

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

2 APOLOGIES

To receive any apologies.

3 - 6

3 MINUTES - AUDIT COMMITTEE 26 SEPTEMBER 2017 - PUBLIC

To note the public part of the Minutes of the last meeting held on 26 September 2017.

4 SUSTAINABILITY TRANSFORMATION PLAN

Presentation by the Interim Corporate Director, Adult Social Care and Health.

7 - 50

5 CORPORATE RISK REGISTER UPDATE

Report of the Assistant Director- Audit & Risk Management

51 - 66

6 BIRMINGHAM AUDIT - HALF YEAR REPORT 2017/18

Report of the Assistant Director - Audit & Risk Management

7 **ANNUAL AUDIT LETTER**

Report of the Interim Chief Finance Officer

8 **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.

9 **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'.

10 **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

11 **MINUTES - AUDIT COMMITTEE 26 SEPTEMBER 2017 - PRIVATE**

Item Description

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

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

BIRMINGHAM CITY COUNCIL

AUDIT COMMITTEE 26 SEPTEMBER 2017
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MINUTES OF A MEETING OF THE AUDIT COMMITTEE HELD ON TUESDAY, 26 SEPTEMBER 2017 AT 1400 HOURS IN COMMITTEE ROOM 2, COUNCIL HOUSE, BIRMINGHAM

PRESENT:-

Councillor Spencer in the Chair;

Councillors M Jenkins, Quinnen, Rice, Robinson and Tilsley.

NOTICE OF RECORDING/WEBCAST

- 984 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 except where there were confidential or exempt items.

APOLOGIES

- 985 Apologies were submitted on behalf of Councillor Mariam Khan and in her absence Councillor Spencer (Deputy Chair) took the Chair.
- Councillor Robinson wished to submit a late apology for the last meeting which he thought had been cancelled.

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

MINUTES

- 986 **RESOLVED:-**

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

STATEMENT OF ACCOUNTS 2016/17

The following report of the Interim Chief Finance Officer was submitted:-

(See document No 1)

The following addendum to appendix 1 - the Audit Findings report was tabled at the meeting:-

(See document No 2)

The following amendment to appendix 3 – the Annual Statement of Accounts in respect of the Annual Governance Statement was tabled at the meeting:-

(See document No 3)

Phil Jones and Laura Hinsley, Grant Thornton, explained the different sections of the Audit Findings report and the addendum thereto and responded to Members' comments thereon which included revenue overspend, senior management exit packages, capital expenditure, planned savings and the waste strike.

At 1445 hours, in response to a request by Councillor M Jenkins, the Committee agreed to exclude the public in order to discuss issues relating to equal pay including liabilities and claims and the impact it might have on the accounts.

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

EXCLUSION OF THE PUBLIC

987 **RESOLVED:-**

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

PUBLIC

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

At 1505 hours, after Members had made representations in private concerning equal pay (Minute No 995 refers), the Committee returned to the public agenda.

The web-streaming of the meeting re-commenced.

EQUAL PAY

- 989 For clarification purposes, upon returning to the web-streaming of the public part of the meeting, Councillor Spencer, Deputy Chair, advised that she had requested that the Committee receive regular updates on equal pay at future meetings as appropriate.
-

STATEMENT OF ACCOUNTS 2016/17

Hereon, the Committee continued with its consideration of the report regarding the Statement of Accounts 2016/17.

Steve Powell, Assistant Director (Corporate Finance), drew Members' attention to the Annual Governance Statement and explained the amendment thereto tabled at the meeting.

990 **RESOLVED:-**

- (i) That the Audit Findings report and addendum thereto from Grant Thornton be noted and the recommendations set out in appendix A of that report be accepted;
 - (ii) that the Annual Governance Statement and amendment thereto included in the Statement of Accounts for 2016/17 be approved;
 - (iii) that the Statement of Accounts 2016/17, subject to confirmation from the external auditor of a final opinion following the resolution of one outstanding issue, be approved;
 - (iv) that the letter of representation to Grant Thornton, External Auditor, be approved.
-

OTHER URGENT BUSINESS

The Chairman was of the opinion that the following items should be considered as matters of urgency in view of the need to expedite consideration thereof and instruct officers to act:-

A. Corporate Governance Framework

- 991 Councillor Spencer, Deputy Chair, informed the Committee of a meeting that had taken place with the Interim Chief Executive and the Monitoring Officer and that Members had been provided with assurances that the corporate governance framework remained effective, particularly with regard to the ongoing waste strike.
-

B. Apologies Submitted by Councillor Mariam Khan

- 992 Councillor Spencer, Deputy Chair, noted the comments by Councillor M Jenkins and his concern regarding the apologies submitted for today's meeting by Councillor Mariam Khan. However, Councillor Spencer did not consider that Councillor Mariam Khan's commitment to the Committee had been comprised as a result of her absence.
-

C. Response to Questions Submitted to the Interim Chief Executive

- 993 Councillor M Jenkins expressed concern that he had not received a response to various questions that he had sent to the Interim Chief Executive including a request for details of text messages between the former Leader of the Council – Councillor John Clancy and the union representative(s) regarding the ongoing waste strike.

Councillor Spencer, Deputy Chair, advised that the Interim Chief Executive had undertaken to provide Members with information, in an audit and value for money context, concerning the balance of the budget and delivery of savings in respect of waste issues.

Councillor Spencer stressed the importance of the role of the Audit Committee, particularly with regard to being an independent critical friend of the Council in finance and governance terms.

AUTHORITY TO CHAIRMAN AND OFFICERS

- 994 **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.

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	Audit Committee
Report of:	Assistant Director, Audit & Risk Management
Date of Meeting:	21st November 2017
Subject:	Corporate Risk Register Update
Wards Affected:	All
1. Purpose of Report	
1.1 To update the Audit Committee with information on the management of risks and issues within the Corporate Risk Register (CRR) (Appendix A). The information has been compiled using updates received from directorates.	
2. Recommendations	
2.1 That the Audit Committee reviews the information provided and decide if the risk ratings are reasonable, if action being taken is effective, or if further explanation / information is required. The level of risk has reduced for 3 risks:	
<ul style="list-style-type: none">• Risk 22 - Risk of fines from HMRC for Directorates employing long term consultants.• Risk 25 - Failure to comply with statutory timescales in relation to DoLS (Deprivation of Liberty) referrals, which could lead to legal challenge and result in financial loss to the Council.• Risk 27 - Risk of claims for payback of search fees charged by the Council.	
2.2 That the Audit Committee approves the deletion of 2 risks:	
<ul style="list-style-type: none">• Risk 22 - Risk of fines from HMRC for Directorates employing long term consultants, as there are now processes in place for the engagement of off payroll individuals.• Risk 27 - Risk of claims for payback of search fees charged by the Council, as the potential liability is less than £160k, and is to be monitored via the directorate risk register.	

3. Background Information

3.1 Members have a key role within the risk management and internal control processes.

3.2 The Audit Committee terms of reference, sets out its responsibilities and in relation to risk management these are:

- providing independent assurance to the Council on the effectiveness of the risk management framework and the associated control environment,
- whether there is an appropriate culture of risk management and related control throughout the Council,
- to review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management; and
- to give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.

4. Corporate Risk Register Update

4.1 The CRR is aligned to the corporate objectives of the Council and identifies the key risks to be managed at a corporate level.

4.2 The CRR focuses on the cross-cutting corporate issues.

4.3 A Lead Director has been identified for each risk. Directorates have provided information detailing the management of the risks within their service areas as at August / September 2017.

4.4 The Corporate Leadership Team (CLT) reviewed the CRR in October 2017, and are focussing efforts on addressing / mitigating the 5 key 'Big Ticket' risk areas affecting the citizens of Birmingham, ie:

- Risks 1, 4 & 5 - Addressing equal pay claims.
- Risk 2 - Improving children's safeguarding and social care.
- Risk 29 - Setting a balanced budget and containing net spend within budget.
- Risk 32 - Managing and responding to emergency incidents (including acts of terrorism).
- Risk 33 - Improving the health and well-being of Birmingham Citizens.

4.5 The CRR is attached as Appendix A.

5. Embedding Risk Management

- 5.1 There are directorate risk registers in place supported by individual risk registers for service areas. The Council's risk management process is being reviewed to ensure there is a full understanding that risk can represent opportunities for the Council, as well as potential threats; and that Members / officers are aware of the difference between risks and issues.

The current main route to provide risk management awareness is the e-learning package for managers, accessed via the internet. This is currently being reviewed / updated and moved to the Council's learning pool.

- 5.2 Information on the Council's approach to risk management is available via the BCC website. Additional information is attached to the risk management page on the intranet, to support staff in using risk management in their day to day role. Advice, support and guidance are provided by Birmingham Audit as requested.
- 5.3 Service managers are asked about their risk management arrangements as part of routine audit work. In addition the mandatory Public Sector Internal Audit Standards include a requirement with regard to risk management.
- 5.4 Risk management is also covered within the Annual Governance Statement.

6. Legal and Resource Implications

- 6.1 The work carried out is within approved budgets.

7. Equality Impact Assessment Issues

- 7.1 Risk management forms an important part of the internal control framework within the Council.
- 7.2 The Council's risk management strategy has been Equality Impact Assessed and was found to have no adverse impacts.

8. Compliance Issues

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

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Sarah Dunlavey
Assistant Director, Audit & Risk Management

Telephone No: 675 8714
e-mail address: sarah.dunlavey@birmingham.gov.uk

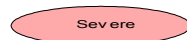
BCC Risk Map – November 2017

Likelihood:

	Low	Medium	Significant	High
High	Loss of personal / sensitive data (R11)		<div>Defend / settle pre 2008 equal pay claims (R4)</div> <div>Further equal pay claims (R5)</div> <div>Responding to emergency incidents including acts of terrorism (R32)</div>	<div>Defend / settle post 2008 equal pay claims (R1)</div> <div>Not responding to improvement agenda / improving childrens safeguarding (R2)</div> <div>Compliance re Counter Terrorism & Security Act and Prevent Duty (R26)</div> <div>Financial pressures re statutory homeless service (R31)</div>
Significant		<div>Responding to Kerslake Report (R10)</div> <div>Insufficient IT expertise / lack of control of non-core IT spend (R14)</div> <div>Compliance to Equality Act 2010 & PSED (R12)</div> <div>Compliance to timescales for DoLS referrals (R25)</div>	<div>Employee relations / sickness absence levels (R7)</div> <div>Failure of STP to deliver change / improve health & well-being (R33)</div> <div>Setting / containing net expenditure within approved budget (R29)</div>	<div>Alternative funding for schools PFI contracts / maintenance of schools estate (R3)</div> <div>Highways PFI - Core Investment deliverables (R6)</div>
Medium	<div>Ineffective Corporate Risk Marker IT solution (R17)</div> <div>Delivery of Localisation Agenda (R19)</div> <div>Fines from HMRC (R22)</div>	<div>Evaluation of service deliver options (R18)</div> <div>Allowances payments (R20)</div>	<div>Not divesting of property assets (R15)</div> <div>Malicious attacks on web based services (R16)</div>	<div>Risk of fines re air quality (R34)</div>
Low		<div>Claims re pay back of search fees (R27)</div>		
	Low	Medium	Significant	High

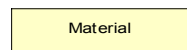
Impact

Key:



Severe

Immediate control improvement to be made to enable business goals to be met and service delivery maintained / improved.



Material

Close monitoring to be carried out and cost effective control improvements sought to ensure service delivery is maintained.



Tolerable

Regular review, low cost control improvements sought if possible.

Index by Risk / Issue Number

No	Short Description of Risk / Issue	Page
2	Not responding fully and effectively to the improvement agenda for children - improving children's safeguarding and social care	11
32	Risk of significant disruption to Council services and failure to effectively manage and respond to emergency incidents, including acts of terrorism	13
33	Failure of the Sustainability Transformation Plan (STP) to deliver a step change to the Health and Social Care system resulting in an improvement to the health and well-being of Birmingham citizens	13
1	Defend and / or settle post 2008 equal pay claims	15
26	Failure to comply with all of the requirements of the Counter Terrorism and Security Act (2015) and the Prevent Duty	15
31	Increased pressure on the statutory homeless service in regards to volume of customers, which leads to significant financial pressure on the general fund due to increased use of B&B	17
4	Defend and / or settle pre 2008 equal pay claims	18
5	Further equal pay claims	18
34	Risk of fines being passed down to Local Authorities in relation to air quality / ongoing fines related to not meeting air quality compliance	19
12	Failure to comply with the Equality Act 2010 and the Public Sector Equality Duty	20
25	Failure to comply with statutory timescales in relation to DoLS (Deprivation of Liberty) referrals, which could lead to legal challenge and result in financial loss to the Council	22
11	Loss of personal or sensitive data	23
27	Risk of claims for payback of search fees charged by the Council	23
Nominated for deletion 3	Failure to identify alternative funding stream for school PFI contracts - impacting on availability of maintenance funding for essential management of the LA schools estate	25
Reworded 6	Failure to achieve all of the services required (including delivery of significant investment into the Highway network), within the first five years of the contract	26
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	27
15	Not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery	28
Nominated for deletion 22	Risk of fines from HMRC for directorates employing long term consultants	29
19	Delivery of the Localisation Agenda and commitments made in the Council's Improvement Plan and Leaders Policy Statement	30
16	Web services may be disrupted by malicious attacks on Council's web based services	31
14	Insufficient in-house IT expertise within directorates & inadequate or ineffective corporate control of non-core IT spend	32
17	Ineffective Corporate Risk Marker IT solution	33
7	Employee relations, performance issues, sickness absence levels, etc	34
10	Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme	35
18	Evaluation of cost & benefits of alternative delivery models & failure to fully implement the decisions made to change policy / service delivery	36
20	Allowance payments	37

Key:

	Safeguarding / Welfare
	Statutory Responsibilities / Compliance with Statutory Responsibilities
	Financial Resilience - Risk associated with austerity and the financial challenges facing BCC
	Political - Risks driven by the political agenda
	Technology
	Transformation

Corporate Risk Register Update for Audit Committee November 2017

INDEX OF RISKS / ISSUES (in order of severity of risk per category)

Safeguarding / Welfare

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
1	2	Not responding fully and effectively to the improvement agenda for children - Failure to improve children's safeguarding and children's social care.	Corporate Director Children & Young People	Actual: H/H Target: M/H	Same	H/H	H/H	H/H	11
2	32	Risk of significant disruption to Council services and failure to effectively manage and respond to emergency incidents, including acts of terrorism.	Interim Chief Executive	Actual: S/H Target: M/S	Same	S/H			13
3	33	Failure of the STP to deliver a step change to the Health and Social Care system resulting in an improvement to the health and well-being of Birmingham citizens.	Interim Corporate Director Adults Social Care & Health	Actual: S/S Target: L/M	Same	S/S			13

Statutory Responsibilities / Compliance with Statutory Responsibilities

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
1	1	Defend and / or settle post 2008 equal pay claims.	Interim Chief Finance Officer	Actual: H/H Target: M/S	Same	H/H	H/H	H/H	15
2	26	Failure to comply with all of the requirements of the Counter Terrorism and Security Act (2015) and the Prevent Duty.	Corporate Director Place	Actual: H/H Target: M/S	Same	H/H	H/H	H/H	15

Corporate Risk Register Update for Audit Committee November 2017

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
3	31	Increased pressure on the statutory homeless service in regards to volume of customers.	Corporate Director Place	Actual: H/H	Same	H/H	H/H		17
				Target: M/M					
4	4	Defend and settle pre 2008 equal pay claims.	Interim Chief Finance Officer	Actual: S/H	Same	S/H	S/H	S/H	18
				Target: L/H					
5	5	Further equal pay claims.	Interim Chief Finance Officer	Actual: S/H	Same	S/H	S/H	S/H	18
				Target: M/H					
6	34	Risk of fines being passed down to Local Authorities in relation to air quality / ongoing fines related to not meeting air quality compliance.	Interim Corporate Director Adults Social Care & Health	Actual: H/M	Same	H/M			19
				Target: M/L					
7	12	Failure to comply with all the requirements of the Equality Act 2012 and the Public Sector Equality Duty.	Corporate Director Place	Actual: M/S	Same	M/S	M/S	M/S	20
				Target: M/S					
8	25	Failure to comply with statutory timescales in relation to DoLS (Deprivation of Liberty) referrals, which could lead to legal challenge and result in financial loss to the Council.	Interim Corporate Director, Adult Social Care & Health	Actual: M/S	Reduced	M/H	M/H	M/H	22
				Target: M/S					
9	11	The loss of significant personal or other sensitive data.	Chief Operating Officer	Actual: L/H	Same	M/S	M/S	M/S	23
				Target: L/H					
10	27 <small>Nominated for deletion</small>	Risk of claims for payback of search fees charged by the Council.	Corporate Director Economy	Actual: M/L	Reduced	H/H	H/H	H/H	23
				Target: M/L					

Corporate Risk Register Update for Audit Committee November 2017

Financial Resilience

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
1	3	Failure to identify alternative funding stream for school PFI contracts revenue pressure, impacting on availability for essential management of the LA schools estate.	Interim Chief Finance Officer	Actual: H/S	Same	H/S	H/S	H/S	25
				Target: M/S					
2	6	Failure to achieve all of the services required including delivery of significant investment into the Highway network within the first five years of the contract.	Corporate Director Economy	Actual: H/S	Same	H/S	H/S	H/S	26
				Target: L/S					
3	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.	Interim Chief Finance Officer	Actual: S/S	Increased	M/S	M/S	M/S	27
				Target: L/S					
4	15	Not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery.	Corporate Director Economy	Actual: S/M	Same	S/M	S/M	S/M	28
				Target: M/L					
5	22 <small>Nominated for deletion</small>	Risk of fines from HMRC for Directorates employing long-term consultants.	Chief Operating Officer	Actual: L/M	Reduced	L/S	L/S	L/S	29
				Target: L/M					

