### Adult social care funding: 2016 state of the nation report

**2 November 2016**
Adult social care is an absolutely vital public service that supports some of our most vulnerable people and promotes the wellbeing and independence of many more

Page 75 of 134

# Grant Thornton

# Integrated Reporting

## Looking beyond the report

The move away from reporting based on historic financial information is beginning to gain momentum and Integrated Reporting is now mandatory in some countries.

In the UK, CIPFA proposed in their consultation document that the narrative report from 2017/18 reflects elements of the International Integrated Reporting Council's framework whilst the Treasury is encouraging public sector organisations to adopt Integrated Reporting.

*Integrated reporting: Looking beyond the report* was produced by our global Integrated Reporting team, based in the UK, New Zealand and South Africa, to help organisations obtain the benefits of Integrated Reporting.

The International Integrated Reporting Council (IIRC) describes Integrated Reporting as *"enhancing the way organisations think, plan and report the story of their business."*

At Grant Thornton, we fully agree with this and, in our view, the key word is 'enhancing' because a lot of the elements to support effective Integrated Reporting are likely to be in place already.

But anyone focussing purely on the production of the report itself will not reap the full benefits that effective Integrated Reporting can offer.

Instead, think of Integrated Reporting as demonstrating "integrated thinking" across your entire organisation, with the actual report being an essential element of it.

Our methodology is based on six modules which are designed to be independent of each other.

1. **Secure support** – effective Integrated Reporting needs leadership from the top.

2. **Identify stakeholders** – who are they and how can you engage with them?

3. **Identify the capitals for your organisation** – what resources do you use to create value?

4. **What do you have – and what do you need?** – do you have the data you need and is it accurate?

5. **Set limits and create boundaries** – make sure your report is focussed.

6. **Review and improve** – Integrated Reporting is a continuous learning process.

Our approach to Integrated Reporting is deliberately simple; experience has shown us that this works best. Things are often only complicated because people made them that way.

Our experienced, independent teams can help you keep focused throughout the entire Integrated Reporting process and can support you, no matter what stage you are at. Please speak to your engagement lead if you would like to discuss this further.

## Grant Thornton publications

### Challenge question:

- Have you thought about how the principles of Integrated Reporting can help your organisation become more focussed?

Grant Thornton
An instinct for growth

Integrated reporting
Looking beyond the report
November 2016

# Integrated Thinking and Reporting

## Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders.*

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

## CIPFA Publications

### Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?

INTEGRATED REPORTING <IR>
CIPFA | The Chartered Institute of Public Finance & Accountancy

Integrated thinking and reporting

**Focusing on value creation in the public sector**

An introduction for leaders

WORLD BANK GROUP

# Brexit

## Planning can help organisations reduce the impact of Brexit

Several months have passed since the referendum to leave the European Union (EU), during which there has been a flurry of political activity, including the party conference season.

After many years of relative stability, organisations will need to prepare themselves for a period of uncertainty and volatility and will need to keep their risk registers under constant review. The outcome of the US Presidential election in November 2016 has added to this uncertainty.

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

### Existing EU legislation will remain in force

We expect that the Government will introduce a "Repeal Act" (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

### Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

**Challenge questions:**
• Have you assessed the potential impact of Brexit on your organisation?
• Does your risk register include Brexit and is this regularly updated and reported?

**Leaving the Single Market appears likely**

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

Potential existing examples for the UK's future relationship, such as the 'Norwegian' or 'Swiss' models, seem out of the question. The UK wants a 'bespoke deal'.

Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

Page 79 of 134

# Brexit

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

After a relatively stable summer, we expect there will be increased volatility as uncertainty grows approaching the formal negotiation period.

## Planning can help organisations reduce the impact of Brexit

The chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

**Staffing** – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

**Financial viability** – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

**Market volatility** – for example pension fund and charitable funds investments and future treasury management considerations.

**International collaboration** – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.

## Grant Thornton update

### Challenge questions:

- Have you assessed the potential impact of Brexit on your organisation?
- Does your risk register include Brexit and is this regularly updated and reported?

For regular updates on Brexit, please see our website:

http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate/

# The Value For Money Plan for Birmingham City Council

**Year ended 31 March 2017**

30 January 2017

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# Value for Money

**Background**

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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

| Sub-criteria | Detail |
|---|---|
| Informed decision making | • Acting in the public interest, through demonstrating and applying the principles and values of sound governance<br>• Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management<br>• Reliable and timely financial reporting that supports the delivery of strategic priorities<br>• Managing risks effectively and maintaining a sound system of internal control |
| Sustainable resource deployment | • Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions<br>• Managing and utilising assets effectively to support the delivery of strategic priorities<br>• Planning, organising and developing the workforce effectively to deliver strategic priorities. |
| Working with partners and other third parties | • Working with third parties effectively to deliver strategic priorities<br>• Commissioning services effectively to support the delivery of strategic priorities<br>• Procuring supplies and services effectively to support the delivery of strategic priorities. |

Page 84 of 134

2

# Value for Money (continued)

**Risk assessment**

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.

- the findings of other inspectorates and review agencies, including Ofsted.

- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.

- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

**Reporting**

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will issue by 30 September 2017.

3

# Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

| Significant risk | Link to sub-criteria | Work proposed to address |
|---|---|---|
| **Budget Delivery and Reserves Management**<br>Information to date indicates that the Council are facing a significant overspend against budget for 2016/17. There are plans to use £37m of reserves in order to balance the final outturn for 2016/17.<br>Given the recognised difficulties associated with the Council's 2016/17 savings programme, an independent review of 2017/18 budget setting process and an evaluation of the deliverability of the proposed budget has taken place.<br>Overall the savings plan needs to deliver 100% recurrent savings (£145m) by the end of 2018/19 to maintain a workable reserves position.<br>The key risk is that the proposed schemes will not deliver the required recurrent savings, or will take longer to implement than planned. | This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making. | We will review the project management and risk assurance frameworks established by the Council in respect of the more significant projects, to establish how the Council is identifying, managing and monitoring these risks. |
| **Services for vulnerable children**<br>The Council's services for vulnerable children are assessed as inadequate by Ofsted and subject to an Improvement Notice. Ofsted have continued to rate Children's services as inadequate overall. The Secretary of State has appointed a Children's Commissioner. Plans are in place for a Children's Trust to be run in shadow form from 1 April 2017.<br>The key risk is that the service does not show demonstrable improvement and continues to be subject to external intervention. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements | This links to the Council's arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of sound governance, and planning, organising and developing the workforce effectively to deliver strategic priorities | We will review the project management and risk assurance frameworks established by the Council in respect of the more significant projects, to establish how the Council is identifying, managing and monitoring these risks. |
| **Improvement Panel**<br>The Improvement Panel has been in place since January 2015, following the publication of Lord Kerslake's report on the Council's governance. The Panel has reported to the Secretary of State on the progress made by the Council, but has also noted its concerns.<br>The key risk is that the Panel will conclude that the Council is not making sufficient progress in implementing the changes needed. | This links primarily to the informed decision making sub criteria, in particular acting in the public interest, through demonstrating and applying the principles and values of good governance. It also links to the sustainable resource deployment sub criteria, in particular financial planning and workforce development. | We will consider the Improvement Panels reports and discuss the progress made and key issues with the Improvement Panel Vice Chair. |

# Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

| Significant risk | Link to sub-criteria | Work proposed to address |
|---|---|---|
| **Management of schools**<br>The Council's management of the governance of schools was found to be weak and an Education Commissioner was appointed by the Secretary of State in 2014. The commissioner post ended in July 2016. However much work is still required and the Birmingham Education Partnership (BEP) has responsibility for implementing an improvement plan in conjunction with the West Midlands designated Regional Schools Commissioner.<br>The key risk is that plan implementation will be slower than envisaged and underlying issues will not be effectively addressed. | This links primarily to the informed decision making sub criteria, in particular acting in the public interest, through demonstrating and applying the principles and values of good governance, and managing risks effectively and maintaining a sound system of internal control. | We will focus on the BEP's management and reporting of the Single Integrated Plan. We will review the progress made by Internal Audit within their coverage of schools governance. |
| **Working with Health Partners.**<br>The Council has extensive partnership arrangements with Health bodies.  Delivery of service outcomes is dependent on effective partnership working with Clinical Commissioning Groups. Deliverability of the Sustainability and Transformation Plan is now at risk due to budget pressures. The redesign of care commissioning is paramount to the achievement of overall public money budgets.<br>The key risk is that partnership arrangements do not fully deliver service outcomes and improvements | This links primarily to the working with partners and other third parties sub criteria, in particular working with third parties effectively to deliver strategic priorities and commissioning services effectively to support the delivery of strategic priorities. | We will review the project management and risk assurance frameworks established by the Council in respect of the more significant projects, to establish how the Council is identifying, managing and monitoring these risks. |
| **Future Operating Model**<br>The re-structure of the Council to meet its vision for the future will affect all Birmingham City Council Employees and will require a significant amount of detailed planning to deliver. The overreaching purpose of the new model is to achieve more for less. Not just to manage on less money but to deliver on new expectations.<br>The key risk is that the planned changes to the Council's operating model do not fully deliver the desired outcomes or take longer than planned to implement. | This links to the Council's arrangements for managing risks effectively and maintaining a sound system of internal control, demonstrating and applying the principles and values of sound governance, and planning, organising and developing the workforce effectively to deliver strategic priorities. | We will review the project management and risk assurance frameworks established by the Council in respect of the proposals to establish how the Council is identifying, managing and monitoring these risks. |

![Grant Thornton - An instinct for growth]

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16 January 2017

Dear Jon,

**Certification work for Birmingham City Council for year ended 31 March 2016**

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

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

We have certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £552 million. Further details of the claims certified are set out in Appendix A.

There were issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2015/16 for the Council is based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 is £17,594. An additional fee of £1,500 has been proposed to PSAA for the additional work required in 2015/16. This is set out in more detail in Appendix B.


Yours sincerely



For Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for 2015/16**

| Claim or return | Value (£) | Amended? | Amendment (£) | Qualified? | Comments |
|---|---|---|---|---|---|
| Housing benefits subsidy claim | 552,094,085 | Yes | 200 | Yes | Please refer to qualification letter. |

**Appendix B: Fees for 2015/16 certification work**

| Claim or return | 2013/14 fee (£) | 2015/16 indicative fee (£) | 2015/16 actual fee (£) | Variance (£) | Explanation for variances |
|---|---|---|---|---|---|
| Housing benefits subsidy claim (BEN01) | 23,459 | 17,594 | 19,094 | 1,500 | 25% reduction applied to 2013/14 fees by the Audit Commission. |
| **Total** | **23,459** | **17,594** | **19,094** | **1,500** | |

3

**BIRMINGHAM CITY COUNCIL**

**PUBLIC REPORT**

| | |
|---|---|
| **Report to:** | **AUDIT COMMITTEE** |
| **Report of:** | **Strategic Director – Finance and Legal** |
| **Date of Decision:** | **31 January 2017** |
| **SUBJECT:** | **GROUP COMPANY GOVERNANCE – INFORMING THE AUDIT RISK ASSESSMENT** |

**Wards Affected:  All**

## 1.  Purpose of Report

1.1   A recommendation was made in the Annual Audit Letter 2013/14 regarding the Council's Group entities in relation to the overall governance controls needing to represent best practice.

1.2   This report covers those Group entities considered material and consolidated with the Council's accounts. These entities have provided responses to a set of questions to provide assurance around governance and controls which is attached as Appendix 1.

## 2.  Decisions recommended:

2.1   To note the processes in place to improve governance of Group entities.

2.2   To note the responses received to inform the audit risk assessment.

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**Martin Stevens**
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**3. Compliance Issues:**

3.1 <u>Are Decisions consistent with relevant Council Policies, Plans or Strategies:</u>
The production of annual Group accounts is a Statutory requirement.

3.2 <u>Relevant Ward and other Members /Officers etc. consulted on this matter:</u>
The Chairman of the Committee has been consulted.

3.3 <u>Relevant legal powers, personnel, equalities and other relevant implications (if any):</u>
Section 151 of the Local Government Act requires the Strategic Director – Finance and Legal (as responsible officer) to ensure proper administration of the City Council's financial affairs.

3.4 <u>Will decision(s) be carried out within existing finances and resources</u>?
Yes.

3.5 <u>Main Risk Management and Equality Impact Assessment Issues (if any):</u>
The issues raised in this report are largely of a technical financial nature.

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

4.1 The Councils' auditors highlighted concerns in the 2013/14 Annual Audit Letter as follows:
"The Council has significant financial interests outside of its core business. This includes companies owned through its group accounts structures (such as the NEC and Finance Birmingham), investments such as Birmingham Airport, and various partnership and accountable body activities such as the Advanced Manufacturing Supply Chain Initiative. Individual governance arrangements are in place for these activities but there is no overall assessment of the cumulative risk to the Council."

