

The Value For Money Plan for Birmingham City Council

Year ended 31 March 2017

30 January 2017

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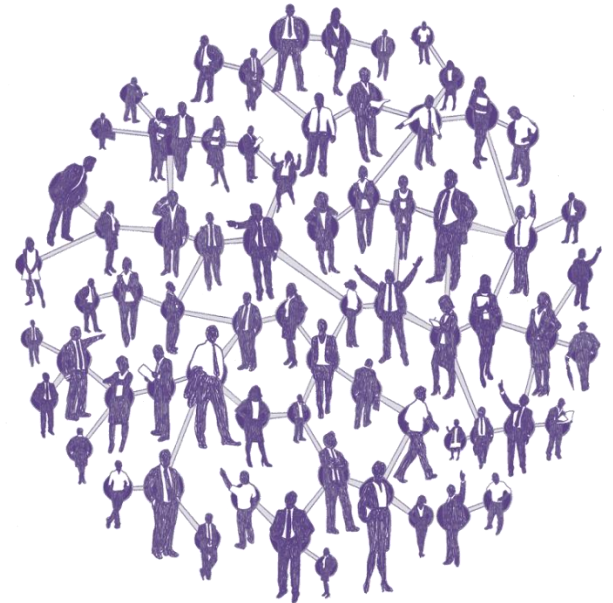
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Value for Money

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	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of sound governance• Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management• Reliable and timely financial reporting that supports the delivery of strategic priorities• Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions• Managing and utilising assets effectively to support the delivery of strategic priorities• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities• Commissioning services effectively to support the delivery of strategic priorities• Procuring supplies and services effectively to support the delivery of strategic priorities.

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.

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
<p>Budget Delivery and Reserves Management</p> <p>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.</p> <p>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.</p> <p>Overall the savings plan needs to deliver 100% recurrent savings (£145m) by the end of 2018/19 to maintain a workable reserves position.</p> <p>The key risk is that the proposed schemes will not deliver the required recurrent savings, or will take longer to implement than planned.</p>	<p>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.</p>	<p>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.</p>
<p>Services for vulnerable children</p> <p>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.</p> <p>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</p>	<p>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</p>	<p>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.</p>
<p>Improvement Panel</p> <p>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.</p> <p>The key risk is that the Panel will conclude that the Council is not making sufficient progress in implementing the changes needed.</p>	<p>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.</p>	<p>We will consider the Improvement Panels reports and discuss the progress made and key issues with the Improvement Panel Vice Chair.</p>

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 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. 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. 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. 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 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. 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.