Political

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
1	19	Failure to deliver the Council's localisation agenda and commitments made in the Council's improvement Plan and Leaders Policy Statement.	Corporate Director Place	Actual: L/M	Same	L/M	L/M	M/M	30
				Target: L/M					

Corporate Risk Register Update for Audit Committee November 2017

Technology

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
1	16	That web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services.	Chief Operating Officer	Actual: S/M	Same	S/M	S/M	S/M	31
				Target: L/M					
2	14	Insufficient in-house IT expertise within directorates and inadequate or ineffective corporate control of non-core IT spending.	Chief Operating Officer	Actual: M/S	Same	M/S	M/S	M/S	32
				Target: L/S					
3	17	Ineffective Corporate Risk Marker IT solution.	Chief Operating Officer	Actual: L/M	Same	L/M	L/S	S/M	33
				Target: L/M					

Transformation

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
1	7	Lack of capacity and capability to respond to employee relations tensions, poor service, performance issues, sickness absence levels and poor morale due to organisational downsizing and pay freezes.	Chief Operating Officer	Actual: S/S	Same	S/S	H/S	H/S	34
				Target: L/M					
2	10	Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme.	Interim Chief Executive	Actual: M/S	Same	M/S	M/S	M/S	35
				Target: L/S					

Corporate Risk Register Update for Audit Committee November 2017

Ranking	Risk No.	Short Description	Lead Director	Actual Risk rating and Target rating Likelihood / Impact Nov 2017	Change in residual risk	Actual risk level in previous 3 updates to Audit Committee			Page No.
						July 2017	March 2017	Nov 2016	
3	18	Failure to adequately evaluate the costs and benefits of alternative delivery models. Failure to fully implement the decisions made to change policy and service delivery.	Chief Operating Officer	Actual: M/M	Same	M/M	M/M	M/M	36
				Target: M/M					
4	20	Allowance payments.	Chief Operating Officer	Actual: M/M	Same	M/M	M/M	M/M	37
				Target: M/M					

Corporate Risk Register Update for Audit Committee November 2017

Safeguarding / Welfare

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
2	<p>Not responding fully and effectively to the improvement agenda for Children - Failure to improve children's safeguarding and children's social care.</p> <p>Lead: Corporate Director Children & Young People Owner: Alastair Gibbons</p>	High / High	<p>Lead Director comment</p> <p>A new Commissioner for Children's Care was appointed in November 2016. He is working with the Council to oversee continued implementation of the improvement plan and support for the development of the Children's Trust, reporting progress to the DfE.</p> <p>There is now greater clarity about resources and priorities going forward, including a sustainable 4 year financial plan and a stable operational model was in place in February 2016. We have worked with partners in the Early Help & Safeguarding Partnership to redesign the front door for early help and social work contacts, and referrals to improve referral-taking, advice, screening and decision-making. CASS (Child Advice & Support Service) is the way into family support and social work services including MASH and child protection, and was in place from September 2016.</p> <p>Ofsted conducted a full inspection of Birmingham Children's Social Care in September / October 2016. Ofsted judged that the Council remained inadequate overall but with several areas of improvement.</p> <p>In January 2017 a new Ofsted Action Plan / Continued Service Improvement Plan was developed with 17 identified broad areas of Service development. This is monitored through the monthly Children's Improvement Board and by Ofsted Monitoring visits, (first one 9th / 10th May 2017) as well as by fortnightly Quartet (Leader, lead member, CE, DCS) Meetings.</p> <p>Essex CC continues to support practice improvement with 72 days input between January and September 2017, learning which informs service development.</p>	<p>Target risk rating: Medium / High</p> <p>Anticipated date of attainment of the target risk rating: April 2018.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance, Peer review, Ofsted visits, Scrutiny Committee monitoring, and Children's Commissioner fortnightly. Quartet Meetings (Children's Improvement Programme Board); Essex improvement support.</p> <p>The refreshed improvement plan, with the necessary investment is being delivered.</p> <p>There is still much to do to ensure the quality of practice. Cabinet approval has been given to the replacement of the CareFirst case system and a procurement process is almost complete.</p> <p>Cabinet in January 2017 agreed moving to a shadow Children's Trust from April 2017; and for full implementation from April 2018. The Chief Executive of the Trust was appointed in May 2017.</p> <p>Cabinet in July 2017 agreed staff would be TUPE'd to the Trust and which staff groups would move; numbers of staff, overall budget and savings to be delivered in year.</p> <p>In August 2017 DfE tendered for a further 72 days improvement support for children's services, up until September 2018. This support, along with a stronger focus on performance from the Trust</p>	<p>O&S - Schools, Children and Families O&S Cttee:</p> <p>Scrutinised progress on the Scrutiny Inquiry: Children Missing from Home and Care on 12th Oct 2016 and April 2017; and discussed children missing from education on 12th Oct 2016 and 24th August 2017. The BEP was questioned on school improvement on 21st September 2016, and 22nd March 2017.</p> <p>Members discussed the Children's Social Care and Safeguarding Improvement Plan at the informal July 2016 meeting. On 7th Dec 2016 the Committee examined changes following the Ofsted visit and improvements to MASH / CASS. The Cabinet Member was also questioned on improvements on 12th July 2017.</p> <p>July and September 2016 saw Members discussing progress to the Voluntary Children's Trust and met with Andrew Christie on 23rd January 2017 to scrutinise the plans going to Cabinet. In addition, Members have identified Home to School Travel as being a risk to service users, the Council's reputation, legal challenge and budget control.</p>

Corporate Risk Register Update for Audit Committee November 2017

Safeguarding / Welfare

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
			<p>We continue to develop services with partners through the Early Help and Safeguarding Partnership.</p> <p>Staff group is stable and there is a deliverable budget for 2017/18.</p> <p>There was an Ofsted Monitoring visit in May 2017 which found 'notable progress'. The Children's Trust CE took up post in August 2017 when support services moved over in line with management to the Shadow Children's Trust, and all relevant staff received TUPE letters.</p> <p>The Shadow Children's Trust Board, fully appointed, met for the first time in August 2017.</p>	<p>Board will continue and add pace to improvement, thus mitigating this risk.</p> <p>A new case records system has been procured to replace Carefirst, and this will be implemented in summer 2018, freeing up social worker time and making the maintenance of case records easier and more family focused.</p>	<p>They examined this on 5th Dec 2016 at an informal meeting, and at the budget discussion meeting on 11th January 2017. Several Members of the committee are on the Inclusion Commission taking this work further.</p> <p>Held meetings with the Exec Director for Children's Services, Chief Social Worker, adoption and fostering team and Social Workers at all three areas.</p> <p>The Inquiry into Corporate Parenting was undertaken to improve the Cllrs role as Corporate Parents for Children in Care. This was agreed at Council on 4th April 2017 and update on progress is due in October 2017.</p> <p>IA Reviews 2016/17: Child Protection Case Conference - Engagement, Dealing with Excluded Pupils, Children Missing From Education, Effective Social Working with Families, Carefirst, Sexual Health Contract - Identification of Child Sexual Exploitation, Personal Education Plans F/Up, IS Management (iCare Application).</p> <p>IA Review 2017/18: Carefirst, Direct Payment Workflow.</p>

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Safeguarding / Welfare

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
32	<p>Risk of significant disruption to Council services and failure to effectively manage and respond to emergency incidents, including acts of terrorism.</p> <p>Lead: Interim Chief Executive Owner: Jacqui Kennedy</p>	Significant / High	<p>Lead Director comment</p> <p>Project Argus briefing to CLT undertaken during summer 2017.</p> <p>Major incident exercise (Assured) programmed for November 2017.</p> <p>Protect and prepare meetings programmed quarterly for 2017. Action tracker in place.</p> <p>Corporate and LRF emergency plans in place.</p> <p>Working with LRF partners on exercising 24/7 out of hours emergency duty officer service in place including emergency control room.</p> <p>Security awareness briefings held with Council House Staff and elected members.</p> <p>Work progressing with Prevent Community Reference Group to incorporate community responses into wider resilience plans.</p>	<p>Target risk rating: Medium / Significant</p> <p>Anticipated date of attainment of the target risk rating: Ongoing.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Cooperation with WMP CTU on their proposed Birmingham Protect and Prepare Board.</p> <p>Meeting to discuss this and wider issues 14th July 2017.</p> <p>Consolidate BCC and WMP P&P Processes</p>	<p>O&S - None.</p> <p>IA Review - None.</p>
33	<p>Failure of the STP to deliver a step change to the Health and Social Care system resulting in an improvement to the health and well-being of Birmingham citizens.</p> <p>Lead: Interim Corporate Director Adults Social Care & Health Owner: Graeme Betts</p>	Significant / Significant	<p>Lead Director comment</p> <p>The leadership of the STP has changed. The STP board has agreed a revised purpose which will mitigate this risk. However, the scale of the challenge including meaningful public and staff engagement will mean this process will not be fast. Additionally there are "task" requirements of NHSE which may deflect attention this year.</p>	<p>Target risk rating: Low / Medium</p> <p>Anticipated date of attainment of the target risk rating: March 2019.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>STP board which is represented by the Leader / Cllr Hamilton, CEO and Graeme Betts.</p>	<p>O&S - Health & Social Care O&S Committee have had regular updates on the STP both in main committee and Joint Birmingham / Solihull Health Scrutiny Committee.</p> <p>On 27th September 2016, Cllr Hamilton and Peter Hay attended HOSC to give an update. Cllr Hamilton highlighted concerns. In response to this the System Lead (Mark Rogers) and Workstream Leads (Dame Julie Moore, Sarah-Jane Marsh, John Short and Les</p>

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Safeguarding / Welfare					
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					<p>Williams) attended committee on 25th October 2016.</p> <p>On 6th December 2016, a report on the current position regarding the STP was presented to City Council.</p> <p>A further update was presented by Piali Das Gupta on 21st February 2017.</p> <p>Kathryn Hudson, STP Programme Director and Graeme Betts have been invited to attend HOSC on 17th October 2017 to present another update.</p> <p>In addition, on 8th March 2017, Andrew McKirgan, who was then the Director BSoI STP and Judith Davis, Programme Director, Better Care Fund attended Birmingham / Solihull JHOSC to present a progress report.</p> <p>IA Review - None.</p>

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Statutory Responsibilities / Compliance with Statutory Responsibilities					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
1	<p>Failure to successfully defend and / or settle post 2008 equal pay claims.</p> <p>Lead: Interim Chief Finance Officer Owner: Kate Charlton</p>	High / High	<p>Lead Director comment</p> <p>A significant number of claims has been issued. A proportion of these has already been settled or is in the process of settlement.</p> <p>The validity of claims is constantly challenged by Legal Services. Each claim is subject to robust legal challenge.</p> <p>Settlement of claims is subject to financial provision, which is due to expire on 31/03/18, and establishing validity of claims.</p>	<p>Target risk rating: Medium / Significant</p> <p>Anticipated date of attainment of the target risk rating: March 2018.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance - regular separate reporting to Corporate Governance Group, EMCB and the Audit Committee. External & internal audit review.</p>	<p>O&S - None.</p> <p>IA - Payroll review work undertaken annually.</p>
26	<p>Failure to comply with all of the requirements of the Counter Terrorism and Security Act (2015) and the Prevent Duty.</p> <p>Lead: Corporate Director, Place Owner: Jacqui Kennedy</p>	High / High	<p>Lead Director comment</p> <p>The threat and vulnerability risk assessment of a terrorist attack in the UK places Birmingham as the most vulnerable city after London. In 2015 the Council and partners reviewed its infrastructure around this risk to take into account the Counter-Terrorism and Security Act 2015, that includes a duty on certain bodies ('specified authorities' listed in Schedule 6 to the Act), in the exercise of their functions to have 'due regard to the need to prevent people from being drawn into terrorism'.</p> <p>The duty does not confer new functions on any specified authority. The term 'due regard' means that the authorities should place an appropriate amount of weight on the need to prevent people being drawn into terrorism when they consider all the other factors relevant to how they carry out their usual functions.</p> <p>The Council has applied a partnership and mainstreaming approach to mitigate the risks associated with the threat.</p> <p>Governance for the Prevent programme has been strengthened with the Prevent coordinator now reporting directly to the</p>	<p>Target risk rating: Medium / Significant</p> <p>Anticipated date of review/attainment of the target risk rating: Ongoing</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Delivery continues to be monitored by the CONTEST Board Chaired by the Deputy Leader.</p> <p>Prevent Delivery Plan in place driven by Counter Terrorism Local Profile, monitored by the Prevent Executive Board, chaired by Jacqui Kennedy.</p> <p>Security briefings to Council House staff & Members.</p> <p>Training for front line staff moved to a 'train the trainer' model - 600 trainers having been trained to deliver future WRAP awareness training to schools alleviating capacity issues within the local authority.</p>	<p>O&S - Waqar Ahmed, Prevent Manager reported to Scrutiny on 26th April 2017 alongside Chief Social Worker Tony Stanley to discuss safeguarding arrangements for Prevent and radicalisation.</p> <p>IA Review 2016/17: Work undertaken during quarters 1&2.</p> <p>Birmingham contributing to the Home Office Audit on national Prevent activity.</p>

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			Strategic Director and Assistant Chief Executive increasing visibility across the Council.	<p>Support continues to be provided to schools around Prevent via the Schools Resilience Officer and additional funding approved to employ a second schools officer.</p> <p>Prevent is embedded within CASS/MASH arrangements and within the Right Services, Right Time safeguarding procedures. A new screening tool has been developed to support the request for support form.</p> <p>CHANNEL is in place as a multi-agency pre-criminal space platform to support vulnerable people; and chaired by the DWPs Think Family Lead.</p> <p>Community initiatives in place commissioned by the Home Officer to provide community solutions and are regarded by the Home Office as national best practice with scaling up plans initiated to extend into other regional areas.</p> <p>BCC Resilience Team continues to lead on the Prepare and Protect strand of the counter-terrorism strategy.</p>	

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31	<p>Increased pressure on the statutory homeless service in regards to volume of customers, which leads to significant financial pressure on the general fund due to increased use of B&B.</p> <p>Lead: Corporate Director, Place Owner: Rob James</p>	High / High	<p>Although the service was forecast to be overspent by over £4.7 million in 2016/17, the final outturn was £2.6 million. To mitigate the financial pressure on the service, several management interventions have been put in place. These include a report to Cabinet in August 2017 to increase the number of homeless centres owned and managed by Birmingham City Council. Properties are to be refurbished for use as temporary accommodation, which avoids use of Bed and Breakfast (the most expensive).</p> <p>The report sets out:</p> <ul style="list-style-type: none"> Proposals for the creation of two additional homeless centres for use as temporary accommodation as part of the Council's statutory duty to provide temporary accommodation; and The approach and procurement strategy for the refurbishment of two Council owned properties for use as temporary accommodation. <p>In addition, a homeless prevention strategy is currently being consulted on, which aims to prevent people becoming homeless and assisting in sustaining tenancies. The strategy is to be reported to Cabinet in January 2018 and to full Council in February 2018. The Homeless Reduction Act is due to come into force in 2018, which will place additional burdens on the City to prevent homelessness and reduce the use of temporary accommodation. We are currently working with the Department of Communities and Local Government to produce an implementation plan for the City.</p>	<p>Target risk rating: Medium / Medium</p> <p>Anticipated date of attainment of the target risk rating: March 2018.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance - regular reporting to Cabinet Member, monthly meetings with finance, discussions at Housing DMT, 1to1s with Head of Service.</p>	<p>O&S -The Housing and Homes O&S Committee inquiry into rough sleeping was presented to City Council in June 2017, and progress on implementation of the recommendations will be tracked by the committee on a regular basis starting with its December 2017 meeting. At the same meeting, Members will receive an update on the Allocations Scheme.</p> <p>It is also proposed that in early 2018 the Committee be briefed on the implementation of the Homelessness Reduction Act.</p> <p>IA Review 2017/18: Allocations.</p>

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4	<p>Failure to successfully defend and / or settle pre 2008 equal pay claims.</p> <p>Lead: Interim Chief Finance Officer Owner: Kate Charlton</p>	Significant / High	<p>Lead Director comment</p> <p>In 2010, the Tribunal determined that the Council had no defence to pre 2008 equal pay claims (Barker v Birmingham City Council). C12,000 early claims without the involvement of solicitors have been settled including a further cohort as part of settlement agreements reached in 2011 and 2013.</p> <p>Claims issued since January 2015 are now out of time and are not valid claims. The Council is succeeding in striking out these out of time claims.</p> <p>The validity of claims is constantly challenged by Legal Services. Each claim before any offer to settle is made is subject to robust legal challenge. Any offer of settlement is subject to available financial resources.</p>	<p>Target risk rating: Low / High</p> <p>Anticipated date of attainment of the target risk rating: March 2018.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance - reporting to Corporate Governance Group, Audit Committee, external & internal audit review.</p>	See risk SR01 above.
5	<p>Risk of further equal pay claims.</p> <p>Lead: Interim Chief Finance Officer Owner: Kate Charlton</p>	Significant / High	<p>Lead Director comment</p> <p>Claimant solicitors are continually 'fishing' for further equal pay liability by issuing further equal pay claims in addition to those referred to in risks 01 and 04.</p> <p>The validity of these type of claims is, and will be subject to robust legal challenge. At the moment, there is no determination as to liability or attainment as to target risk due to the nature of the challenge.</p>	<p>Target risk rating: Medium / High</p> <p>Anticipated date of attainment of the target risk rating: Not known at current date.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance - reporting to Corporate Governance Group, Audit Committee, external & internal audit review. With a view to preventing discriminatory working practices, robust review processes and checks and balances have been put in place to mitigate against / prevent further liability post 2011; where evidence of potential risk(s) is known / identified.</p>	See risk SR01 above.