4.2 For the past 4 years and in response to the recommendation, Group entities have been asked to respond to a series of governance questions which are similar to the "Informing the Audit Risk Assessment" report that the Council completes each year.

4.3 An exercise is carried out each year to determine the "Group Boundary" i.e. to define which subsidiaries and associates' accounts are consolidated with the Councils' to produce the Group Accounts. This report includes assurance statements from those companies that meet the criteria for consolidation, including Finance Birmingham, Paradise and InReach for the first time. Appendix 1 is a collated set of responses to these questions.

4.4 Two companies that will be consolidated into the 2016/17 Group Accounts have not been required to respond to the assurance questions:

    4.4.1 The National Exhibition Centre (Developments) PLC
         The Company was originally set up to raise finance, construct and operate exhibition halls 17-20 at the National Exhibition Centre. The Company issued £73m loan stock guaranteed by the Council and Loan Notes. Since

2010 the Council has held all of the Company's share capital and Loan Notes. Following the sale of the NEC Group in 2015, the sole function of the Company is servicing of the finance raised to fund the construction of halls and therefore the assurance questions do not apply.

4.4.2 PETPS (Birmingham) Limited (PETPS)
Following completion of the sale of the NEC Group by the Council on 1 May 2015, PETPS, a wholly owned subsidiary of the Council assumed the ongoing funding obligation of the NEC Limited Pension Fund and the NEC Executive Pension Scheme (The Schemes) with the agreement of the pension trustees. Although PETPS is legally responsible for funding the Schemes, due to the agreements in place the Council has economic responsibility, therefore the assurance questions do not apply

4.5 A review of governance was commissioned from Grant Thornton. The objective of the review was to recommend best practice. As part of the review an in-depth look at 5 organisations has taken place involving questionnaires, document reviews and individual meetings. The Review was reported to Cabinet on 26 July 2016. One of the outcomes of the review was the establishment of a Group Company Governance Committee.

**Signatures** :

Chief Officer:  ………………………………………………………………

Dated:  …………………………………………………………………

**List of Background Documents used to compile this Report:**
Audit Findings Report 2013/14

**Appendices**

Responses from:
Acivico
Birmingham Airport
Birmingham Museums Trust
Finance Birmingham
Innovation Birmingham
InReach
Paradise
Performance Birmingham
Service Birmingham

| Question | Acivico Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | Acivico uses the same systems and processes as Birmingham City Council. There are adequate internal controls within systems to help prevent, deter and detect fraud, errors or system anomalies. Compliance with controls is monitored by management as part of day to day governance arrangements and is reviewed by Internal Audit as part of delivery of the internal audit plan. Acivico's financial processes undergo continuous review and are constantly updated to reflect any changes required due to the operation of Acivico as a commercial company. All reviews are either reported through internal or external audit and significant findings reported to the Acivico Audit Committee, Acivico Leadership Team and Acivico Board. |
| Your Management's views on your risk assessment process as it related to financial reporting. | Acivico uses the same financial systems and processes as Birmingham City Council. There are regular risk assessments carried out by management and risks are addressed appropriately within the timescales identified as being high, medium, low risk. Financial reporting is corroborated by financial systems and are reviewed by external audit and internal audit as part of the delivery of the internal audit plan. A full risk assessment is also presented to the Strategic Partnership Board in Birmingham City Council as a requirement of the Acivico/Birmingham City Council contract, to the Acivico Audit Committee and to the Acivico Board, which has three Birmingham City Council members and currently one non executive officer as Directors. |

| Question | Acivico Response |
|---|---|
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | A new year end automated accruals system was used at the end of 2015/2016 and apart from some minor issues, this worked well. It is expected that this solution will be used again this year, but with the added aspect of including prior year accruals which it did not do in 2015/2016. This system will be tested during February 2017 and assuming all goes to plan will be used in the compilation of accruals for 2016/2017. If all does not go to plan with this solution, there is then time to bring in additional staff resources in order to meet the deadlines set for Acivico's accounts to form part of BCC's consolidated financial statements. |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | Accounting policies applied during the period are still appropriate and are to continue to be used in the future.  These policies are reviewed regularly to determine if they are appropriate to the way in which Acivico now operates as a commercial entity and discussed at Senior Leadership Team within Acivico and/or Acivico Board.  Discussions are also held with external auditors on the need to change any accounting policies as appropriate. |
| Your Management's processes for identifying and responding to risks of fraud. | Acivico uses the same systems and processes as Birmingham City Council and therefore uses the Council's Anti-Fraud and Corruption Policy and Fraud Response plan which set out the 'zero tolerance' stance to fraud. This is supported by Financial Regulations which require all suspicions of financial irregularity to be reported to Internal Audit.<br>Fraud awareness information is available on PSPG, which Acivico has access to and electronic training material is available specifically targeted at managers. |

| Question | Acivico Response |
|---|---|
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico.<br><br>The Committee receives an annual report on fraud and updates on other initiatives eg National Fraud Initiative. |
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | Although there is an on-going risk of fraud being committed against Acivico, arrangements are in place to both prevent and detect fraud. These include work carried out by Internal Audit on the internal audit plan for Acivico.<br><br>The risk of material misstatement of the accounts due to undetected fraud is low. |
| How management communicate to those charged with governance regarding business risks (including fraud). | Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico.<br><br>The Committee receives an annual report on fraud and updates on other initiatives e.g. National Fraud Initiative. |

| Question | Acivico Response |
|---|---|
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico.<br><br>The Committee receives an annual report on fraud and updates on other initiatives e.g. National Fraud Initiative. |
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | Any changes or events that would cause impairment to non-current assets would be reported to both the Senior Leadership Team of Acivico, to the Acivico Audit Committee and to the Acivico Board. As shareholder of the company a report would be completed on any such matters to the AD Finance in Birmingham City Council. Acivico has a limited number of assets, so there have not been any such events to report. |
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | Senior Management are made aware in detail of any allegations of fraud as they affect them and their staff, via discussions with the Chief Executive and Head of Acivico Finance as appropriate. Serious fraud issues are also reported to the Acivico Board and the Acivico Audit Committee as appropriate, however, there have been none to date. |
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | Any events that would give rise to recognition or disclosure of significant accounting estimates are reported to both the Senior Leadership Team of Acivico, Acivico Audit Committee and to the Acivico Board. Such matters are also reported to the AD Finance in Birmingham City Council. |

| Question | Acivico Response |
|---|---|
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | Acivico uses the same systems and processes as Birmingham City Council and therefore Internal Audit provides the Acivico Audit Committee and the BCC Audit Committee with updates of their work on fraud prevention and detection, including any significant identified frauds and the action taken on behalf of Acivico.<br>The Committee receives an annual report on fraud and updates on other initiatives e.g. National Fraud Initiative. |
| How your organisation would communicate financial risks to BCC e.g. losses. | Monthly meetings with AD of Finance, BCC and meetings by exception, as necessary. |

| Question | Birmingham Airport Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | <ul><li>The Airport has a robust Internal Audit (IA) function which periodically reviews the financial functions and findings are reported through to the Airport's Audit Committee. IA reviews carried out during 2016/17 and as with previous years' support strong accounting and have highlighted no major concerns.</li><li>In addition the external audit review carried out by PwC on both the controls framework of The Airport, which is an equally important review for certifying accuracy of records, and the yearend statutory review have both demonstrated strong financial records and have highlighted strong controls and no major concerns.</li></ul> |
| Your Management's views on your risk assessment process as it related to financial reporting. | The risk assessment process is 'fit for purpose' and is supported by a robust internal audit function and external audit review. In addition we keep proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group.<br><br><ul><li>Annually we set Budgets which outline the forthcoming year's expectations for financial and statistical results. Budgets are a useful function to benchmark and compare actual results against which could potentially highlight inaccuracies with accounting.</li><li>The Airport prepares Monthly management accounts (and adopted FRS102 (new UK GAAP) during 2015/16 and the monthly management accounts are being prepared on this basis), reporting actual results against budget on a monthly basis in a timely manner. In addition the report includes Key Performance Indicators (KPIs) which are traffic lighted (red, amber, green) which direct attention to variances from prior year and Budget. The process includes investigating variances to</li></ul> |

|  | budget with any anomalies identified and followed through to resolution. |
|---|---|
|  | • The management accounts process is a thorough robust process and is able to disclose at any point in time the financial position of the company, subject to any processes that only occur at yearend such as actuarial valuations in accordance with accounting standard FRS17. |

| Question | Birmingham Airport Response |
|---|---|
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | None to report at this point in time. |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | The financial statements continue to be prepared and comply with New United Kingdom Generally Accepted Accounting Practice (UK GAAP) following the adoption in 2015/16.<br>• To the best of our knowledge using the experience and professional knowledge of staff and external guidance, the financial statements have been prepared in accordance with New UK GAAP and the Companies Act 2006.<br>• It should be noted that during 2016/17 there have been no fundamental changes within The Airport which would raise any concerns with regard to financial statements being prepared consistently with previous years.<br>• We have selected and applied consistently, suitable accounting policies that are relevant to the company's and group's business<br>• The accounting policies adopted during the year are consistent with those applied in prior years.<br>• Accounting Policies are considered with any new area which arises in the year. |
| Your Management's processes for identifying and responding to risks of fraud. | • Where risks of fraud are apparent or have been identified by internal audit or external auditors, management responds to these by reviewing existing controls and where necessary implementing additional controls.<br>• Consideration to risks of fraud forms part of Management's processes, for example additional controls were implemented to reduce the risk of fraud on changing supplier bank account details. |

| Question | Birmingham Airport Response |
|---|---|
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | The Airport has a robust Internal Audit (IA) function which periodically reviews the financial functions and findings are reported through to the Airport's Audit Committee (AC).<br>• The IA function reports to the Chair of the Audit Committee and reports independently from management to the AC three times per annum.<br><br>The Executive Board (EB) of directors formally reports to the Board six times per annum, any concerns raised by the EB are followed up with further supporting work and reporting. |
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | PWC identified during the economic downturn that there had been an increase in fraudulent activities in changing bank details held within supplier payment ledgers, with employee's changing bank details from supplier's details to their own personal details.  Immediately following this awareness, The Airport increased its controls in this area and these were subsequently reviewed by the Internal audit and external auditors for satisfactory compliance. |
| How management communicate to those charged with governance regarding business risks (including fraud). | Internal Audit maintain a risk register which is updated by management and is reported to the Audit Committee three times per annum highlighting any changes. |
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | Management are not aware of any events or changes in circumstances that would cause an impairment of non-current assets.  Should there be an awareness of this situation then Management would report through the Executive Board and then subsequently through to the Board. |
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | No fraudulent or irregularities have been identified by the Directors or the Internal and External audit process. |

| Question | Birmingham Airport Response |
|---|---|
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | The Airport's judgements and estimates made are reasonable and prudent.<br>• The Airport makes relatively few judgments and estimates in preparing the financial statements and where the directors have had to make provisions they are reasonable and prudent.<br><br>The provisions held are subject to a timed release policy where any greater than three years old are subject to a phased release, provisions held with this policy highlighted during PwC's review and identified within their audit report. |
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | The Airport's Board and Audit Committee include representatives from BCC and therefore any fraud or suspected fraud would be reported to BCC via their representatives on these bodies. |
| How your organisation would communicate financial risks to BCC e.g. losses. | The Airport's Board includes representatives from BCC and therefore any financial risks would be reported to the Board and hence BCC would be informed through this channel. |

| Question | Birmingham Museums Trust Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | There is a strong management focus on ensuring that an effective internal control environment is maintained and continuously improved. The financial control environment is well-established with appropriate systems, procedures, and segregation of duties.<br><br>During 2016 the control environment was further developed based on a resilience project to strengthen financial systems and processes together with the financial management culture. In addition, steps have been taken to strengthen the supporting IT control environment, including a project to implement new ticketing and EPOS systems from early 2017, and we have further embedded our project management approach.<br><br>The external audit for 2015-16 was concluded in June 2016 with Board approval of the accounts on 14th July. This **five month improvement** in the timeframe (previously accounts were not approved until December although figures were provided to BCC in line with the group timetable) reflected the underlying improvements in the control environment and represented a significant achievement. The external auditor expressed an unqualified opinion on the group accounts of Birmingham Museums Trust and the accounts of its subsidiary companies. The auditor has recognised the progress made in respect of the operation of systems and controls and has recommended some further improvements which management will address. The Trust is well-placed to meet the BCC Group timetable for 2016-17.<br><br>The Audit Committee has overseen the first year of a new three-year internal audit programme and the audit recommendations will underpin further improvements in the control environment. |