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34	<p>With uncertainty on the UK air quality action plan following challenges through the judicial system and the costs associated with the Government announcing infraction fines being passed down to Local Authorities in relation to air quality there is the potential of an initial £60m fine and then ongoing fines related to Birmingham not meeting air quality compliance.</p> <p>Lead: Interim Corporate Director Adults Social Care & Health Owner: Adrian Phillips</p>	High / Medium	<p>Lead Director comment</p> <p>Weekly teleconference meetings with DEFRA's Joint Air Quality Unit to update mitigation plans.</p> <p>Monthly Air Quality Members Steering Group to provide strategic direction for wider Air Quality Programme including deployment of Clean Air Zone.</p> <p>Feasibility studies to measure air quality impact and assess measures and controls to meet compliance, including level of Clean Air Zone to be deployed.</p> <p>Development of overarching clean air policy for Birmingham for 2018.</p> <p>Positive engagement with WMCA.</p>	<p>Target risk rating: Medium / Low</p> <p>Anticipated date of attainment of the target risk rating: April 2019.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Wider Air Quality Plan that includes:</p> <ul style="list-style-type: none"> Traffic management, signalling and signage controls - 12/2018. Controlled Parking Zones - 12/2018. BCC Internal & External Fleet transition to low / zero emission full Low / zero re-fuelling infrastructure - 04/2019. Clean Air Zone strategic business case signed off by Secretary of State by 12/2017 to enable CAZ infrastructure for access restrictions deployed by 04/2019. Revised Birmingham Taxi Licensing Policy based on air quality compliance emissions - 12/2018. All BCC procurement frameworks and tendering processes aligned with CAZ compliance - 12/2018. 	<p>O&S - The Health & Social Care O&S Committee have carried out an inquiry into 'The Impact of Poor Air Quality on Health'.</p> <p>Evidence gathering took place on 17th January 2017 and 28th March 2017. Witnesses included:-</p> <ul style="list-style-type: none"> Public Health England Friends of the Earth Birmingham Trees for Life Transport for West Midlands Birmingham Children's Hospital Network Rail <p>The final report was presented to City Council for ratification on 12th September 2017.</p> <p>Further reports tracking the implementation of recommendations will be presented to HOSC on a regular basis beginning in March 2018.</p> <p>IA Review - None.</p>

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12	<p>Failure to comply with all of the requirements of the Equality Act (2010) and the Public Sector Equality Duty.</p> <p>Lead: Corporate Director, Place Owner: Jacqui Kennedy</p>	Medium / Significant	<p>Lead Director comment</p> <p>The Public Sector Equality Duty (PSED) was created by the Equality Act 2010 and is set out in section 149. It applies to public bodies, such as local authorities listed in Schedule 19 to the Act, and to other organisations when they are carrying out public functions. The PSED contains specific duties (Specific Duties Regulations 2011) which are an important lever for ensuring that public bodies take account of equality when conducting their day-to-day work. When delivering their services and performing their functions, bodies subject to the PSED must have due regard to the need to:</p> <ul style="list-style-type: none"> • Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act. • Advance equality of opportunity between people who share a relevant protected characteristic and people who do not share it. • Foster good relations between people who share a relevant protected characteristic and those who do not share it. <p>Legal challenge can delay implementation of change and significantly delay or reduce the planned savings to be achieved this may also have a detrimental impact on other services. It is important therefore, that Equality Assessments (EAs) are carried out robustly across BCC regarding all initiatives and service delivery changes. The responsibility for ensuring that EAs for all major policy / budget changes lies with the Directorates. Directorate Equality Champions are responsible for assuring their SMT that a governance framework is in place across their directorate which supports the equalities agenda and compliance to legislation. They should ensure that the EAs produced by the service are capturing evidence of ongoing compliance. Legal Services are advising on high risk EAs.</p>	<p>Target risk rating: Medium / Significant</p> <p>Anticipated date of attainment of the target risk rating: Attained.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <ul style="list-style-type: none"> • Corporate Governance is in place to manage this risk effectively and close monitoring by ECS&CS and Legal Services will continue in order to address any issues which may arise. • Corporate Consultation undertaken on savings proposals. • Unique EA reference will be tracked and reported against individual Corporate Savings Proposals. • Corporate Steering Group to oversee compliance. • Initial RAG assessment of savings proposals to be undertaken. • Legal advice sought on high risk initiatives. • Process of Legal sign off on Cabinet Reports. <p>Management assurance. In addition to current guidance and information, the development and use of the online Equality Analysis Toolkit will help mitigate against managers undertaking inadequate EAs. The toolkit provides a step by step process and on line guidance to completing an EA and developing an action plan.</p> <p>The online toolkit provides an overview of all EAs undertaken on the system.</p>	<p>O&S - Corporate Resources and Governance O&S Committee to have briefing on HR matters including workforce equality on 21st September 2017.</p> <p>IA Review - None.</p>

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			<p>Following consultation with Legal Services and Directorate Equality Leads, the Equality Analysis Toolkit was developed to improve the guidance information to staff. If followed, this guidance should help improve the content and standard of EAs submitted for approval.</p> <p>All budget planning paperwork requires equality assessments to be completed at an early stage and throughout.</p> <p>The Equality Analysis Toolkit is available to Directorates to undertake EAs for all new Policies and Procedures, and the EA process includes a quality assurance check by the Directorate Equality champion, alongside a senior officer level sign off and assurance of each EA. Advice and support on completion of the EA is provided from the Equalities, Community Safety and Cohesion Service (ECS&CS) and Legal Services. Guidance on undertaking consultation has been updated and is available on InLine and this is now aligned with the EA process. Over 700 staff ranging from GR5 through to JNC have been trained on the EA Toolkit and on undertaking an EA.</p> <p>Corporate consultation and EAs have been undertaken on all relevant corporate savings. Directorates will continue to undertake consultation and EAs for individual initiatives where appropriate. This process is overseen by the Directorate Equality Champions. Directorate DMTs will monitor progress on the EAs alongside other performance related issues which are then reported to the CLT Performance Board.</p> <p>A robust approach exists for savings proposals. Corporate Consultation, EAs and all associated consultation are aligned, with emphasis on feedback from the protected groups.</p> <p>In line with the Specific Duties Regulations 2011, the Council must annually publish information relating to (a) people who are affected by our policies and practices who share protected</p>	Project managers are encouraged to take legal advice on high risk initiatives.	

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			characteristics; and (b) our employees who share protected characteristics. The Regulations also require us to set equality objectives every 4 years. In 2014 the Council published high-level actions identified to deliver the Council's business plan and achieve the Council's vision. In March 2016 the Council approved its vision, priorities and approach set out in the Council Business Plan. This will be reviewed as part of programme for the Council of the Future.		
25	<p>Failure to comply with statutory timescales in relation to DoLS (Deprivation of Liberty) referrals, which could lead to legal challenge and result in financial loss to the Council.</p> <p>Lead: Interim Corporate Director, Adult Social Care & Health Owner: Tapshum Pattni</p>	Medium / Significant	<p>Lead Director comment</p> <p>This risk is made of 2 components:</p> <p>1) DOLS in Care Homes and Hospitals - DOLS strategy was reviewed in July. ASC&H DLT and the Cabinet Member subsequently adopted the recommendation to adopt an alternative view of the balance of litigation risks v financial risks in this area. In line with the approach taken by the majority of West Midland Local Authorities, it will in future only undertake DOLS assessments for those adults who meet the ADASS "High" criteria. The significantly enlarged Best Interest Assessor (BIA) team, with increased management and administrative support will remain but expenditure on the external BIA service has ceased. The effect is anticipated to be a reduction in the number of DOLS authorisations, but an increase of those of "High" priority (and existing cases due for renewal) being completed within the legal time limit. The overall position of the number of cases which have not been assessed will steadily increase, but this will be viewed as a lower risk to the Council than previously.</p> <p>2) Community DOLS - A business process, staff procedure, manager prioritisation guidance and staff training have been established, in conjunction with legal Services, and are now in use. This level of activity seems to be in line with that of other local authority areas.</p>	<p>Target risk rating: Medium / Significant</p> <p>Anticipated date of review/attainment of the target risk rating: September 2017.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>A monthly position report is presented to the Directorate DOLS Project Board. A bi-monthly report is presented to the Cabinet Member.</p>	<p>O&S - None.</p> <p>IA Review 2016/17: Deprivation of Liberty Standards F/Up.</p> <p>IA Review 2017/18: Deprivation of Liberty 2nd F/Up.</p>

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11	<p>That the loss of significant personal or other sensitive data may put the City Council in breach of its statutory responsibilities and incur a fine of up to £500,000 from the Information Commissioner.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Malkiat Thiarai</p>	Low / High	<p>Lead Director comment</p> <p>Current controls based on encryption of data on mobile devices or copied to removable media; and programme of staff education and training.</p> <p>Breach management processes have been established with clear lines of responsibility to the Senior Information Risk Owner (SIRO), and the Monitoring Officer. Known data breaches are discussed at the Breach Management Panel and reports and recommendations are presented to the Monitoring Officer for consideration to notify the Information Commissioner's Office.</p> <p>Egress has been deployed and is operational.</p> <p>The e-learning Information Governance modules were launched in October 2016 following approval by the SIRO.</p>	<p>Target risk rating: Low / High</p> <p>Anticipated date of attainment of the target risk rating: Attained.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>The e-Learning modules have been rolled out to all staff that have access to e-mail. Training uptake as at 30th September 2017 was approximately 58% across the Council. A report is being taken to CLT to discuss next steps.</p> <p>Further controls on assuring that suppliers and partners impose similar controls on Council data in their possession.</p>	<p>O&S - None.</p> <p>IA Reviews 2016/17: Sophos Post Implementation Review, N3 Network, IG - Fostering & Adoption F/Up, Third Party Service Provision F/Up, Network Management and Data Quality - DfE Returns.</p> <p>IA Reviews 2017/18: Data Sharing, Third Party Service Provision and Information Assurance Framework.</p>
27	<p>Risk of claims for payback of search fees charged by the Council.</p> <p>Note: Relates to reimbursement of fees deemed to be in breach of Environmental Information Regulations. Claims for costs can be substantial higher than the search fees.</p> <p>Lead: Corporate Director Economy Owner: Phillip Edwards</p> <p>Nominated for deletion</p>	Medium / Low	<p>Lead Director comment</p> <p>Current charges are in line with guidance issued by the European Court of Justice; preventing any other grounds for claims beyond 1st April 2016.</p> <p>Charges prior to 1st April 2016 are subject to challenge. If payback is necessary it will impact the Council's budget.</p> <p>The potential liability to the Council is estimated to be in the region of £155k.</p> <p>APPS claims have now been settled following negotiations by Bevan Britton Lawyers acting on behalf of local authorities. However, the APPS companies have made a new burdens application in respect of the sums paid by Councils, including interest and legal fees.</p>	<p>Target risk rating: Medium / Low</p> <p>Anticipated date of attainment of the target risk rating: March 2022.</p> <p>Source(s) of assurance regarding progress with mitigating the risk: Legal Services are being consulted.</p>	<p>O&S - None.</p> <p>IA Review - None.</p>

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			<p>The LGA were to meet with Central Government in October 2016 to come to a decision, but the meeting was cancelled as further advice from Counsel was required. Until Central government makes a decision, the LGA cannot give a completion date for this work.</p> <p>The LGA anticipate that future legal costs will be limited and continued to be apportioned between local authorities, but are unable at this stage to quantify.</p> <p>Following the recent European Court of Justice ruling Councils now have to make this information available for free.</p>		

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

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
3	<p>Failure to identify alternative funding stream for school PFI contracts revenue pressure, impacting on availability of maintenance funding for essential management of the LA schools estate.</p> <p>Lead: Interim Chief Finance Officer Owner: Jaswinder Didielly</p>	High / Significant	<p>Lead Director comment</p> <p>Major review of PFI contract management arrangements underway following Local Partnerships pilot project.</p> <p>External consultants are engaged and a Lead Officer allocated to fully explore all opportunities to reduce PFI costs. Proposals are being brought forward and while the project more than pays for itself, there are limited opportunities to impact on the major £6m annual affordability gap.</p> <p>The savings proposal, being implemented to meet the current PFI affordability gap from within the funds available to invest in the maintenance of the estate, has not yet impacted on the funding available for emergency repairs. However, there are significant risks of funding shortfall into 2017/18, due to the diminishing annual maintenance grant funds available, particularly as more schools convert to academy status.</p> <p>The current risk rating relates to the PFI affordability gap and subsequent impact on availability of funding to address backlog maintenance across the schools' estate. The opportunities to reduce the PFI costs are limited, and this therefore remains a high risk in terms of management of the education infrastructure and potential impact of asset failure. There is a very substantial Schools Capital Programme in delivery that includes basic need and planned maintenance programmes, with further emergency maintenance projects emerging regularly. Mitigations include:</p> <ul style="list-style-type: none"> Schools capital maintenance programme is successfully leveraging school spend on essential repairs and maintenance through a dual funding strategy. Dedicated resource is focusing on maximum savings against current PFI contracts. 	<p>Target risk rating: Medium / Significant</p> <p>Anticipated date of review/attainment of the target risk rating: December 2017.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management reporting on PFI savings.</p> <p>Oversight and monitoring of temporary school closures due to asset failure.</p> <p>A report was submitted to the March 2016 Audit Committee meeting outlining some of the initiatives being pursued to reduce the gap and a subsequent report has been considered at Cabinet (20th September 2016), detailing savings associated with the Broadway lifecycle arrangements.</p> <p>Savings associated with the Broadway life cycling arrangements achieved - £1.6m for 2017/18 as a one off payment followed by £330k pa for the duration of the contract.</p> <p>Outcomes of the benchmarking exercise which were implemented in December 2016 - a total net saving of £545,000 per annum for 5 years will be achieved.</p>	<p>O&S - None.</p> <p>IA Review - None.</p>

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

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
6	<p>The business case for the Highway Maintenance and Management PFI including delivery of significant investment into the Highway network within the first five years of the contract (the Core Investment Period). Risk of failure to achieve all of the services required within the Core Investment Period.</p> <p>Lead: Corporate Director, Economy Owner: Domenic de Bechi</p> <p>Risk Reworded</p>	High / Significant	<p>Lead Director comment</p> <p>The Council has sought to resolve the issue informally but this was not possible.</p> <p>The Council referred this matter for adjudication under the contractual Dispute Resolution procedure, the outcome of which was advised favourably to the Council's case in July 2015.</p> <p>The outcome was referred to court by the Service Provider, and the trial took place in February 2016.</p> <p>The judgment was handed down on 5th September 2016, which ruled that the adjudication "was wrong", but did not grant the declarations sought by the Service Provider.</p> <p>The Council, based on legal advice, has been granted unconditional leave to appeal. Another related dispute will also need to be resolved and the way forward on this is also being considered.</p> <p>We continue to consider the options for an alternative resolution to these disputes.</p>	<p>Target risk rating: Low / Significant</p> <p>Anticipated date of attainment of the target risk rating:</p> <p>The date of the appeal hearing is scheduled for January 2018.</p> <p>Resolution of the further dispute is not yet known but is likely to take many months.</p> <p>An initial agreement has been reached with the Service Provider which may allow the disputes to be resolved but will require a full agreement to be reached before the appeal hearing.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>External legal advice and representation has been engaged. The merits of an appeal are being considered.</p>	<p>O&S - Economy, Skills and Transport OSC discussed with Cabinet Member at Committee on 22nd September 2016. A private session subsequently took place on 3rd November 2016. A further briefing for Members will be scheduled during 2017 subject to the outcome of the appeal.</p> <p>IA Review 2016/17: Highways PFI.</p>

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

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29	<p>Not developing sufficiently robust plans to support setting a balanced budget (including in the medium term), and not containing net spending within the approved budget</p> <p>Lead: Interim Chief Finance Officer Owner: Steve Powell</p>	Significant / Significant	<p>Lead Director comment</p> <ul style="list-style-type: none"> Delivery of the budget and savings programme is being closely monitored, by the Budget Board (of CLT and Cabinet Members) to review delivery of the most significant elements of the savings programme; and to identify mitigating actions. Corporate Directors have clear accountability for the delivery of each initiative. The Council holds reserves which can be used as part of a risk management strategy to support the implementation of the budget if necessary. The Council's LTFP is refreshed regularly to take account of latest information, including savings delivery issues. Planning is already underway to identify the necessary budget actions for future years. Proposals will be subject to proper process, including public consultation, in the normal way. 	<p>Target risk rating: Low / Significant</p> <p>Anticipated date of attainment of the target risk rating: Ongoing.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Planned activities to further mitigate this risk:</p> <ul style="list-style-type: none"> There is close monitoring of the delivery of the Business Plan and Budget and additional governance arrangements have been introduced. The Council has a risk management strategy to address issues relating to difficulties in the delivery of the savings programme. There is a clear focus on the development of robust consultation and implementation plans for all savings. There is an enhanced focus on the project management of the savings programme, co-ordinated by the PMO. The Council maintains a medium term perspective in its financial plans - spending, savings and resources. 	<p>O&S - The Corporate Resources and Governance O&S Committee have set up a Finance Sub-Committee to scrutinise budget matters with the Deputy Leader.</p> <p>Each Scrutiny Committee considered aspects of the budget relevant to their remits (December 2016 to January 2017) and findings fed back as part of the budget consultation process. The Corporate Resources and Governance O&S Committee questioned the Deputy Leader on deliverability of the budget.</p> <p>IA Review 2017/18: Financial Control Review.</p>