| Question | Birmingham Museums Trust Response |
|---|---|
| Your Management's views on your risk assessment process as it related to financial reporting. | Risks related to financial reporting are identified and managed within the overall risk management framework and processes.  Risk relating to financial reporting has been assessed and reviewed regularly and mitigating actions have been followed through.  It is the overall responsibility of the Trustees, aided by the Executive Team, to approve Birmingham Museum's risk management strategy and to promote a culture of risk management awareness throughout Birmingham Museums.  The Audit Committee reviews the risk framework each year to confirm that it remains fit for purpose; the Board receives the Audit Committee's recommendation and approves this.<br><br>A detailed risk register is maintained and updated at least quarterly. It records the key strategic risks facing the business, and identifies actions being taken to mitigate these. The risk register is presented to Birmingham Museums Trust Audit Committee and Board where it is reviewed and discussed.  The strategic risk register is supported by directorate and project risk registers. |

| Question | Birmingham Museums Trust Response |
|---|---|
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | No known accounting matters or business events.<br><br>Birmingham Museums Trust is continuing to work urgently with the BCC Executive Team to put appropriate long term governance arrangements in place before March 2017 including leases, a services contract, and a collections management agreement.  The future VAT status of the Trust is also being determined and will need to be supported by a shared financial strategy, if necessary.  If not resolved, these matters may have implications for the future of the museums service which would require disclosure. |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | The accounting policies as set out in the 2015-16 accounts were considered to remain relevant and appropriate as at July 2016 when the accounts were approved.  The new charity accounting Statement of Recommended Practice was successfully implemented for 2015-16 and will continue to apply, together with FRS102, for 2016-17.  The accounting policies are reviewed as a matter of course ahead of each annual audit.  There are no changes in activities which would require accounting policies to be updated. |
| Your Management's processes for identifying and responding to risks of fraud. | The policy relating to fraud, irregularity and corruption is included in Birmingham Museums Trust's *Governance Guidance and Financial Regulations*. There is a clear process for reporting and investigating potential fraud, under the responsibility of the Director of Finance and the museum Director.  Any incidents would be reported to the Board under the policy. |

| Question | Birmingham Museums Trust Response |
|---|---|
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | The Board approves the policy and processes for identifying and responding to risks of fraud.  The Audit Committee and Board receive and review the External Auditor's report and management letter and also the Internal Auditor's reports.<br><br>On behalf of the Board, management carry out an annual Related Party Transaction declaration process, maintain a register of gifts and hospitality and also a register of interests.<br><br>The Audit Committee considers fraud risk within it wider remit on risk management. |
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | The main fraud risk in respect of transactions relates to the risk of false supplier bank account details being provided and accepted.<br><br>To counter this risk the finance team obtains independent confirmation of all new supplier bank details and ensures segregation of duties between those updating supplier bank details and those processing or approving payments. |
| How management communicate to those charged with governance regarding business risks (including fraud). | The Board receives and comments on a report on business risks at each meeting. |

| Question | Birmingham Museums Trust Response |
|---|---|
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | None identified in the short to medium term. An impairment review is carried out annually. The potential impact of the High Speed 2 (HS2) Birmingham terminal on both the Thinktank site and the Museum Collection Centre continues to be monitored. |
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | None identified to date. |
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | None identified to date. |
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | Management meet regularly with the BCC sponsor team. In addition, the Director and Chair meet BCC senior managers. The Director of Finance has regular contact with the BCC finance team. Any issues would be raised through these channels or through the Chair of the Trust's Audit Committee, as appropriate. |
| How your organisation would communicate financial risks to BCC e.g. losses. | BCC nominates two Trustees who are members of the Birmingham Museums Trust Board. In addition, a BCC senior officer attends Board meetings as an observer. BCC's nominees are fully informed of all matters relating to risk and finances as reported to the Board. |

| Question | Finance Birmingham Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | As an FCA regulated company, Finance Birmingham has good and comprehensive governance and risk policies.<br><br>Financial controls exist and a full accounts audit is undertaken by a third party (currently Grant Thornton) on an annual basis. |
| Your Management's views on your risk assessment process as it related to financial reporting. | The company's financial performance is reported at every Board meeting – any anomalies are reported immediately.  BCC officers and Councillors attend FB board meetings. |
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | None. |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | Accounting policies remain consistent – no changes required. |
| Your Management's processes for identifying and responding to risks of fraud. | The senior operations team meets weekly and any  identified risk of fraud would be managed via this team, led by the Compliance and Regulation Director. |
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | Any instances of fraud would be immediately reported to the Board by the CEO.<br><br>Management ensures that there is the appropriate segregation of duties in place to ensure that the risk of fraud is minimised. |

Page 111 of 134

| Question | Finance Birmingham Response |
|---|---|
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | None. |
| How management communicate to those charged with governance regarding business risks (including fraud). | Through regular (weekly) operational meetings. |
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | None. |
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | None. |
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | None. |
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | The CEO would report to the FB board and, at the same time, raise awareness with senior BCC officers. |
| How your organisation would communicate financial risks to BCC e.g. losses. | Through financial updates and review of management accounts at monthly board meetings. |

| Question | Innovation Birmingham Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | We have internal HR and financial policies which has been agreed with Management and are adhered to. These are reviewed and updated regularly. Management is happy with the internal controls in place but the management is always proactive in reducing the risks further by making any necessary changes to the controls as and when needed. Fraud is rare within the business. |
| Your Management's views on your risk assessment process as it related to financial reporting. | Management is confident that the Financial policies in place are sufficient to manage the financial reporting risks. These reports are also assessed by the external auditors, Grant Thornton who also produce an audit findings report which is reviewed by the Directors of the business. |
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | The increasing time pressures placed on the company by the BCC requirements for the final accounts to be completed earlier to meet its requirements has meant that our year end accounts process and audit dates have been pushed earlier in the year to meet these tight deadlines. |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | No issues have arisen on the accounting policies used in the period and no significant changes in activities are planned. No issues were raised by our auditors during the audit. |

| Question | Innovation Birmingham Response |
|---|---|
| Your Management's processes for identifying and responding to risks of fraud. | We have an Executive Management team which formally meets regularly (at least twice a month). Any identified risk of fraud would be managed via this management team and would be monitored and managed via the company risk register. The formal risk register is regularly reviewed by Management and shared with the Directors of the business during the quarterly board meetings. The Risk Register is also reviewed in detail annually by the Board's Audit and Remuneration Committee. |
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | Once the management team identifies risk of fraud, it would go onto the risk register and the management team would take the necessary steps to reduce the risk. |
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | No major area of potential fraud risk was identified by our auditors in 2015-16. |
| How management communicate to those charged with governance regarding business risks (including fraud). | The company's management team meet regularly (at least twice a month) and is responsible for managing business risk. During these management meetings, any potential risks would be communicated and managed. |
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | Main asset we hold is the long term lease on Faraday Wharf and iCentrum. Management is aware that negative economic impacts along with occupancy figures falling significantly could result in an impairment of this asset. The property is valued each year either externally or by the Directors of the business. We also hold a shareholding in a new start up business. We receive regular board papers for this start-up company so any negative news would be communicated to our management team which may result in impairment. |

| Question | Innovation Birmingham Response |
|---|---|
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | The Management is not aware of any allegations of fraud, errors or other irregularities during this period. |
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | Management is not aware of such type of transactions, events and conditions. |
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | We have BCC representative on our board as directors and BCC officers who attend the meetings. So any fraud or suspected fraud would be communicated in the quarterly board meetings. We also are in regular communication with BCC officers who would also be made aware of any such concerns. |
| How your organisation would communicate financial risks to BCC e.g. losses. | Same as above. Also the company's Management team would work closely with BCC's finance department to communicate and resolve any financial risks. |

| Question | InReach Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | Birmingham Audit have recently reviewed controls and recommendations have been implemented |
| Your Management's views on your risk assessment process as it related to financial reporting. | Financial performance is reported monthly to InReach Project Board and at Shareholder Meeting |
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | none |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | External accountant and auditors for InReach satisfied with accounting policies, no changes made which would require an update. |
| Your Management's processes for identifying and responding to risks of fraud. | InReach Project Board meets at least once a month, the risk register would be updated with any identified risks and managed via this. The risk register is reviewed on at least a quarterly basis |
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | Monitoring is via the risk register which is reviewed on at least a quarterly basis. |
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | None have been identified. |
| How management communicate to those charged with governance regarding business risks (including fraud). | InReach Project Board meets at least once a month, any business risks identified are raised and document during these meetings |
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | none |

| Question | InReach Response |
|---|---|
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | none |
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | none |
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | Any fraud or suspected fraud would be raised during the monthly InReach Project Board meeting and fed through to BCC Shareholder Meeting |
| How your organisation would communicate financial risks to BCC e.g. losses. | Financial risks would be highlighted at the Shareholder Meeting |

| Question | Paradise Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | Paradise Circus Limited Partnership (PCLP), acting by Paradise Circus General Partner Limited (the Board) considers the internal control environment to be strong and the overall inherent risk to be low. PCLP is a joint venture between BCC and BriTel Fund Trustees Limited. The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board. In addition, PCLP is subject to an annual external audit, performed by HW Fisher. No issues have been reported in relation to the overall control environment or systems of internal controls. |
| Your Management's views on your risk assessment process as it related to financial reporting. | The risk assessment process relating to financial reporting is considered to be strong, with appropriate levels of internal controls implemented across the business. |
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | Paradise Circus' financial statements adopted FRS 102 for the first time in the 2015/16 year. The reported financial position and financial performance for the previous period are not affected by the transition.

No further known matters or events. |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | The accounting policies as set out in the 2015/16 financial statements were considered to be relevant and appropriate as at 20 December 2016 when the financial statements were approved.

The accounting policies are reviewed ahead of each annual audit and discussed with the external auditors as appropriate. There are no changes in the joint venture's activities which would require the accounting policies to be updated. |

| Question | Paradise Response |
|---|---|
| Your Management's processes for identifying and responding to risks of fraud. | There are processes in place across the business to identify and reduce the risks of fraud. This includes the segregation of duties, approval levels and structure of financial reporting.<br>No instances of fraud have been identified to date. |
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | The Board receive and review the External Auditor's report and representation letter. |
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | Fraud risks are reviewed and considered annually, in particular in relation to business propositions or significant changes within the business.<br>There were no significant audit or fraud risks noted in the paper presented to the Board by the External Auditor. The Board also signed the audit representation letter which contained several representations on the identification and prevention of fraud.<br>The risk of material misstatement of the financial statements due to undetected fraud is low. |
| How management communicate to those charged with governance regarding business risks (including fraud). | The Board receives and comments on various reports on commercial business risks, and considers the entity's governance structure and processes at each meeting as appropriate. |
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | None identified to date. |
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | None identified to date. |
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | None identified to date. |

| Question | Paradise Response |
|---|---|
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | Any instances of fraud or suspected fraud would be flagged at the regular Board meetings, which includes two representatives from BCC. |
| How your organisation would communicate financial risks to BCC e.g. losses. | PCLP is a joint venture between BCC and BriTel Fund Trustees Limited. The Board is responsible for the governance of the joint venture and any financial risks would be communicated to the Board.<br>Joint venture reporting is completed on a quarterly basis and presented to the Board where the financial performance of the joint venture is discussed including any key financial/operational issues, risks or losses. |

| Question | Performances Birmingham Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | The control environment is strong at performances Birmingham Limited (PBL) given the nature of the business (largely cash driven) and the need to pass on the majority of that cash to third parties (promoters, artists etc). There are a large number of controls and reconciliation processes in place in order to prevent problems occurring.<br>In October 2016 PBL undertook a self-assessment of Internal Financial Controls recommended as good practise by the Charity Commission. The outcome of the review concluded that control was strong, but that minor actions could improve control still further. These actions are now being taken. |
| Your Management's views on your risk assessment process as it related to financial reporting. | The company's financial performance is reported at every Board meeting and Finance & Scrutiny Group. Heads of Department (HoDs) receive monthly updates from the Head of Finance. Any unusual variances are reported and investigated immediately. |
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | None. |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | The accounting policies are agreed as appropriate by PBL' external auditors. Currently there are no changes to activities to require them to be updated. |

| Question | Performances Birmingham Response |
|---|---|
| Your Management's processes for identifying and responding to risks of fraud. | PBL treats fraud extremely seriously and although the risk of fraud is high, the control environment seeks to prevent incidences.  The highest risk is Box Office and Catering where high volumes of cash are handled.<br>The actual incidence of fraud is negligible.<br>Where there have been instances of fraud in the past, these have been dealt with immediately and reported to the Board. |
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | Any instances of fraud would be reported to the Board by the Head of Finance.<br>Management ensure that there is the appropriate segregation of duties in place to ensure that the risk of fraud is minimised.<br>Appropriate authorisation levels and counter-authorisation levels are set and enforced for all financial transactions and contracts. |
| Fraud risks, including specific accounts or classes of transactions where fraud risks have been identified. | Ticket sales and refunds:  Processes and procedures are in place to ensure that all systems used in the transaction are reconciled. Any discrepancy is followed up and investigated immediately.<br>Theft from bars and the shop: the risk of fraud is high but controls are in place to ensure the risk is minimised and defection high.  There is a zero tolerance policy to fraud, which is considered a deterrent for what would be relatively low cash sums. |
| How management communicate to those charged with governance regarding business risks (including fraud). | Major business risks (including fraud) are reported in the Organisational Risk Register.<br><br>The Risk Register is reviewed regularly by HODs and Finance & Scrutiny Group on a monthly basis, and formally by the Board on an annual basis. |