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

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
15	<p>Risk of not recognising the need to divest of costly property assets in radical new solutions to reframe service delivery; driving out property for disposal, but beyond capital receipt generation, ultimately solutions should deliver innovative and appropriate reductions in future revenue operating costs.</p> <p>Lead: Corporate Director, Economy</p> <p>Owner: Alex Grey</p>	Significant / Medium	<p>Lead Director comment</p> <p>Risk mitigated by:</p> <ul style="list-style-type: none"> The Future Council Programme and proposals put out to public consultation, have the potential to drive commitment to property rationalisation, as part of the contributions to future years cost reductions. To assist with property rationalisation alongside future service planning and development programmes, a Property Services Business Partner role has been established with the Place Directorate. The Corporate Landlord Service has continued to deliver the facilitation of delivery of further organisation changes. Accommodation changes across Directorates continue to be dealt with and delivered. Continued development of the corporate property database (Techforge) - information and systems development continues to progress as planned and the additional functionality is being applied in the management of repairs and maintenance costs, provision of information and analysis to inform strategic decision making, etc. The 'Smarter Working' project is intended to increase agility and bring further organisation and management culture change across the Council. A key outcome will potentially be further rationalisation of the Central Administration Buildings portfolio. 	<p>Target risk rating: Medium / Low</p> <p>Anticipated date of attainment of the target risk rating: April 2018. Ongoing and subject to potentially, significant change driven by BCC corporate business plan (this is currently "continuously changing in the short term").</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance.</p>	<p>O&S - None.</p> <p>IA Review - None.</p>

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

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
22	<p>Risk of fines from HMRC for Directorates employing long term consultants.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Nigel Kletz</p> <p>Nominated for deletion</p>	Low / Medium	<p>Lead Director comment</p> <p>A revised process has been implemented for the engagement of off payroll 'Individuals' in April 2017 which has resulted in a significant increase in compliance.</p> <p>HR and CPS are working collaboratively to ensure compliance by cascading the process through DMT's and monitoring engagements centrally within the CPS compliance team. No orders are released until the manager has completed all the required approval documentation.</p> <p>Directorates have completed HMRC ESS tests on a number of roles being carried out by personal service companies; and a number of individuals are being pay rolled by the Council or their relevant agencies.</p> <p>Report provided monthly to identify / monitor the engagement of any individuals / consultant companies.</p> <p>Procedure reviewed September 2017 and updated to include appointment of interim JNC Officers. Procedure will be published on the Intranet and included in Manager updates. There are still a small number of appointments being made before governance arrangements are in place both from a recruitment and procurement perspective. This is being brought to the attention of Chief Officers and is monitored on a monthly basis by CPS / HR. All interims / consultants are being pay rolled by either BCC or their agencies, if subject to IR35 regulations.</p>	<p>Target risk rating: Low / Medium</p> <p>Anticipated date of attainment of the target risk rating: September 2017.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>The new process has been widely publicised to all Directorates and is available on People Solutions as well as Voyager. It has been embedded in to the procedures within Payroll and CPS.</p> <p>HMRC have reviewed the protocol and were satisfied that a robust process is in place and have indicated they will be reviewing the operational effectiveness in the Spring.</p> <p>A review group has been established to review the new proposals being introduced with regard to off payroll engagements by HMRC from April 2017.</p> <p>From 6 April 2017 all interims / consultants engaged directly via their personal services company will be paid by BCC Payroll, if HMRC ESS test indicates that they fall within the legislative changes. Agencies who manage interim / consultancy engagements are expected to payroll these individuals; and the Council will be seeking assurance from agencies that this is being completed.</p>	<p>O&S - None.</p> <p>IA Review 2017/18: Engagement of Individuals - Application of HMRC Rules F/Up.</p>

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Political - Risks driven by the political agenda

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
19	<p>Failure to deliver the Council's localisation agenda and commitments made in the Council's Improvement Plan and Leaders Policy Statement.</p> <p>Lead: Corporate Director, Place Owner: Chris Jordan</p>	Low / Medium	<p>Lead Director comment</p> <p>The Improvement Panel have assessed progress in relation to the specific prescriptions made on localisation through the independent Lord Kerslake report and commitments made against this in the Council's Improvement Plan in September 2015 and January 2016. The feedback from this has been positive. In particular all direct recommendations have been actioned including the transfer of delegations away from district committees and the delineation of a new role for district committees. Services are now accountable to cabinet portfolios and management. The remit for district committees around neighbourhood challenge and community planning has been embedded effectively. Policy guidance for this was agreed by cabinet in July 2015 and development undertaken with members in five sessions over July to October, with delivery of outcomes currently live within 2016/17. Delivery against this has been performance managed through the Future Council Local Leadership sub programme board meeting fortnightly. This has now moved to business as usual.</p> <p>The next phase of local leadership / political governance is being shaped through the newly formed Cabinet Committee Local Leadership.</p> <p>Four Assistant Leaders have been given responsibility to review local working with a focus on 'every place matters' and 'delivering differently in neighbourhoods'. A clear timetable has been set out for their work and how this ties into the changing landscape for ward and district committees.</p>	<p>Target risk rating: Low / Medium</p> <p>Anticipated date of attainment of the target risk rating: Attained.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance as detailed in Lead Director comment - Scrutiny Report in January 2013.</p> <p>Cabinet Committee Local Leadership has been meeting monthly since July 2016 and now has accountability for progressing this agenda. The Neighbourhood Operating Model is now one of the formal transformation programmes feeding into the CLT Performance and Transformation Board.</p>	<p>O&S - The Corporate Resources O&S Committee has completed a piece of work around district and ward arrangements. This includes a review of arrangements put in place in May 2015 and options for the future development of devolution. The Neighbourhood & Community Services O&S Committee completed a review of the Neighbourhood Challenge. Recommendations were made to the Leader. The Corporate Resources and Governance OSC questioned Assistant Leaders at their meeting in January 2017.</p> <p>IA Review - None.</p>

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Technology					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
16	<p>That web services to customers or work with partners may be disrupted by malicious attacks on the City Council's web based services.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Peter Bishop</p>	Significant / Medium	<p>Lead Director comment</p> <p>Service Birmingham (SB) on behalf of the Council:</p> <ul style="list-style-type: none"> Continuously scan the information security landscape with partners to detect upcoming and new vulnerabilities which could be exploited by potential hackers. This ensures that SB are aware of all risk posed by different intrusion methods. Have updated the Councils firewalls and introduced Intrusion Prevention Services as part of the firewall implementation. This means the firewalls are receiving regular updates from the supplier to detect new and evolving types of security attack. The firewalls detect and defeat many thousands of attacks every day. Have implemented a cloud based Distributed Denial of Service system that defends four of the Council's main websites from high volume attacks where hackers are trying to flood the Council's websites with requests for service. This service regularly defends the Councils web sites from attackers and the contract is currently being renewed. Have implemented the PSN walled garden which has enhanced the security of all users accessing web based government systems. PSN services have been remodelled and are currently being monitored to ensure secure transmission. <p>The management of cyber risks within BCC will form part of the security strategy and responsibilities clearly defined. The ICF will ensure that the cyber risk investment strategy is aligned to, and supports strategic priorities.</p>	<p>Target risk rating: Low / Medium</p> <p>Anticipated date of attainment of the target risk rating: Ongoing - this risk can only ever be mitigated, and never fully closed due to the nature of hacking etc.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <ul style="list-style-type: none"> The Council are now transmitting sensitive data securely through the PSN secure infrastructure together with the improvements / enhancements made to the firewalls. BCC has successfully passed its PSN accreditation. Service Birmingham, on behalf of the Council, are constantly monitoring the information security landscape with solution providers to detect upcoming and new vulnerabilities which could be exploited by potential hackers. Given the nature of this risk these activities are now being kept under constant review. The observations made in the PSN have been addressed. A Program of work has been initiated to move systems that require upgrading to be compliant into a DMZ. Post the release of the Eternal blue exploits, enhanced scanning has been implemented, and a number of issues with legacy applications (not managed by the core IT contract), have been identified (Continuum / Tills / Building environmental control). The 3rd parties have been engaged to address. 	<p>O&S - Referenced in the Scrutiny Inquiry 'Refreshing the Partnership: Service Birmingham' (presented to Council in June 2015).</p> <p>IA Review 2016/17: Web Page Security F/Up.</p>

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Technology					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
				In light of the latest Cyber-attacks and recent news (http://www.businessbritainmedia.co.uk/gloucester-city-council-fined-100000-cyber-attack/) we are writing the requirements to initiate an IBR to define our 'Security Architecture and Enterprise Security Approach' this will mitigate this issue as a required output will be a Security (including Cyber) Framework and Investment Strategy (and plan) – planned date of 1 st December 2017.	
14	<p>Inadequate or ineffective corporate control of non-core IT spend as a result of insufficient in-house IT expertise within Directorates to ensure software / systems changes are adequately specified, that their implementation is adequately managed and that changes are adequately coordinated across the organisation to maximise the benefit to the Council.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Peter Bishop</p>	Medium / Significant	<p>Lead Director comment</p> <p>New project governance arrangements are in place across the Council and will be further refined to align with the changes to the partnership with Service Birmingham.</p> <p>In addition the transition from Service Birmingham will see the Council rebuilding its in house ICT function to ensure it has the appropriate skills. This work is currently planned but it is anticipated the approach will be phased.</p>	<p>Target risk rating: Low / Significant</p> <p>Anticipated date of attainment of the target risk rating: December 2018.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>As described in the ICT& Digital strategy 2016-2021 - Governance Theme; a new governance framework has been implemented. This will be furthered enhanced by the introduction of a design authority / enterprise architecture function that will provide understanding of how the complete organisation operates in terms of its customers, the business and how it employs IT&D.</p> <p>Enterprise Architecture is a coherent and complete set of principles, methods and models that are used in the design and a realisation of an enterprise's organisational structure, business processes, information systems, and infrastructure.</p>	<p>O&S - Completed Scrutiny Inquiry 'Refreshing the Partnership: Service Birmingham' (presented to Council in June 2015). A progress report on implementation of the recommendations was considered at the April & September 2016 meetings of the Corporate Resources O&S Committee.</p> <p>IA Reviews 2016/17: IT Project Governance F/Up, IT Service Management F/Up, IT Project Governance -2017. IT Project review - ChildView Hub.</p> <p>IA Review 2017/18: IT Procurement.</p>

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17	<p>Ineffective Corporate Risk Marker IT solution.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Chris Gibbs</p>	Low / Medium	<p>Lead Director comment</p> <p>The Corporate Risk Marker solution in SAP CRM system is defective and the data harmonisation to service areas is not working as specified.</p> <p>Whilst a more long term solution is investigated as part of the updating of the Councils e-forms package, an interim solution is being investigated to see if the data warehouse held within the Councils Audit Division can offer the required functionality to enable this risk to be at least partially mitigated.</p> <p>Note: Access to the information will only be available to those members of staff who can access the data warehouse.</p> <p>To progress the managing of the risk marker a workshop was held on 11th October 2017, for the lead officers of each directorate, together with relevant officers from Health & Safety, to seek a solution to this risk.</p>	<p>Target risk rating: Low / Medium</p> <p>Anticipated date of attainment of the target risk rating: Attained.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance.</p> <p>Currently the data warehouse pulls in the risk markers from CRM, Housing, MAPSS and CareFirst. Any user of the warehouse that searches a relevant name or address will have the respective risk markers presented to them. The risk markers not only relate to health and safety but child / vulnerable adult safeguarding too.</p> <p>The Audit team are in the process of creating an Intelligence Network across the City for anyone who has an investigative, enforcement or regulatory element to their role; or are likely to have some contact with the public.</p> <p>Council Tax, Business Rates and Rents have a risk marker on their respective systems; this risk marker is extracted and added to the data warehouse.</p> <p>Monitoring the use of the IT system by Corporate Safety Services.</p>	<p>O&S - None.</p> <p>IA Review - None.</p>

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Transformation					
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7	<p>Lack of capacity and capability to respond to threat of industrial action, employee relations tensions, poor service, performance issues, sickness absence levels and poor morale due to organisational downsizing and pay freezes.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Claire Ward</p>	Significant / Significant	<p>Lead Director comment</p> <p>Collective agreement has been reached on a package of measures that will secure required reduction in the cost of employment for 2017/18, 2018/19 and 2019/20. This has greatly diminished the likelihood of action on a widespread basis.</p> <p>There are some proposals in the 2017/18 s188 Notice that might generate localised disputes & potential action and poor attendance / performance challenges.</p> <p>Council wide attendance levels are marginally improving.</p> <p>There are business continuity plans in place in readiness for industrial action and they have been effective in reducing the impact of action on service users. Particular areas of risk such as Fleet and Waste management have well progressed contingency plans.</p>	<p>Target risk rating: Low / Medium</p> <p>Anticipated date of attainment of the target risk rating: Ongoing.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>This year the significant budget reductions have strained industrial relations.</p> <p>However, continued active engagement, consultation and negotiations with the trades unions will be pursued, and their understanding of the challenges will contribute to mitigating and managing this.</p> <p>Expert HR and legal support is being provided to areas experiencing significant employee relations challenges relating to service redesign and headcount reduction.</p> <p>Business continuity and contingency plans in key areas are under regular review.</p>	<p>O&S - The Corporate Resources OSC received an update from the Deputy Leader and senior HR officers at a briefing in September 2017.</p> <p>IA Review - None.</p>

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Transformation

No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
10	<p>Not responding fully and effectively to the recommendations made in the Kerslake Report and implementing the Future Council Programme.</p> <p>Lead: Interim Chief Executive Owner: Angela Probert</p>	Medium / Significant	<p>Lead Director comment</p> <p>In its most recent letter to the Secretary of State, published on 9th November 2016, the Birmingham Independent Improvement Panel recognised that the Council has made progress in addressing many of its own improvement priorities and handled effectively some unexpected external events and challenges.</p> <p>The Panel also noted that focused activity has enabled the Council to further address some of the outstanding recommendations from Lord Kerslake's review.</p> <p>Council of the Future (Future Council phase 2); has 3 'big moves' - areas with clear ownership and leads for delivery.</p> <ol style="list-style-type: none"> 1. Key transformations - for example Children's Trust. 2. 'Budget Big Tickets' - the implementation of our key budget 'high risk' proposals. 3. Service Improvement - for effective organisation. <p>Governance arrangements established in January 2017.</p>	<p>Target risk rating: Low / Significant</p> <p>Anticipated date of attainment of the target risk rating: Review April 2017, following January - April highlight reports which should evidence progress and reduce the risk rating.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>There was a report to the Birmingham Independent Improvement Panel in Autumn 2016.</p> <p>Corporate Programme Management Office (PMO) established to build governance assurance and aid visibility. New CLT Performance and Transformation and Budget 'Big Ticket Boards' established to track implementation of key budget proposals.</p> <p>Corporate standard templates introduced. .</p> <p>Programme / Project Plan - Gantt chart of key deliverables to achieve savings / benefits and resources required to deliver the plan.</p> <p>Risk and Issue Registers.</p> <p>Stakeholder and Communication Plan.</p>	<p>O&S - The Corporate Resources O&S Committee and Neighbourhood & Community Services O&S Committee completed work on reviewing governance arrangements at district level, including the Neighbourhood Challenge.</p> <p>There is a Member Development Programme in place and the Corporate Resources O&S Committee received an update on the work completed to date at its Sept 2016 meeting. A further update will be brought to that committee.</p> <p>IA Review - None.</p>

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18	<p>Failure to adequately identify the costs and benefits of alternative delivery models arising from Service Reviews to enable them to be fully and accurately modelled and ensure they are feasible and the changes proposed can be delivered, before the decision to move forward is made.</p> <p>Failure to fully implement the decisions taken to change BCC policy and service delivery to enable delivery of expected benefits / efficiency gains.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Mike Smith</p>	Medium / Medium	<p>Lead Director comment</p> <p>Any alternative delivery model must demonstrate some benefit and better value for the Council. There needs to be the early identification of all costs and benefits as part of the formulation and evaluation of options in the consideration of the business case.</p> <p>The ADs of Finance will provide support on key projects based on their area of expertise.</p> <p>Those developing new service delivery options need to evaluate the full circumstances on a case-by-case basis, seeking proper advice where necessary, in order to identify the implications of the change in service delivery model. This will include assessing what will be left behind in BCC (e.g. fixed overheads, income targets etc.) as well as ensuring that all of the costs and income of the new model are taken into account - including those which are not applicable to a local authority model of delivery (e.g. taxation), together with some sensitivity and risk analysis. This needs to be done before any commitments are given. The need to evaluate the full circumstances for each delivery option requires a proportionality to it, and due regard for the need for calculated assumptions in order to avoid over-engineering financial modelling based on projected costs.</p> <p>The risk to the transferred service is the possible future loss of the Council as a customer and the risk to the Council is the loss of services provided to the transferred service as a customer, if the transferred service obtains these same services from another provider.</p> <p>These risks need to be managed by the corporate commissioning hub with peer reviews undertaken by Thematic Centres of Excellence and approval via Cabinet.</p>	<p>Target risk rating: Medium / Medium</p> <p>Anticipated date of attainment of the target risk rating: Attained.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance - reports to CLT, notes and actions from Corporate Commissioning Board agenda. Dialogue with directorate lead commissioners. Finance to be involved in commissioning reviews.</p> <p>Additional resources to support commissioning recruited (internally) to support the commissioning approach. Commissioning Toolkit in place.</p> <p>Risk will be managed on a case by case basis through proper use of the Toolkit, and through reviews supported by the ADs of Finance.</p> <p>A checklist developed by AD Finance (Strategy) will continue to be used to ensure proper evaluation and appraisal of decision making reports.</p> <p>Corporate Commissioning Board will provide the governance for new delivery models and commissioning strategies.</p> <p>CPS believes that given the challenges encountered in supporting alternative delivery models, and the innovative approaches required, the risk remains at Medium / Medium (target met). Only when we have examples of alternative delivery models being successfully implemented should this risk be removed.</p>	<p>O&S - Corporate Resources and Governance O&S Committee undertaking overview of procurement strategy for DCFM services.</p> <p>IA Reviews 2016/17: Acivico Contract Monitoring - Overall delivery of Contract and Contracts & Procurement Summary Report 2015/16. Acivico Contract Monitoring - Final Accounts Process.</p> <p>IA Review 2017/18: Acivico Review of Business Continuity Arrangements.</p>

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Transformation					
No.	Description - risk / issue	Current level of risk L/I	Current actions / Comments	Long term aim for the risk - including actions, timescales and target risk rating	Overview & Scrutiny (O&S) Review / Work & Internal Audit (IA) Work
				Mitigations detailed above are now in place with commissioning checklists to CCB ensuring that appropriate resources are in place to manage risk in implementing alternative service delivery models.	
20	<p>Allowance payments.</p> <p>Lead: Chief Operating Officer Strategic Services Owner: Claire Ward</p>	Medium / Medium	<p>Lead Director comment</p> <p>The bulk of unpaid allowances claims have been successfully managed by Legal Services on a case by case basis, with outstanding claims being considered and managed by Legal Services on the same basis.</p> <p>As new case law is decided challenges to payments have arisen including:</p> <ul style="list-style-type: none"> • Holiday pay - has now been addressed. • Sleeping in allowance - case law remains ambiguous so at this point all claims are on hold. • Travel time - currently a subject of internal challenge, but may become a matter for Employment Tribunal. <p>An assessment of claims is made and as appropriate defended or settled dependent on legal advice.</p> <p>There is a clear policy and monitoring framework regarding the application of regular overtime.</p> <p>A new standard Flexi scheme has been developed as part of the Future Council workforce Contract.</p>	<p>Target risk rating: Medium / Medium</p> <p>Anticipated date of attainment of the target risk rating: Attained.</p> <p>Source(s) of assurance regarding progress with mitigating the risk:</p> <p>Management assurance.</p> <p>All new claims for allowances are being assessed on their merits and defended wherever practical.</p> <p>Use of overtime is being monitored on a monthly basis, with Strategic Directors taking responsibility for addressing any areas of concern.</p> <p>A new universal Flexi scheme was introduced as part of the new contract of employment in September 2017.</p> <p>There is a Governance Board monitoring any potential high risk claims.</p>	<p>O&S - None.</p> <p>IA Review - None.</p>

Corporate Risk Register Update for Audit Committee November 2017

Removed Risks:

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

Corporate Risk Register Update for Audit Committee November 2017

Ref No.	Risk description	Reason for removal	Date removed
3	Failure to progress the Cross portfolio elements of the Working For The Future (WFTF) programme.	This has been flagged for deletion by the Corporate Director of Resources as progress is being made on this and where there are problems with buildings this is covered in new risk 32 added November 2010.	November 2010
1c	Failure to implement the pay and grading review for all non-schools staff.	The pay and grading structure for has now been fully implemented and this is no longer a risk.	March 2011
6a	Failure to adopt the new working practices implemented through the EPM programme which in turn will impact on benefit delivery.	The new working practices have become business as usual. Benefits delivery is being monitored as part of risk 4.	March 2011
6b	Failure to achieve the IT infrastructure which allows all employees to access information electronically.	A full business case is being developed to achieve this. This is no longer a corporate risk and will be monitored through the Corporate Resources Directorate risk register.	March 2011
24	Failure to manage pay progression effectively.	The pay progression framework has been applied to Council managed staff and is no longer a risk. The pay progression issue regarding schools staff is covered in risk 1a and will also be monitored through CYP&F Directorate risk register.	March 2011
12	Failure to engage and inform communities around the Council's approach to improving community cohesion.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and it has been delegated to the Strategic Directorate of Corporate Resources' risk register for continued management.	July 2011
18	Failure to implement recommendations made to improve internal control in the External Audit Annual Letter and by Internal Audit to help prevent fraud and error.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and the risk has been delegated to each Directorate to continue to manage.	July 2011
29	Failure to achieve progress against local priorities as stated in the Sustainable Community Strategy.	Strategic Director of Corporate Resources considers this is no longer a corporate issue and the risk has been delegated to each Directorate to continue to manage.	July 2011
27	Failure to put in place action plans and strategies to fully mitigate the effects of reductions in area based grants.	Merged with risk 28 "Need to meet the massive spending reductions over the three years from 2011/12" at request of Strategic Director of Corporate Resources.	December 2011
11	Failure to deliver Achieving Excellence with Communities.	The target risk level has been met. Cabinet Committee Achieving Excellence with Communities receives progress reports. The risk has been delegated to Homes and Neighbourhoods directorate to manage.	March 2012
33	Failure to adapt to Climate Change.	The target risk level has been exceeded and long term planning has now been put in place. This risk will continue to be managed by directorates.	March 2012

Corporate Risk Register Update for Audit Committee November 2017

Ref No.	Risk description	Reason for removal	Date removed
9	Need for capacity to react promptly to and manage the significant workforce changes occurring.	The level of risk has reduced to the target level.	July 2012
31	HRA Finance Reforms.	This is no longer a risk - the funding has been agreed and is included in the 2012/13 budgets.	July 2012
34	Independent Care Sector Fees.	The target level of risk has been attained. The risk will continue to be monitored by the Adults & Communities Directorate.	July 2012
38	Failure to maintain infrastructure assets including responsibilities regarding protected listed buildings.	Merged with risk 32 and changed to: Shortage of capital and failure to take appropriate long term decisions to manage the property asset portfolio (by disposals and reinvestment of capital in the residual estate); including responsibilities regarding protected listed buildings, leading to escalating costs.	November 2012
39	Shortfall in resources compared to projections from 2013/14 onwards as a result of the new system of local retention of business rates.	Merged with risk 28 and changed to: Need to plan appropriately for the on-going reduction in government grants resulting in a shortfall in resources compared to projections from 2013/14, particularly the significant potential reduction in resources from 2014/15, and avoid legal challenge.	November 2012
53	Inadequate or ineffective corporate control of non-core IT spend.	Merged with risk 52 to become: Insufficient in-house IT expertise within Directorates & Inadequate or ineffective corporate control of non-core IT spend.	July 2013
5	Safer recruitment.	Had been at target level of risk for over 12 months, will be managed locally in future.	July 2013
36	Council Tax Rebate scheme.	The Council Tax Rebate scheme has been adopted by Full Council and was implemented with effect from 1/4/2013.	July 2013
49	Delivery of Business Charter for Social Responsibilities.	Cabinet reports and policies for Social Value: The Charter and Living Wage were approved by Cabinet in April 2013.	July 2013
43	Implications to BCC regarding decision making due to the provisions within the Localism Act and need to respond to community approaches under the Act.	This issue has been assessed as having met the target level of risk (Low likelihood and Medium impact) since May 2013. Corporate Resources and Development & Culture Directorates to continue to monitor locally.	November 2013
4	Need to achieve the full benefits from the whole business transformation programme - including financial and non-financial benefits.	The risk has been fully mitigated and is assessed as being a low likelihood and low impact. The financial challenge going forward is covered within Risk 28 "On-going reduction in government grants resulting in a shortfall in resources compared to projections from 2013/14".	March 2014

Corporate Risk Register Update for Audit Committee November 2017

Ref No.	Risk description	Reason for removal	Date removed
1d	Failure to successfully settle pay & grading and allowances equal pay claims.	The issues will be addressed within risks 1a - 1c & 44.	July 2014
26	Failure to utilise resources well in jointly working with the NHS to reduce delayed discharges as measured by National Performance Indicator ASCOF2C.	No Birmingham hospitals are now fining the Council for delayed transfers of care activity, and Members are supportive of the progress made and sustained.	July 2014
48	Delivery of new Public Health responsibilities.	All of the actions relating to the transition of Public Health have been actioned.	July 2014
20	Demonstration of benefits arising from Customer First.	All of the actions for 2014/15 are being put in place, ie: Launch of the new Housing Repairs functionality which was delayed from last year, re-design of the website, promotion of self service, improvements to online forms, etc.	November 2014
25	Production of timely & accurate IFRS Final Accounts.	The accounts were submitted on 30 th June 2014.	November 2014
51	Service Birmingham support provided to the SAP HR and payroll system.	There has been significant progress against an agreed improvement plan and the service is now significantly more stable.	November 2014
2015/16.08	Insufficient resources (finance & people) to agree / deliver the change programme.	Cabinet approved a report on 20 th April 2015 that set out the Children's Social Care and Early Help Improvement Plan for 2016-2018, including the appropriate financial envelope for the plan.	July 2015
2015/16.25	Supply chain failure by reason of supplier withdrawal, liquidation or contract non-compliance.	Following identification of this risk, processes and procedures were developed and rolled out to key contract managers across the organisation with supply chain risk assessments being completed by suppliers. The supply chain risk assessment process is now captured as an annual activity within the supplier annual reviews and the Council's contract management toolkit.	July 2015
2015/16.26	PSN resubmission.	The Council has successfully retained PSN submission till April 2016.	July 2015
2015/16.27	Financial implications of failing to meet obligations regarding climate change and sustainability - carbon tax cost.	We have made four submissions out of four without issue (and passed an Environment Agency Audit in 2011), giving a 100% success record. The 2014/15 return is progressing normally.	July 2015
2015/16.28	Potential for disruption to council services due to the need to transition to a new Banking Services provider with effect from 1/4/2015.	The banking transfer has been successfully concluded.	July 2015

Corporate Risk Register Update for Audit Committee November 2017

Ref No.	Risk description	Reason for removal	Date removed
2015/16.10a	Resolution of contractual issues in the Highway Maintenance & Management PFI contract.	A commercial settlement signed on 18th December 2015, resolved a number of contractual issues.	March 2016
2015/16.29	Risk of Court deciding against the Council regarding the Homeless Service.	The High Court dismissed the four applications for Judicial Review.	March 2016
21 (old 35)	IT refresh / update.	The desktop refresh is progressing as business as usual, and PSN compliance means that we cannot have unsupported applications running on our network.	July 2016
23 (old 59)	Risk of enforcement action and fines of up to £500,000 by the Information Commissioners Office (ICO) for failure to comply with the 40 day timescale for responding to Subject Access Requests (SARs).	There has been considerable improvement in responding to Subject Access Requests. The Information Commissioner's Office is happy with the progress being made and are no longer monitoring the Council.	November 2016
8 (old N/A)	Risk of challenge regarding implementation of the Younger Peoples Re-Provision Programme.	The work stream is now closed, and efficiency and savings targets have been transferred to the Maximising Independence of Adults (MIA) Board.	March 2017
9 (old 57)	Failure to respond fully and effectively to the issues from recent reviews concerning school governance and related matters.	A much improved performance culture and set of arrangements are now in place for the Council's education services.	March 2017
13 (old 28)	Not planning appropriately for the on-going reduction in government grants.	This is an annual risk, but there are processes in place to manage it.	March 2017
24 (old N/A)	That the need to address the updated Pensions Deficit will result in an increase in employer contributions.	This risk crystallised in the setting of the 2017/18+ budget. The information received has been fully taken into account in the update of the Council's medium term financial plan, and in the development of savings proposals.	March 2017
28	Risk that in its early stages of delivery the Sustainability Transformation Plan (STP) will not alleviate the financial position of social care.	The Council budget from April 2017 does not make assumptions regarding this proposal contained in the previous year's budget; and is no longer a major financial risk to the organisation.	July 2017

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: AUDIT COMMITTEE

Report of: Assistant Director, Audit & Risk Management

Date of Meeting: 21st November 2017

Subject: Birmingham Audit - Half Year Update Report 2017/18

Wards Affected: All

1. PURPOSE OF REPORT

1.1 The attached report provides Members with information on outputs and performance measures in relation to the provision of the internal audit service during the first half of 2017/18.

2. RECOMMENDATIONS

2.1 Members are asked to note the content of the report.

3. LEGAL AND RESOURCE IMPLICATIONS

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

4. RISK MANAGEMENT & EQUALITY ANALYSIS ISSUES

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

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

5. COMPLIANCE ISSUES

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

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Sarah Dunlavey
Assistant Director, Audit & Risk Management

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

Birmingham Audit Half Year Report 2017/18

21st November 2017

Contents

1. Background / Annual Opinion
2. Added Value
3. Performance
4. Resources
5. Completion of Internal Audit Plan 2017/18

Appendix A: Reports Issued During the First Half of 2017/18

Appendix B: Summary of Significant Findings

1. Background / Annual Opinion

- 1.1 The 2017/18 audit plan was prepared in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. It also had due regard for the protocol with the External Auditors and took account of responsibilities under section 151 of the Local Government Act 1972.
- 1.2 The Council continues to go through significant change. The drivers for change being both organisational and financial. During a period of change it is important that any increased business risks are identified and managed in an effective manner. The audit plan is prepared using a risk based methodology and is continually updated throughout the year, this helps to ensure that we concentrate on the most significant areas.
- 1.3 The 2017/18 audit plan was approved by the Audit Committee at the June 2017 meeting. This report provides a summary of the progress made in delivering the agreed plan.
- 1.4 The plan is prepared and delivered to enable me to provide an independent opinion on the adequacy and effectiveness of the systems of internal control in place (comprising risk management, corporate governance and financial control). In addition to audit reviews, the model used to formulate the end of year opinion, places reliance on assurance provided from other parties and processes. The opinion for 2017/18 will be based on the following sources of assurance:
 - Internal Audit work (planned, follow-up and fraud work).
 - Assurance from the work of the External Auditor.
 - The Annual Governance Statement (AGS).
 - The Risk Management Process.

The audit work undertaken to date and the economy, efficiency and effectiveness issues raised by the Council's External Auditor within their Audit Findings Report feed into the opinion I have to provide at the end of the financial year.

2. Added Value Services

2.1 Although my primary responsibility is to give an annual assurance opinion, I am also aware that for the Internal Audit service to be valued by the organisation it needs to do much more than that. There needs to be a firm focus on assisting the organisation to meet its aims and objectives, and on working in an innovative and collaborative way with managers; to help identify new ways of working that will bring about service improvements and deliver efficiencies. Examples of how we have done this during the first half of 2017/18 include:

- Further extension and use of the data warehouse to detect and prevent crime, fraud and error including the provision of intelligence to a number of partners and agencies, eg: the Illegal Money Lending Team; and two new police teams (Camera Enforcement Unit and Counter Terrorism Unit.)
- A review of mortality matches provided through NFI prompted us to review Council Tax records where an exemption was in place due to the death of the occupier. This identified a significant number of properties where the exemption appeared to be in place, and no Council Tax collected, for longer than would appear necessary.
- Similar exercises are being undertaken on Council Tax Class E (people in care homes,) and Council Tax Class N (student) exemptions.

3. Performance

3.1 Outputs

During the first half of 2017/18 we issued 151 final reports.

Reports by Type	2016/17 (Apr – March 17)	2017/18 (Apr – Sept 17)
Internal Audit Reviews	122	66
Follow up Reviews	31	23
School Visits	96	48
Investigations	24	14
Total	273	151

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

Audit and follow up reports are generally given a risk rating of 1 - 3 to assist in the identification of the level of corporate significance. The key to the ratings given is:

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

Of the 137 reports (66 Internal Audit, 48 School Visits and 23 Follow up Reviews) issued, 2 were given a red level 3 risk rating, 30 had an amber level 2 rating, 103 had a green level 1 rating, and 2 (relating to external organisations) had no risk rating.

A summary of the significant findings from our work is detailed in Appendix B.

3.2 Plan Completion

As at 30th September 2017 we had completed 40% of planned jobs against the September target of 40%, and annual target of 95%.

3.3 Corporate Fraud Team

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

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

	2016/17 (Apr – March)	2017/18 (Apr - Sept)
Number of outstanding investigations at the beginning of the year	14	10
Number of fraud referrals received during the year to date	111	54
Number of cases concluded during the year to date	115	31
Number of investigations outstanding	10	33

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

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

	2016/17 (Apr – March 17)	2017/18 (Apr – Sept 17)
Properties Recovered	45	56
Applications Cancelled	194	89
Reduced Points (Applications)	37	16
Housing Benefit Overpayment	£589,110	£445,492
Council Tax Change	£324,974	£759,372

(Note: figures include the results from our proactive work on CT exemptions, see 2.1 above)

4. Resources

- 4.1 The Council continues to face a number of financial challenges and has identified the need to make significant financial savings. Birmingham Audit is required to contribute to these savings. We are continually reviewing our working practices, methodologies and structure to ensure they remain appropriate and support the organisation. Any reduction in resources and planned audit coverage will be carefully considered to ensure that I can continue to provide an effective service and an annual audit opinion.