| Question | Performances Birmingham Response |
|---|---|
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | None. |
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | None. |
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | None. |
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | PBL would raise any such issue with its Board, where there are two BCC representatives, and with its lead BCC officer; the Assistant Director, Culture and Visitor Economy. |
| How your organisation would communicate financial risks to BCC e.g. losses. | PBL's financial performance is reported to BCC on a regular basis. If further communication is need, this is done through the appropriate BCC Strategic Director. |

| Question | Service Birmingham Response |
|---|---|
| Your Management's views on your control environment, the process of reviewing the effectiveness of the system of internal controls and the results of any review. | Service Birmingham Ltd Senior Management considers the internal control environment to be very strong and the overall inherent risk to be low.<br><br>Service Birmingham Ltd is a Joint Venture (JV) between BCC and Capita plc.<br><br>The JV Board forms part of the governance of the company and any financial risks or issues would be communicated to the board.<br><br>In addition to the above the company is subject to yearly external interim and final statutory audit (performed by KPMG) and no issues have been reported in relation to the overall control environment or system of internal controls.<br><br>The business is also subject to ISO20000 audit on a yearly basis. These audits have not identified any significant issues or concerns.<br><br>Further to the above, Service Birmingham Joint Venture Governance and Accounting was subject to Capita Group Internal Audit review during June 2015. The Control Environment conclusion was rated 'Effective' and 'Risk Awareness and Responsiveness' was rated as Appropriate.  No findings were raised from the sample testing undertaken. |

| Question | Service Birmingham Response |
|---|---|
| Your Management's views on your risk assessment process as it related to financial reporting. | The risk assessment process relating to financial reporting is considered to be strong and with appropriate levels of internal controls implemented across the business.<br><br>Service Birmingham Ltd financial reporting process is fully aligned with Capita's financial reporting process, which is consistently applied across Capita Group. This process is subject to both external and internal audit.<br><br>The Service Birmingham Ltd financial governance and reporting process has been designed and aligned to the business areas to ensure appropriate operational accountability, monitoring of financial performance and identification and timely reporting of key risks and issues. |
| Matters and events which occurred during the year that could influence your audit approach or BCC's consolidated financial statements. | None |
| The appropriateness of accounting policies to be used in the period, and whether any changes in activities could require them to be updated. | Service Birmingham Ltd accounting policies are considered appropriate and are consistent with the prior financial year. There have been no changes in activities during the financial year which would necessitate a change or update.<br><br>The accounting policies are also reviewed as part of the yearly external audit by KPMG and no issues/request for changes has been reported for the current or previous financial years. |

| Question | Service Birmingham Response |
|---|---|
| Your Management's processes for identifying and responding to risks of fraud. | Service Birmingham Ltd has put in place processes across the business to identify and reduce the risks of fraud. This includes but not limited to segregation of duties, approval levels, structure of financial reporting and operational MI. <br><br> The Service Birmingham Risk Register is formally reviewed and updated by Senior Management Team on a quarterly basis. The Risk Register is also formally reviewed with Capita Group Risk. <br><br> The internal Strategy and Policy team and Capita Group Risk are always informed and engaged at an early stage in case of any identified risks of fraud or specific cases. <br><br> The financial processes and procedures in place also forms part of the ISO20000 audit. <br><br> In addition to the above all Service Birmingham employees complete mandatory Fraud and Risk Awareness online course on a yearly basis. |
| How those charged with governance monitor management's processes for identifying and responding to risks of fraud. | The Strategy and Policy team continuously assess the business risks and report to the Service Birmingham Ltd Senior Management team any concerns or risks identified. <br><br> The processes and procedures in place also forms part of the ISO 20000 audit. |

| Question | Service Birmingham Response |
|---|---|
| Fraud risks , including specific accounts or classes of transactions where fraud risks have been identified. | Fraud risks are continuously reviewed and considered and in particular in relation to business propositions or significant changes within the business.<br><br>Capita Group Risk are always engaged and consulted at an early stage if needed to ensure the overall risk exposure to Service Birmingham Ltd is managed and limited. |
| How management communicate to those charged with governance regarding business risks (including fraud). | The business risks are identified and communicated by the Service Birmingham Ltd Senior Management team to the wider business and in particular the direct reports for each business area.<br><br>All material transactions or business decisions are always reviewed and approved by the Senior Management team.<br><br>In addition to the above all Service Birmingham employees complete mandatory Fraud and Risk Awareness courses on a yearly basis and ISO20000 training for relevant individuals. |
| Your Management's awareness of any events or changes in circumstances that would cause an impairment of non-current assets. | Service Birmingham Ltd Senior Management is not aware of any events or changes in circumstances which would cause an impairment of non-current assets.<br><br>The proportion of non-current assets to total assets on the Service Birmingham Ltd balance sheet is very low (c. 3%). |
| Your Management's awareness or allegations of fraud, errors, or other irregularities during the period. | Service Birmingham Ltd Senior Management is not aware of any such material circumstances/events during the period. |

| Question | Service Birmingham Response |
|---|---|
| Management's awareness of transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement. | Service Birmingham Ltd Senior Management is not aware of any such transactions, event or conditions relating to the current financial year.<br><br>Capita Group financial technical experts are engaged in relation to any events/transactions which are of a non-standard nature and could have a significant accounting impact or require significant judgement. This ensures that the appropriate accounting treatment and financial consequences are completely understood.<br><br>It is worth noting that in January 2017, the Revenues Collection Service has ceased operation within the Service Birmingham joint venture. A Deed of Variation is in place to cover this transfer of services back to the Council. |
| How your organisation would raise BCC's Audit Committee's awareness of fraud or suspected fraud. | Any significant fraud issues or suspected fraud would be communicated to BCC through the Joint Venture Board (see below) or the monthly Partnership meetings (BTSP) which are attended by both Service Birmingham Ltd and BCC key Senior Management.<br><br>BCC Audit would also be notified of any instances of fraud or suspected fraud. |

| Question | Service Birmingham Response |
|---|---|
| How your organisation would communicate financial risks to BCC e.g. losses. | Service Birmingham Ltd is a Joint Venture (JV) between BCC and Capita plc.<br><br>The JV Board forms part of the governance of the company and any financial risks or issues would be communicated to the Board.<br><br>The Service Birmingham Monthly Operating Board (MOB) financial reporting cycle perform a review of financial assets, liabilities and profit and loss performance.<br><br>JV reporting is completed and presented to the JV Board members on a bi-monthly basis where the financial performance of the JV is discussed incl. any key financial/operational issues, risks or losses. |