5. Completion of the Internal Audit Plan 2017/18

5.1 The 2017/18 plan contains 5,113 days . The table below details completion as at 30th September 2017.

	2017/18 Planned Days	2017/18	Actual Days as at (Apr – Sept 17)	% (Apr – Sept 17)
Number of Audit Days in the annual plan	5113	100%	2329	
Main financial systems	905	18%	422	18%
Business controls assurance	1735	34%	780	34%
Investigations	830	16%	382	16%
Schools (Non Visits)	155	3%	70	3%
Schools (Visits)	945	19%	426	18%
Follow up work	200	4%	40	2%
Ad-hoc work	178	3%	118	5%
Planning & reporting	125	2%	87	4%
City initiatives	40	1%	4	-

Reports Issued During the First Half of 2017/18
Audit Reviews (64 Reports):

Key to linkages to the Council's areas of priority, core objective of good governance, Corporate Risk Register and financial assurance:

1. Children (a great city to grow up in)
2. Jobs & skills (a great city to succeed in)
3. Housing (a great city to live in)
4. Health (a great city to lead a healthy and active life in)
5. Good Governance
6. The Corporate Risk Register (CRR - based on the version which was presented to Audit Committee on 25th July 2017)
7. Financial Assurance

Title	Council Risk Rating	Assurance	1 Children	2 Jobs & skills	3 Housing	4 Health	5 Good Gov	6 CRR	7 Financial Ass
Adequacy & Progress of the Maximising Independence of Adults Prog'	High	Level 3				✓			
Information Assurance Framework	High	Level 3					✓		
RBIS Batch Processing and Housing Benefit Subsidy Claim	Medium	Level 3			✓				✓
Recording and Banking of School Income	Medium	Level 3	✓						✓
Schools Purchase Cards	Medium	Level 3	✓						✓
CareFirst	Medium	Level 3	✓			✓	✓		
Individual Budgets Summary Report	Medium	Level 3							✓
Childrens Direct Payments Summary Report	Medium	Level 3	✓						✓
Financial Control Review	Medium	Level 3						✓	✓

Title	Council Risk Rating	Assurance	1 Children	2 Jobs & skills	3 Housing	4 Health	5 Good Gov	6 CRR	7 Financial Ass
Housing Options Service	Medium	Level 3			✓				
IT Procurement	Medium	Level 3						✓	✓
Egress - Secure Email	Medium	Level 3					✓		
Museums - Management Arrangements	Medium	Level 3					✓		✓
Data Sharing	Medium	Level 3					✓		
Direct Payments - Workflow	Medium	Level 3				✓			✓
Contract Management - Provision of Transport Services	Medium	Level 3					✓		
Due Diligence	Medium	Level 3					✓		
Adults Direct Payments Summary Report	Medium	Level 2				✓			✓
Benefits Service - Revenues notifications impacting on Benefit Claims	Medium	Level 2			✓				✓
Corporate Parenting	Medium	Level 2	✓						
Delivery of Mandatory Support to Clinical Commissioning Groups	Medium	Level 2					✓		
People Commissioning Directorate Performance	Medium	Level 2			✓		✓		
N3 Network	Medium	Level 2				✓	✓		
IT Projects People - ACAP Portals	Low	Level 3				✓	✓		✓
Greater Birmingham & West Midlands Brussels Office	Low	Level 3		✓			✓		✓
Risk Management - Corporate Strategy and Performance	Low	Level 3					✓		
CareFirst IT Review	Low	Level 3	✓		✓		✓		
Accounts Receivable - Creation of Business Partners / Customers	Low	Level 2							✓
Corporate Payroll - SAP Transaction testing	Low	Level 2							✓
Traffic Management - Policy and Delivery	Low	Level 2						✓	
Northgate Housing IT Review	Low	Level 2			✓				
Nursery School Funding	Low	Level 2	✓						✓

Title	Council Risk Rating	Assurance	1 Children	2 Jobs & skills	3 Housing	4 Health	5 Good Gov	6 CRR	7 Financial Ass
Allocations	Low	Level 2			✓				
Accounts Payable End of Year report 2016/17	Low	Level 2							✓
Accounts Receivable End of Year report 2016/17	Low	Level 2							✓
Vehicle Assets	Low	Level 2						✓	
Non-HRA Assets	Low	Level 2						✓	
Corporate Payroll End of Year 2016/17	Low	Level 2							✓
Government Grants	Low	Level 2		✓					✓
Customer Services	Low	Level 2			✓				
Responsive Repairs and Maintenance Services Gas Servicing and Capital Improvement Contract Management	Low	Level 2			✓				
Birmingham Wildlife Conservation Park	Low	Level 2					✓		✓
Illegal Money Lending Team	Low	Level 2					✓		
IT Incidents / Problems	Low	Level 2					✓		
Nursery School Funding Audit	Low	Level 2	✓						✓
Corporate review of personal use of vehicles	Low	Level 2					✓		✓
Council Tax - Suppressions	Low	Level 2							✓
IT Applications - Change Control	Low	Level 2					✓		
Corporate Voice Solution	Low	Level 2	✓				✓		
N3 Network - Level 2 Accreditation Compliance Checks	Low	Level 2					✓		
N3 Network 2018	Low	Level 2					✓		
Tooling Loan Funding Programme	Low	Level 2		✓					✓
Messaging Services	Low	Level 2					✓		
Accounts Payable - Vendor Master Data	Low	Level 1							✓
Risk Management - Assessment and Support Planning	Low	Level 1				✓	✓		

Title	Council Risk Rating	Assurance	1 Children	2 Jobs & skills	3 Housing	4 Health	5 Good Gov	6 CRR	7 Financial Ass
EDSI - Management of Payments	Low	Level 1							✓
Corporate Payroll - Payroll Exception reporting	Low	Level 1							✓
Urgent Payments - Faster BACS	Low	Level 1							✓
Northgate Automatic Solution	Low	Level 1							✓
Accounts Payable (AP) - CP1 Payments	Low	Level 1							✓
Corporate Payroll - Allocation of pensions	Low	Level 1							✓
Accounts Payable - Management & Monitoring arrangements of the Procure to Pay Service	Low	Level 1							✓
Accounts Receivable - Management and Monitoring Arrangements	Low	Level 1							✓
Rent Collection and Charges Credits Balances	Low	Level 1							✓

Follow Up Reports (23 Reports):

Title	Risk Rating Council
Deprivation of Liberty Safeguards 2nd Follow Up	Medium
Fleet Services - Review of Management Arrangements Follow Up	Medium
Engagement of Individuals - Application of HMRC Rules Follow Up	Medium
Operating System Security Follow Up	Medium
DFG VAT Coding Follow Up	Medium
Local Growth Fund Management Arrangements Follow Up	Medium
TMO Support Team Follow Up	Low
Schools City Wide Follow Up	Low
Enforcement - Litter and Fly Tipping - 2 nd Follow Up	Low

Title	Risk Rating Council
BACS 2017 Follow Up	Low
Corporate review of the use of Petty Cash Follow Up	Low
Housing Visiting Programme Mobile Solution Follow Up	Low
Database Security Follow Up	Low
IT Project Governance Follow Up	Low
Mobile Phones Follow Up	Low
Petty Cash Follow Up – Place	Low
Petty Cash Follow Up – People	Low
Provision of Adult Substance and Misuse Treatment and Recovery Services - Service Delivery Follow Up	Low
IT System Security Follow Up	Low
PCI DSS Follow Up	Low
Information Governance - DfE Returns Follow Up	Low
Our Lady of Lourdes School Follow Up	Low
Adult Education - Students from Abroad Follow Up	Low

Investigation Reports (14 Reports)

School Visits (48 Reports)

Summary of Significant Findings

Red High Risk Reports

During the first half of 2017/18 we issued 2 red reports, where we identified a 'high' risk rating for the Council. Brief details of the issues highlighted in these reports is detailed below:

Adequacy and Progress of Maximising Independence of Adults (MIA) Programme - The MIA Programme has been established to deliver the Council's future vision of Adult Social Care and to support the delivery of directorate savings targets. We identified concerns that the programme may not achieve its identified outcomes / expected targets, in particular delivering the standard of service required and achieving targeted savings.

Greater strategic capacity has been brought into the programme to help with driving it forward on a successful basis.

Information Assurance Framework - Internal Audit work undertaken during 2016/17 and the first quarter of 2017/18, identified information governance concerns. Our assessment against the Information Assurance Maturity Model, issued by UK government's National Technical Authority for Information Assurance, identified that whilst pockets of good practice exist, information governance processes are generally fragmented. Information governance processes are to be strengthened in line with organisational requirements as part of the ongoing programme of work to streamline the way IT and Digital Services are provided, and implementation of the new IT and Digital governance framework.

School Visits

During the first half of 2017/18 we have continued to work with both directorate and school colleagues to ensure we undertake a robust and added value audit of key elements of school strategic and operational service delivery. Our reviews have identified a number of areas for development:

- **Financial Governance** - While these findings do not stop schools functioning effectively, there is a lack of clarity regarding financial responsibilities. Improvements are required in the financial reporting to governors to allow sufficient scrutiny and challenge. The completion of pecuniary interest forms remains an ongoing issue in a number of schools, together with improving the recording of gifts and hospitality. The majority of schools are now completing their Schools Financial Value Standard on an annual basis, but not always submitting it by the deadline or recording its approval.

Notably we have seen a reduction in the number of schools completing a strategic risk register, a statement of internal control and ensuring that governor pecuniary interests are correct on the schools web site.

- Budget Planning - whilst day to day financial management is well established, a high proportion of schools are relying on their carry forward surplus to set a balanced budget. This poses a risk for future years, and the need for governors and Senior School Leadership to establish and agree plans to address it.
- Purchasing - improved compliance is needed regarding key controls for ordering and receipting of goods. Improvements are also required in respect of establishing appropriate divisions of duty.
- Delegated Powers - a need for greater compliance in the reporting of quotes to governors. Improvements are also required in the monitoring of cumulative expenditure to ensure value for money is obtained.
- Attendance - overall attendance remains well managed and effective arrangements are in place. But 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 / absence.
- Safeguarding - schools were well aware of their responsibilities in relation to safeguarding their children and take that responsibility seriously. However, there remains the need for improvement in respect of monitoring IT and internet use, and undertaking due diligence prior to lettings; to ensure users meet both safeguarding and the 'No Platform for Extremism Policy' requirements. Schools are rolling out Prevent training but need to improve the mechanisms for recording that the training has been undertaken.

Report to:	AUDIT COMMITTEE
Report of:	Interim Chief Finance Officer
Date of Decision:	21 November 2017
Subject:	ANNUAL AUDIT LETTER
Wards affected: All	
1 Purpose	
1.1	Each year, the Council's external auditor, Grant Thornton UK LLP (Grant Thornton), is required to produce an Annual Audit Letter. This letter must be circulated to all members of the Council. This Letter will be considered formally by Cabinet on 12 December 2017.
1.2	The external auditor provided a copy of his Audit Findings Report in respect of the 2016/17 Statement of Accounts to Audit Committee at its meeting on 26 September 2017. The timescale that the Audit Findings Report was produced to in September precluded a detailed response to the recommendations made by the external auditor in that report. These are now concluded and submitted for review and approval.
2 Decisions recommended:	
2.1	To receive the Annual Audit Letter, attached as appendix 1 to this report.
2.2	To approve the management responses, attached as appendix 2, to the recommendations set out in the Audit Findings Report issued in September 2017.

Contact Officer: Mike O'Donnell
Telephone No: 0121 303 2950
E-mail address: mike.o'donnell@birmingham.gov.uk

Contact Officer: Martin Stevens
Telephone No: 0121 303 4667
E-mail address: martin.stevens@birmingham.gov.uk

3 Compliance Issues:

- 3.1 Are Decisions consistent with relevant Council Policies, Plans or Strategies?:
The coverage of the Annual Audit Letter and actions highlighted in this report are consistent with the policy framework and budget. The preparation and approval of the Annual Audit Letter are statutory requirements.
- 3.2 Relevant Ward and other Members/Officers etc. consulted on this matter:
The Chair of the Committee has been consulted.
- 3.3 Relevant legal powers, personnel, equalities and other relevant implications (if any):
The work of the external auditors is governed by the Code of Practice issued by the National Audit Office in accordance with the Local Audit and Accountability Act 2014. The Code identifies the Annual Audit Letter as one of the means by which the auditor will discharge its responsibilities. The Annual Audit Letter is concerned with the Council's management of all of its resources. Implications for finance, people, property and IT are set out in the body of the letter.
- 3.4 Will decisions be carried out within existing finances and resources?
Yes
- 3.5 Main Risk Management and Equality Impact Assessment Issues (if any):
These are set out in the Annual Audit Letter, which emphasises areas where the external auditor feels significant risks to the Council exist.

4 Relevant background/chronology of key events:

- 4.1 The Annual Audit Letter is the statutory report by the Council's external auditor, Grant Thornton, of its activities for the year. The Annual Audit Letter covers the external audit of the Council's financial affairs, the Council's financial standing, value for money and overall performance. A copy of the Annual Audit Letter to Members is attached as appendix 1 to this report.
- 4.2 The Audit Findings Report was considered by this committee on 26 September 2017. At the time of reporting to this committee, there had been no time to consider the management responses to the recommendations set out in the Audit Findings Report. These are now included as appendix 2 to this report for approval.

Signature:

.....
Mike O'Donnell – Interim Chief Finance Officer

The Annual Audit Letter For Birmingham City Council

Year ended 31 March 2017

October 2017

Phil W Jones

Director
T 0121 232 5437
E phil.w.jones@uk.gt.com

Laura Hinsley

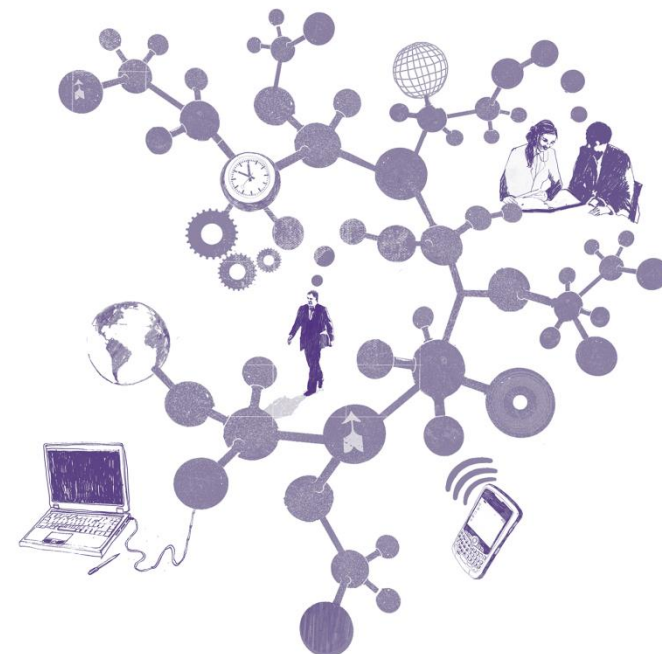
Senior Manager
T 0121 232 5235
E laura.e.hinsley@uk.gt.com

Lorraine Noak

Manager
T 0121 232 5407
E lorraine.noak@uk.gt.com

Tess Barker

Assistant Manager
T 0121 232 5428
E tess.s.barker@uk.gt.com



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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Birmingham City Council ('the Council') for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee (as those charged with governance) in our Audit Findings Report on 26 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 29 September 2017.

We included an emphasis of matter paragraph in our report on the Council's financial statements to draw attention to the uncertainties surrounding the volume and timing of any future equal pay claims and the determination of any settlements.

This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.

Value for Money (VfM) conclusion

We were not satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We therefore issued an adverse value for money conclusion in our audit opinion on 29 September 2017.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed our consideration of matters brought to our attention by local authority electors in relation to (a) certain education PFI schemes and (b) the Council's Lender Option Borrower Option (LOBO) loans. We are also in receipt of a whistle-blower reference in relation to the Council, which we will be following up with the Council's assistance. These outstanding issues do not affect (a) our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year and (b) our value for money conclusion on the 2016/17 accounts.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 29 September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

Other work completed

We have also undertaken 2016/17 audits of the following Council subsidiaries.

- Acivico Limited (audit still in progress)
- NEC (Developments) PLC
- Innovation Birmingham Limited
- PETPS (Birmingham) Limited
- Finance Birmingham Limited
- Marketing Birmingham Limited

We have completed non-audit services for Innovation Birmingham Limited and Acivico Limited.

We have also certified a number of grant claims for the Council and provided CFO insights software.

Working with the Council

We met regularly with a range of Corporate Directors across the Council to inform our VfM conclusion and we have also been briefed by the Improvement Panel on their work with the Council.

We have continued to work with the Finance Team constructively throughout the year. This has included commenting on and supporting plans for earlier closedown both this financial year and looking ahead. We have also met regularly with the finance team to discuss emerging technical issues such as pension guarantees and Equal Pay.

In 2017, we provided a range of training and other events that council officers have attended. These include technical accounting workshops as well as seminars on pension prepayments

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Statutory recommendation and other matters

Section 24 follow up

We included a statutory recommendation under section 24 of the Local Audit and Accountability Act 2014 ("Section 24") in our 2015/16 Annual Audit Letter relating to the adequacy of budgetary arrangements. The recommendation stated that the Council needed 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 Council Financial Plan 2017+ by:
 - revising savings programme from 2017/18 onwards to reflect the delayed or non-delivery of savings plans in 2016/17
 - ensuring that all savings plans are assessed for both lead time to implement and delivery risk; and
- re-assess the impact of the combined savings and budget pressure risks on the planned use of reserves for 2016/17 and the impact of this on the reserves position from 2017/18 onwards.

This recommendation and the Council's formal response were considered at the Council meeting on 10 January 2017. Following this, we wrote to the Acting Chief Executive of the Council on 15 March 2017 expressing concern about the Council's ability to deliver its challenging savings programme, particularly given the gaps in senior management capacity at that time and the proposals to further reduce senior management capacity within the finance department.

The Council subsequently responded to the issues of capacity set out in our letter by making a number of key interim appointments, in particular to the vacant positions of Chief Executive and Chief Finance Officer. In addition, a report was presented to the Audit Committee on 20 June 2017 outlining the Council's response to our Letter.

We have continued to monitor progress on delivery of the 2017/18 budget and the associated savings programme as well as following up progress made on the section 24 recommendation.

Our conclusions overall are that progress has been made in developing a more realistic medium-term financial plan, but that key elements of the plan remain at risk.

The Council needs to continue to take action to manage the emerging trend of under-delivery of savings against plan to date, specifically to mitigate current directorate plans which are not achieving anticipated savings targets, but also to ensure that further non-delivery of savings does not occur in other planned areas currently shown as on track. This would have the effect of further increasing the overall forecast revenue overspend.

The events surrounding the waste strike has affected capacity to focus on corporate budget and governance monitoring. The officer and political leadership need to work together to ensure that the Council's financial stability remains a top priority. If the waste strike resumes, the additional expense arising will add to cost pressures.

We will continue to review budget monitoring reports over the coming months to determine whether sufficient progress is being made, and if not, what other formal audit action might be appropriate, whether by the issue of a report in the public interest or some other audit action.

Other matters

Senior Management Exit Packages

The Council made a number of significant commitments during 2016/17 in relation to exit packages for senior officers to facilitate the reshaping of the Council, to enable it to respond to the complex challenges going forward. These have ranged from payments for compensation of loss of office, through to enhanced arrangements to support an early retirement. We received a question from a Councillor regarding one of the exit package arrangements.

Accordingly, we reviewed the arrangements for these exit packages and concluded that each of the exit payments reflected different circumstances. We are satisfied that the Council had, in each instance, taken legal and financial advice before finalising each arrangement. The Council also involved Members appropriately in the decisions, in accordance with its procedures for Member authorisation of such payments, via the Independent Remuneration Panel (IRP).

There may however be scope to improve the governance around these arrangements, specifically by:

- ensuring that all reports to the IRP clearly articulate the legal, financial and operational rationale for each arrangement and in particular the likely cost implications of different options. For instance, dismissal may be an appropriate course of action in some instances, but this may prove costly if the grounds for dismissal have not been adequately evidenced;
- re-emphasising the importance of ensuring that details of emerging exit pay arrangements are maintained in strict confidence to safeguard the Council against the possibility of legal action by individuals who might consider that they have suffered damage by any 'leaks'; and
- strengthening performance management procedures for senior officers through better documentation of such processes to ensure a consistent approach.

Commonwealth Games Bid 2022

The Government and Commonwealth Games England decided that Birmingham should be recommended as a Candidate City to host the 2022 Commonwealth Games following the decision earlier in the year to strip Durban of the event.

Subsequent to Birmingham's proposal submission, the Commonwealth Games Federation announced that they have extended the deadline to receive 'fully compliant proposals' to the end of November 2017.

The Council has pointed to the economic, sporting and other benefits that the Games could yield for the City and the wider midlands region. We have not seen or reviewed any information associated with the projected costings or benefits associated with the bid, but it is clear that the Council will need to carry out a robust options analysis to ensure that the costs of delivering the Games, should the bid be successful, can be adequately supported within the context of its medium-term financial plan.

Other matters (continued)

Waste Dispute

The Council has sought to introduce changes to the organisation of its waste service with the aim of providing a high quality service and improving efficiency. In response, industrial action was commenced by waste staff from 30 June 2017 and continued, with one short break, into September 2017. This has resulted in the disruption of services provided to local citizens but also incurred considerable extra costs, running at some £0.3m per week.

The strike was suspended on 16 August 2017 following discussions under the auspices of ACAS. It was re-instated, following clarification by the Council that it remained committed to delivering the reorganisation in the original form agreed by cabinet on 27 June 2017. Selective details relating to the unfolding of these events appeared in the public media, which has not served to enhance confidence in the Council's systems of governance. Whilst a clear picture is yet to emerge, we will discuss with the Council, in the context of our formal duties, whether any breaches of governance have occurred, particularly as they relate to:

- Lawfulness of decision making
- Conduct
- Member-Officer relations

Members will recall that a key strand of the Kerslake report related to the need to re-set Member-Officer relations. It is of concern that initial improvements in this area may not have been sustained. We note however that robust officer action has ensured that the breach of governance was detected and addressed.

In the wake of these events, the Leader of the Council announced his resignation on 11 September 2017 and Councillor Ian Ward has taken on the role of Interim Leader of the Council.

On 1 September 2017 the strike resumed as 106 workers were handed their redundancy notices but the action was suspended on 20 September 2017 when Unite won an injunction blocking the proposed redundancies. A court hearing is due on 27 November 2017 to decide whether the Council entered into a negotiation deal. The Interim Leader is committed to finding a sustainable solution to the dispute.

Children's Trust

The Children's Trust will be established in 2018 and is currently operating in shadow form. We will monitor developments as the new organisation comes into being. An issue has arisen nationally in relation to the ability of such Trusts, as a private sector entities for tax purposes, to recover VAT for services supplied, which could have considerable financial implications for Local Authorities.

The Council has however received a letter from the Department for Education on 11 July 2017 stating that “in the interim, the Secretary of State has agreed to meet any additional costs arising from the VAT treatment of the Birmingham Children's Trust”. We will continue to monitor this position going forward although we are satisfied this risk has been sufficiently mitigated in the short to medium term.

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £43.19 million, which is 1.5% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We set a lower level of specific materiality for senior officer remuneration of £20,000 and related party transactions of £100,000.

We also set a lower triviality threshold of £2.16m, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Interim Chief Finance Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts (continued)

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Going Concern The Council faced significant financial challenges and forecasted a significant deficit position for 2016/17. This raised doubts over the completeness and adequacy of the going concern disclosures in the accounts, particularly in relation to material uncertainty.</p>	<ul style="list-style-type: none"> • Review of management's assessment of going concern assumptions and supporting information, e.g. 2017/18 and 2018/19 budgets and cash flow forecasts and associated sensitivity analysis; and • Review of completeness and accuracy of disclosures on material uncertainties in the financial statements. 	<p>We have considered whether there is evidence of material uncertainty that the Council will continue as a going concern for 12 months from the date of our audit report.</p> <p>We are satisfied that the Council's financial statements have been appropriately prepared on a going concern basis.</p>
<p>Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The CIPFA Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> • Review of controls in place to ensure that revaluation measurements are correct; • Testing of revaluations including instructions to the valuer and the valuer's report; • Review of management's processes and assumptions for the calculation of the estimate; • Review of the competence, expertise and objectivity of any management experts used; • Discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions; • Review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding; • Testing of revaluation when assets are brought into use; and • Review of the procedures used to ensure that assets not revalued during the year (due to the Council's rolling 5 year revaluation programme) were not materially different to current value. 	<p>The valuation date within the valuer's report for General Fund land and buildings is 1 April 2016, but is accounted for as if the valuation was at 31 March 2017, subject to the adjustment noted below.</p> <p>To ensure the valuation is not materially misstated, the valuer reviewed the potential movement in values for the year. As part of this, the valuer also carried out a desktop review of all DRC (Depreciated Replacement Cost) valued assets not subject to formal revaluation, to assess whether they were materially misstated. He concluded that the carrying values of these assets needed to be adjusted. This resulted in an increase of £10.9m for assets fully revalued in 2016/17, and £94.3m for assets not revalued during 2016/17.</p> <p>We are satisfied that the accounts are consistent with the valuation and assessment and that this demonstrates there is a low risk of material misstatement.</p> <p>Our audit work has not identified any other significant issues in respect of valuation of property, plant and equipment.</p>

Audit of the accounts (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<ul style="list-style-type: none"> Identifying the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessing whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement; Review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation; Gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; and Review of the consistency of the pension fund asset and liability disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any issues which we wish to bring to your attention.</p>
<p>Changes to the presentation of local authority financial statements</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<ul style="list-style-type: none"> Documentation and evaluation of the process for recording the required financial reporting changes to the 2016/17 financial statements; Review of the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure; Review of the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS); Tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES; Tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger; Tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements; and Review of the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code. 	<p>We identified that the column 'expenditure reported to cabinet' within the Expenditure and Funding Analysis note had been constructed using budget figures instead of the actual figures as reported to Cabinet. This has been included as a disclosure change to the financial statements and amendments have been agreed by the Council.</p> <p>Our audit work has not identified any further issues which we wish to bring to your attention.</p>

Audit of the accounts (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Operating expenditure Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> • Creditors understated or not recorded in the correct period (Operating expenses understated) 	<ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle; • Undertaken walkthrough of the key controls to ensure those controls were in line with our documented understanding and that controls in place ensured operating expenses were not understated and were recorded in the correct period; • Reviewed the application of the year-end closedown process for capturing creditor accruals; and • Undertaken substantive testing of year end creditors including after date payments. 	<p>We tested a sample of payments made in April and May 2017 to identify whether there were items relating to goods/services received in 2016/17 which had not been appropriately accrued for (whether via system/manual accruals or the forecast accrual process).</p> <p>Two out of the seven school invoice payments selected within our sample related to services received prior to 31/3/17, but processed for payment after year-end, which were not manually accrued by the school on their submission to BCC. The total value of such school invoices paid in April and May amount to £9.8m, and this value is expected to include invoices for goods and services relating to both 2016/17 and 2017/18. Therefore, we are satisfied there cannot be a material risk of under-accrual of school invoices relating to 2016/17.</p> <p>We recommend that the Council review their processes for ensuring schools expenditure includes appropriate accruals.</p> <p>Our audit work did not identify any other issues which we wish to bring to your attention.</p>
<p>Employee remuneration Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> • Employee remuneration accruals understated (Remuneration expenses not correct) 	<ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle; • Undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding and were in place to ensure payroll expenses were not understated and were included in the correct period; • Reconciled the annual payroll to the ledger and to the Expenditure and Funding analysis by nature note in the accounts; • Completed a trend analysis of monthly and weekly payroll payments covering 2016/17 and compared these to 2015/16 to determine whether additional substantive testing was required; and • Agreement of employee remuneration disclosures in the financial statements to supporting evidence. 	<p>Our audit work did not identify any issues that we wish to bring to your attention.</p>

Audit of the accounts (continued)

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Property, plant and equipment Risk that property plant and equipment activity is not valid</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls in place to ensure that PPE activity was valid; • Undertaken a walkthrough of the process to ensure controls were in line with our documented understanding; • Tested the agreement of the fixed asset register to the accounts and supporting notes; and • Tested a sample of PPE additions and disposals as well as ensuring compliance with capitalisation requirements. 	<p>Our testing identified two errors which have been adjusted in the Statement of Accounts. These related to incorrect capitalisation of £6.7m spend on the Midland Metro which should be treated as REFCUS and £5.3m spend on one school which came into use in 2016/17 but was not transferred out of Assets Under Construction (AUC).</p> <p>We identified no other issues that we wish to bring to your attention.</p>

Audit of the accounts (continued)

Audit opinion

We gave an unqualified opinion on the Council's accounts on 29 September 2017 in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable (four weeks ahead of the national deadline) and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts to the Council Audit Committee on 26 September 2017.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Minor amendments were made to both the Annual Governance Statement and the Narrative Report to ensure both documents were prepared in line with the relevant guidance and were consistent with supporting evidence provided and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO . We issued a group assurance certificate which did not identify any issues for the group auditor to consider.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have concluded that it is appropriate for us to use our powers to consider two objections made in relation to the councils 2016/17 Financial Statements.

We have also considered the responses made to the Section 24 recommendation made on 2015/16.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in September 2017, we agreed recommendations to address our findings:

1. Budget Delivery and Reserves Management

The Council needs to deliver the identified mitigating actions to offset the undeliverable planned savings in 2017/18 and maximise the delivery of the remaining savings plans for 2017/18 to reduce the use of additional reserves to achieve a balanced budget position.

The Council needs to develop realistic savings plans for future years which take full account of any delivery issues that are identified.

2. Future Operating Model

The Council needs to deliver management and support services changes following the redevelopment of the FOM on a timely basis to ensure that it delivers the required financial and operational outcomes.

3. Improvement Panel ('the Panel')

The Council needs to demonstrate that the pace of change and the impact of new political and corporate leadership arrangements are sufficient and sustained to address the concerns previously raised by the Panel.

4. Services for Vulnerable Children

The Council needs to continue to demonstrate measurable improvements in services for vulnerable children through successful implementation of the Children's Trust.

5. Management of Schools

The Council needs to continue to increase the pace of improvement in schools' governance arrangements to ensure that it can demonstrate to Ofsted that it has addressed the issues that it raised.

We issued an addendum to our Audit Findings Report on 26 September 2017 to include a reference to Equal Pay within the adverse VfM conclusion. The settlement of Equal Pay Claims remains an issue for the Council. Uncertainty around the timing and amounts of future claims will have an impact on the Council's reserves management.

Overall VfM conclusion

Because of the significance of the matters we identified in our work, we are not satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Budget Delivery and Reserves Management</p> <p>Information when we completed our initial risk assessment indicated that the Council were facing a significant overspend against budget for 2016/17. There were plans to use £37 million 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 outlined in the Council's Financial Plan 2017+ needed to deliver 100% recurrent savings (£148 million) 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>We have reviewed 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>The Council reported a 2016/17 revenue budget overspend of £29.8 million on a net revenue budget of £835.3 million. The outturn overspend is in the context of demanding savings targets of £123.2 million including finding 2016/17 solutions for £35.0 million largely for savings achieved on a non-recurrent basis in 2015/16. The Council has used £30.0 million of corporate funding (made up of use of the Capital Fund and the Organisation Transformation reserve) to address the year end pressure.</p> <p>The Council's Financial Plan 2017+ identifies continuing savings pressures, with a requirement of £171.4 million of savings to be delivered by the end of 2020/21; 2017/18 (£70.9 million) and 2018/19 (£62.7 million) are the two years with the greatest savings demand. The Business Plan includes a detailed analysis of savings schemes across the four year period. We focused our work on the delivery risks for the major savings schemes. In addition, there are a further £14.4 million of savings that were delivered on a non-recurrent basis in 2016/17 which need to be delivered in 2017/18.</p> <p>The Month 4 Corporate Revenue Budget Monitoring report position up to the end of July 2017/18 identifies the following:</p> <ul style="list-style-type: none"> • At the end of July 2017 a net revenue overspend of £15.7 million in 2017/18 is being forecast. This consists of an underspend of £2.3 million in the base budget delivery and £18.0 million of savings delayed or not deliverable in 2017/18 after identified mitigations. • The total forecast overspend of £15.7 million is primarily related to Place Directorate (£4.4 million), Children and Young People (£4.8 million) and the Future Operating Model (£15.7 million), offset by planned mitigations from Budget Planning work of £4.0 million and Corporate mitigations of £5.2m. • In the case of the Place Directorate, this relates largely to savings delivery challenges and base budget pressures on Waste Management services. • CYP relates largely to savings delivery challenges and pressures on the base budget for Travel Assist.