## Annual Audit Letter Year ended 31/3/2016 – Statutory Recommendation

## Report of the Deputy Leader

### 1. Statutory Recommendation

The Annual Audit Letter for the year ending 31 March 2016 issued by Grant Thornton, the External Auditor, includes the following Statutory Recommendation:-

*Recommendation Made Under Section 24 of the Local Audit and Accountability Act 2014*

*The Council needs to:*

*Ensure that there is Council-wide commitment to delivering alternative savings plans to mitigate the impact of the combined savings and budget pressure risks in 2016/17.*

*Demonstrate that it is implementing achievable actions to deliver its cumulative savings programme in the Business Plan 2017+ by:*

> *Revising savings programme from 2017/18 onwards to reflect the delayed or non-delivery of savings plans in 2016/17; and*

> *Ensuring that all savings plans are assessed for both lead time to implement and delivery risk.*

*Re-assess the impact of the combined savings and budget pressure risks on the planned use of reserves in 2016/17 and the impact of this on the reserves position from 2017/18 onwards.*

Grant Thornton have made this recommendation because they are concerned that if the Council does not take effective action to bring its savings programme back in line, there will be insufficient balances to manage its financial risks effectively from 2017/18. The Annual Audit Letter refers to the scale of the Council's financial pressure and the savings delivery challenge being unprecedented.

**2 Birmingham City Council Response to the Audit Statutory Recommendation**

The City Council recognises its responsibility in responding to the Statutory Recommendation under section 24 of the Local Audit and Accountability Act 2014.

The Act requires the Council to:
• consider the recommendation at a meeting held within one month of the recommendation being sent to the Council; and
• at that meeting the Council must decide:
        (a) whether the recommendation is to be accepted, and
        (b) what, if any, action to take in response to the recommendation.

The external auditor has some flexibility to vary the timescales in the Act to up to 3 months and is satisfied that this Council meeting is compliant. Prior to the issue of the recommendation the Council had already acknowledged that it needed to plan for and manage the impacts of the non-deliverable savings in 2016/17, and their impact on future years, as well as the further expenditure pressures identified.

**3.**      **Actions to address specific statutory recommendations:**

  **i.**     **Ensure that there is Council-wide commitment to delivering alternative savings plans to mitigate the impact of the combined savings and budget pressure risks in 2016/17**

- The City Council recognised that there were major deliverability issues with a number of the savings proposals assumed within the Business Plan 2016+.
- In order to begin mitigations at the earliest possible opportunity the Council carried out a "Mid-Year Budget Review" as part of Month 4 budget monitoring. This identified savings mitigations to begin in 2016/17 to help address the forecast overspend.
- It also removed 2016/17 savings which were no longer considered deliverable
- The Council continues its focus on controlling costs for the remainder of 2016/17.
- The Council has adequate revenue reserves, including an unallocated balance of £60m in the Organisational Transition Reserve, to address the residual year end overspend due to pressures or undelivered savings.

  **ii.**    **Demonstrate that it is implementing achievable actions to deliver its cumulative savings programme in the Business Plan 2017+, by:**
- **revising savings programme from 2017/18 onwards to reflect the delayed or non-delivery of savings plans in 2016/17; and**
- **ensuring that all savings plans are assessed for both lead time to implement and delivery risk**

- The impact of non-delivery of savings and ongoing pressures from 2016/17 is being addressed as part of the 2017+ Budget Planning process

- The Council's budget process has included a review of all savings proposals planned to start from 2017/18 and an assessment of whether they were still deliverable as planned.

- In the formulation of the Business Plan and Budget 2017+, saving proposals determined not to be deliverable have been either:
  - o Removed as they were determined to no longer be deliverable; or
  - o Reprofiled to give a revised savings profile based on the latest assumptions

- New potential saving proposals to address both pressures and reductions to savings have been identified with a particular focus on ensuring that each is deliverable.

- Delivery of the proposals and monitoring arrangements are being strengthened. The Corporate Leadership Team (CLT) acting in its capacity as Performance and Transformation Board will monitor progress on the delivery of the budget proposals. The new Corporate Programme Management Office (PMO) will expect Senior Responsible Officers (SROs) to produce as a minimum:
  1. Programme/Project Plan for delivery, which provides key deliverables to achieve savings and benefits; showing clear resources and lead in times required to deliver the plan
  2. Risk and Issue Registers
  3. Stakeholder and Communication Plan
  4. Highlight Reports for Governance Board.

- The Corporate PMO will offer support and guidance to SROs and their Programme/Project Managers

- The Budget 2017+ proposals have been published on our website and they are currently out for public consultation. The table below represents the proposals.

| | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
|---|---|---|---|---|
| Cross Cutting | (17.929) | (48.587) | (50.007) | (50.007) |
| Jobs & Skills | (3.365) | (5.365) | (5.665) | (5.665) |
| Homes & Neighbourhoods | (7.503) | (9.458) | (10.143) | (10.418) |
| Health & Wellbeing | (21.472) | (28.644) | (27.894) | (27.894) |
| Children | (0.324) | (2.274) | (2.558) | (2.558) |
| **Subtotal of new savings being consulted upon** | **(50.593)** | **(94.328)** | **(96.267)** | **(96.542)** |
| Total savings already included in financial plans | (27.810) | (50.535) | (75.829) | (82.072) |
| **Total Savings Requirement** | **(78.403)** | **(144.863)** | **(172.096)** | **(178.614)** |

These budget proposals are subject to consultation and subject to further assessment as to delivery, including taking account of commentary from an Independent Financial Review Team; the proposals as a result may need to change.

**iii. Re-assess the impact of the combined savings and budget pressure risks on the planned use of reserves in 2016/17 and the impact of this on the reserves position from 2017/18 onwards.**

- The draft financial strategy (subject to consultation and adoption by Cabinet and Full Council) would utilise reserves to address any budget gap in 2016/17 and provide transition funding for 2017/18 whilst maintaining an appropriate level of reserves to act as a contingency against any potential savings non-delivery in 2017/18 and 2018/19.

The Council's full response will effectively be encapsulated by the Council's ongoing work in managing the 2016/17 budget position, and the Budget 2017+ report which will go to Cabinet on 14 February and then Council on 28 February 2017.

**iv. Motion**

The Council accepts the statutory recommendation of Grant Thornton made under section 24 of the Audit and Accountability Act 2014 and the responses and actions set out in section 3 of this report.