Value for Money (continued)

Risk identified	Work carried out	Findings and conclusions
Budget Delivery and Reserves Management (continued)	<p>We have reviewed 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>We identified in our initial risk assessment that the key risk was that the major savings schemes would not deliver the required recurrent savings, or would take longer to implement than planned. The £14.4 million shortfall in recurrent savings brought forward from 2016/17 and the delivery difficulties associated with the largest savings schemes in 2017/18 means that this risk is not sufficiently mitigated. In our view savings planning arrangements did not sufficiently take into account the impact of the level of non-recurrent savings or adequately assess the vulnerability of the largest proposed savings scheme.</p> <p>We have concluded that these weaknesses in the Council's arrangements relate to the adequacy of financial planning VfM criteria as part of informed decision making.</p>

Value for Money (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Future Operating Model</p> <p>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 overarching 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.</p>	<p>We have reviewed 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>The FOM is planned to prioritise public facing services, consolidate and optimise support services and bring consistency to the spans and layers of management within the Council.</p> <p>In January 2017 a report was presented at Cabinet setting out the proposals to strengthen the leadership capacity of the Council, reshape the strategic leadership and initiate the implementation of the FOM.</p> <p>To ensure that the Council can deliver the FOM, it is imperative that the organisation adjust its structures, spans and layers of management to align with the model. At its centre the organisation requires a streamlined, disciplined operating centre that supports delivery departments to achieve the priorities of the organisation.</p> <p>The implementation of the FOM was expected to deliver savings in 2017/18 of £14.6 million in the Council's Financial Plan 2017+. However, due to significant delays in its implementation the Month 4 Corporate Revenue Budget Monitoring report shows that there will be undelivered savings of £15.4 million in 2017/18, rising to £34.2 million in future years before mitigations of £4 million that are expected to be achieved from the Budget Planning work.</p> <p>The Council is currently redeveloping the FOM to ensure that it includes the appropriate management and support service changes to deliver the required financial and operational outcomes.</p> <p>We identified in our initial risk assessment that 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 has clearly been the case with the FOM and, on that basis, we have concluded that these weaknesses in the Council's arrangements relate to 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>

Value for Money (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Improvement Panel</p> <p>The Improvement Panel ('the 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>We have considered the Panel's reports and discussed the progress made and key issues with the Panel's Vice Chair.</p>	<p>We met with the Vice Chair of the Panel on a frequent basis throughout the year and were briefed on the Panel's view of the progress being made. The Panel has written to the Secretary of State several times since 1 April 2016.</p> <p>The Panel's August 2017 letter stated that its assessment overall is that the Council's direction of travel is positive. The Panel noted that:</p> <p>"In light of the good prospects for improvement and bearing in mind the highly experienced capacity and capability in the current management team and the Leader's strong resolve to continue to make the necessary changes that will promote good governance we suggest that the Panel should suspend its current operation with only the Vice Chair and the Panel's adviser staying in touch with the Council."</p> <p>Subsequent to this, issues arose from the recent waste dispute which led to the resignation of the Leader of the Council on 11 September 2017 and the Secretary of State requested an "urgent update" from the Panel so that he could consider the "next steps" for the Council.</p> <p>We identified in our initial risk assessment that the key risk was that the Panel will conclude that the Council was not making sufficient progress in implementing the changes needed. We considered the latest findings of the Panel including its suggestion to suspend its current operation, but, recent developments have led us to conclude that these weaknesses in the Council's arrangements do not support informed decision making.</p> <p>Subsequent to the issue of our audit report on 29 September 2017, we became aware that the Panel met with Councillor Ward and Stella Manzie, interim Chief Executive, to discuss the situation. It was agreed that the best course of action would be for the Panel to remain in place, providing advice and support to the Council until it can demonstrate that the changes and governance still required are truly embedded.</p>

Value for Money (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Services for Vulnerable Children</p> <p>The Council's services for Vulnerable Children were assessed as inadequate by Ofsted and are 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>We reviewed the project management and risk assurance frameworks established by the Council in respect of the more significant projects, to establish how the Council was identifying, managing and monitoring these risks.</p>	<p>The Council was subject to an Ofsted monitoring visit in May 2017 and the inspector wrote to the Council summarising his findings on 13 June 2017. The visit was the first monitoring visit since the Council was judged inadequate in November 2016.</p> <p>The areas covered by the visit were help and protection, with a particular focus on referral and assessment arrangements, the application of thresholds for intervention, and services to children at risk of sexual exploitation and those who go missing from home.</p> <p>The inspector's letter stated that "since the last inspection, leaders and managers have worked hard to make a range of necessary improvements including successfully embedding some well-established strength-based approaches to practice within an overall relationship-based model of social work. Although substantial further progress is required before services are consistently good, in a number of areas Birmingham are receiving better and timelier services. Against a long-standing history of failing to provide good services for children, this represents notable progress."</p> <p>The report of the Improvement Quartet to the Council on 11 July 2017 highlighted the progress made with the establishment of the Children's Trust. In particular, the appointments of the following:</p> <ul style="list-style-type: none"> • Andrew Christie as the Trust Chair; • a Chief Executive who started on 14 August 2017; and • six non-executive directors. <p>These appointments and the Trust's governance arrangements provide the Council with a strong platform to deliver the further improvements required for children's services in the near future.</p> <p>We identified in our initial risk assessment that the key risk was that services for vulnerable children do not show demonstrable improvement and continue to be subject to external intervention. The findings of the Ofsted monitoring report means that this risk is not sufficiently mitigated.</p> <p>We concluded that these weaknesses in the Council's arrangements relate to managing risks effectively and maintaining 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.</p>

Value for Money (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Management of Schools</p> <p>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.</p> <p>The key risk is that plan implementation will be slower than envisaged and underlying issues will not be effectively addressed.</p>	<p>We have focused on the BEP's management and reporting of the Single Integrated Plan. We have reviewed the progress made by Internal Audit within their coverage of schools governance.</p>	<p>The Council published its Education Services Delivery & Improvement Plan for 2016/17 in May 2016. The four key actions of the plan are:</p> <ul style="list-style-type: none"> • to work with strategic partners to build a great education offer for all in a challenging landscape; • to improve safeguarding and resilience for all to keep all children safe from harm; • to champion fair opportunities for vulnerable children and young people; and • to ensure exceptional leadership across and beyond the education system. <p>The report of the Improvement Quartet to the Council on 11 July 2017 highlighted the progress made with Education Services. In particular, it noted that:</p> <ul style="list-style-type: none"> • over 90% of the education improvement plan had been delivered on time; • feedback from the Department for Education, Ofsted and local stakeholders was positive; and • in view of the progress and capacity to improve further, the Education Commissioner's tenure was ended by the Secretary of State in July 2016. <p>However, 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 have continued to show that there are a range of governance issues to address across the schools visited, 17 of the 97 schools audits undertaken by internal audit in 2016/17 were assessed as 'level 3' assurance (specific control weaknesses of a significant nature noted, and/or the number of minor weaknesses noted was considerable).</p> <p>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 implementation of the improvement plan there is still work to do. The pace of school improvement remains the key issue which is affecting our judgement.</p> <p>We concluded that these weaknesses in the Council's arrangements relate to managing risks effectively and maintaining 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.</p>

Value for Money (continued)

Risk identified	Work carried out	Findings and conclusions
<p>Working with Health Partners</p> <p>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.</p> <p>The key risk is that partnership arrangements do not fully deliver service outcomes and improvements.</p>	<p>We have reviewed 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>We have considered the governance arrangements for the Better Care Fund (BCF) and other pooling agreements including improved Better Care Fund (iBCF). In particular, the clarity of lines of accountability to the Council. We have also considered the risk sharing arrangements in place and the partnership arrangements.</p> <p>The Birmingham iBCF totals £34 million for 2017/18, £47 million in 2018/19 and £60 million in 2019/20. The published policy framework outlines that the intended use of the iBCF is across three priority areas:</p> <ul style="list-style-type: none"> • to meet adult social care need; • to provide support to the NHS (especially through application of the 8 High Impact Changes); and • to sustain the social care provider market. <p>Whilst the Council is instrumental in the decision making process for how the iBCF money is allocated, ultimately the final decision remains the responsibility of the local Health and Wellbeing Board.</p> <p>The Council is working closely with its NHS partners and social care providers to develop new programmes of care to deliver more efficient and effective services following the deployment of the iBCF. At the Health and Wellbeing Board on 4 July 2017 the proposals for the use of the iBCF and dementia funding as part of the BCF were considered.</p> <p>We identified in our initial risk assessment that the key risk is that partnership arrangements do not fully deliver service outcomes and improvements. We have considered the Council's arrangements for the distribution of the BCF and the iBCF and are satisfied that they are appropriate. On that basis, we have concluded that the risk is sufficiently mitigated and that the Council has appropriate arrangements in place to work with third parties effectively to deliver strategic priorities and commission services effectively to support delivery of strategic priorities.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Council audit	314,168	314,168
Audit of subsidiaries		
Acivico Limited	38,000	38,000
Innovation Birmingham Limited	22,800	22,800
NEC (Developments) PLC	30,000	35,000
PETPS (Birmingham) Limited	7,600	7,600
Finance Birmingham Limited	6,900	7,000
Marketing Birmingham Limited	13,900	13,900
Subsidiaries total	119,200	124,300
Housing Benefit Grant Certification	17,594	23,594*
Total audit fees (excluding VAT)	450,962	462,062

The proposed fees for the year for the Council audit and the Housing Benefit Grant Certification were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). *The final fee for Housing Benefits Grant Certification is pending agreement of a fee variation by PSAA. This variation is expected to be in the region of £6,000.

Reports issued

Report	Date issued
Audit Plan	January / March 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• SFA Grant	4,500
• IMLT Grant	3,500
• Teacher's Pension	TBC
• Pooling Capital Receipts	TBC
• CFO Insights (fee per annum)	10,000
Other services	
• Innovation Birmingham – VAT	1,100
Non-audit services	19,100

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.

Appendix A: Reports issued and fees (continued)

We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Threat identified	Safeguards
Audit of subsidiary companies	Acivico Limited Innovation Birmingham Limited NEC (Developments) PLC PETPS (Birmingham) Limited Finance Birmingham Limited Marketing Birmingham Limited	38,000 22,800 35,000 7,600 7,000 13,900	No	Separate commercial audit teams. As such, we do not consider the audit of Birmingham City Council's subsidiaries to be a threat to our independence.
Grant claims - Housing Benefits - SFA - IMLT	Birmingham City Council	31,594	No	The fee for this work is negligible in comparison to the total fee for the audit and in particular the overall turnover of Grant Thornton UK LLP and the Public Sector Assurance service line. As such, we do not consider this grant assurance work to be a threat to our independence.
VAT	Innovation Birmingham	1,100	No	Separate VAT team. As such, we do not consider this work to be a threat to our independence.
CFO Insights	Birmingham City Council	10,000	No	The fee for this work is negligible in comparison to the total fee for the audit and in particular the overall turnover of Grant Thornton UK LLP and the Public Sector Assurance service line. The annual fee is fixed with no contingent element. As such, we do not consider CFO Insights to be a threat to our independence.

None of the above services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the Council. No other threats to independence have been identified.



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Appendix 2. Action plan

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
1	<p>Budget Delivery and Reserves Management</p> <p>The Council needs to deliver the identified mitigating actions to offset the undeliverable planned savings in 2017/18 and maximise the delivery of the remaining savings plans for 2017/18 to reduce the use of additional reserves to achieve a balanced budget position.</p> <p>The Council needs to develop realistic savings plans for future years which take full account of any delivery issues that are identified.</p>	High	<p>The delivery of the savings programme, including the identification of mitigations wherever possible, continues to be a key focus for the Corporate Leadership Team and Members of the Cabinet. This is achieved through a monthly monitoring process and reporting to the Budget Board and further consideration is being given to how this reporting can be improved and strengthened. Reports are presented to the Cabinet bi-monthly, and issues are also being considered by the Finance Overview & Scrutiny Sub-Committee.</p> <p>Specific plans are being developed for future years, including an appraisal of the timeline for and costs of implementation, and a realistic view is being taken of the phasing of savings delivery. Further due diligence processes will be built in for savings proposals to ensure increased confidence in delivery.</p>	<p>Corporate Leadership Team</p> <p>March 2018</p>
2	<p>Future Operating Model</p> <p>The Council needs to deliver management and support services changes following the redevelopment of the FOM on a timely basis to ensure that it delivers the required financial and operational outcomes.</p>	High	<p>The Future Operating Model is a way of describing a clear focus on the Council's priorities and a series of restructuring proposals and reduction in workforce numbers. There were some false assumptions in the original baseline calculations but management are nevertheless continuing their work on this to make the savings and good progress is being made in particular on new models and savings in support services. This is not yet complete.</p>	<p>Corporate Leadership Team</p> <p>March 2018</p>

Priority

- High
- Medium
- Low

Appendix 2. Action plan (continued)

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
3	Improvement Panel The Council needs to demonstrate that the pace of change and the impact of new political and corporate leadership arrangements are sufficient and sustained to address the concerns previously raised by the Panel.	High	<p>The leadership of the Council and the management team have engaged constructively with the Panel and there has been significant progress in the running of the corporate management and decision – making of the Council despite setbacks related to the refuse dispute .There has been significant progress demonstrated in partnership working for example between social care and health as well as with OfSTED who have recognised progress in direct service delivery such as, children’s services.</p> <p>There are clear Vision and Priorities for the Council and developing improvement plans for Education, Adult Social Care, Waste and Corporate Governance as well as much greater clarity on the performance requirements of the Council. Appointment of a new Chief Executive and a stable management team will enable the Council to build from the current base which includes a number of high performing services, including Planning , Tackling Youth Offending and Regeneration.</p>	Corporate Leadership Team March 2018
4	Services for Vulnerable Children The Council needs to continue to demonstrate measurable improvements in services for vulnerable children through successful implementation of the Children’s Trust.	High	<p>CSC scorecard presented to the Improvement Quartet shows steady improvement in all outputs. The OfSTED monitoring visit in September 2017 reported good progress.</p> <p>Plans for migration to the Children’s Trust for April 2018 are on track.</p>	Corporate Director, Children and Young People March 2018

Priority

- High
- Medium
- Low

Appendix 2. Action plan (continued)

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
5	Management of Schools The Council needs to continue to increase the pace of improvement in schools governance arrangements to ensure that it can demonstrate to Ofsted that it has addressed the issues that it raised.	High	Clear improvements are already in place in the quality of governors in maintained schools. Capacity has been boosted in response to OfSTED critique in School and Governor Support. Greater and improved training is offered for governors. All Trojan Horse risks on governance have been removed and none have been reported by OfSTED since 2014 in individual school reports.	Corporate Director, Children and Young People Already implemented
6	Cut-off of operating expenditure in Schools We tested a sample of payments made in April and May 2017 to identify whether there were items relating to goods/services received in 2016/17 which had not been appropriately accrued for (whether via system/manual accruals or the forecast accrual process). Two out of the seven schools invoice payments selected within our sample related to services received prior to 31/3/17, but processed for payment after year-end. We are satisfied there cannot be a material risk of under-accrual of schools invoices. However, we recommend that the Council review their processes for ensuring schools expenditure includes appropriate accruals.	Medium	The Council provides guidance to schools on the appropriate accounting treatment for expenditure relating to specific financial years. The guidance will be reviewed to ensure that the information provided to schools is clear. Information will also be provided in relevant schools forums to ensure that as many people as possible are contacted.	Head of City Finance – Children & Young People February 2018
7	HRA Assets under construction We identified that all spend on HRA additions is fully settled in year, with nothing being retained in AUC at year-end. While for spend relating to renewals to existing properties any AUC element is unlikely to be material at year-end, in recent years the Council has undertaken significant construction of new properties, and where construction spans year-end the spend should properly be included in AUC until brought into use. We are satisfied that the estimated potential impact would be trivial due to the need to impair the spend to reflect the social housing factors, and any impact on depreciation would also be trivial. We recommend that this is reviewed in future years if the Council continues to expand its house building programme, to ensure there is no material misstatement.	Medium	Agreed. The extent to which new homes are partially constructed at the financial year-end will be evaluated and if material accounted for as Assets under Construction.	Head of City Finance - Place March 2018

Priority

- High
- Medium
- Low

Appendix 2. Action plan (continued)

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
8	<p>Housing Benefits</p> <p>There have been two instances in the year where potential control weaknesses regarding the housing benefit system have been identified.</p> <p>The first related to a duplicate payment run which the Authority manually prevented from being paid. However, it still continued to be recorded as duplicated within the RBIS and therefore subsidy.</p> <p>The second related to two high value payments made in error, where on both occasions, an incorrect weekly rent figure had been manually entered in to the rent field of RBIS. These payments were manually stopped by the Council as they were identified as unusually large from the >£3k checks which are performed by the housing benefits team.</p> <p>However, we recommend that the Council continues to strengthen its internal controls with regards to Housing Benefit payments in order to reduce the risk of incorrect payments being made and not being identified manually prior to payment.</p>	Medium	<p>In relation to both of these issues the controls in place within the Housing Benefit and payments system worked as intended to prevent incorrect high value and duplicate payments from being dispatched to citizens and landlords. Therefore, preventing both overpaid benefit and loss of housing benefit subsidy due to Local Authority error. Both instances did create substantial additional work for officers within the Council as manual adjustments to the Housing Benefit subsidy claim had to be made and reconciliation between the housing benefit system and payment system had to be manually adjusted. In order to further strengthen the controls the following measures have been put in place:</p> <ul style="list-style-type: none"> • Within the Housing Benefit system the payment field has now been restricted from an unlimited size to a maximum of 6 digits including 2 decimal points; • The duplicate payment issue was generated through an inappropriate batch parameter error and Service Birmingham have strengthened their controls around batch processing in order to reduce the instance of this occurring in the future. 	<p>Service Director – Customer Services</p> <p>Already Implemented</p>

Priority

- High
- Medium
- Low

Appendix 2. Action plan (continued)

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
9	<p>Capitalisation of expenditure in Schools</p> <p>We identified a number of issues relating to capital spend recorded by schools:</p> <ul style="list-style-type: none"> - 1 item selected in our sample which had been capitalised related to IT support for April 2016 – March 2017 which had been funded by DFC. This was capitalised as spend on buildings which is incorrect as this appears to be a revenue cost. - All DFC is capitalised as buildings spend, but 1 item selected related to playground equipment which would be better classified as equipment. This is a misclassification issue only with no impact on the total value of PPE. <p>Although we are satisfied there is no risk to material misstatement for the above noted issues, we recommend that the Council continues to review the procedures for ensuring capital expenditure by schools is recorded completely and accurately in the accounts.</p>	Medium	<p>Guidance on the appropriate accounting arrangements for capital expenditure will be reviewed to ensure that it is clear on the correct treatment.</p> <p>Guidance will also be provided in appropriate school forums to ensure that relevant staff have access to the information.</p> <p>The Capital Team within the Council's Finance & Governance Directorate will continue, where possible, to review detailed expenditure within school accounting records to ensure the correct accounting treatment for capital expenditure.</p>	<p>Head of City Finance – Children & Young People</p> <p>February 2018</p>

Priority

- High
- Medium
- Low

Appendix 2. Action plan (continued)

Priority

Rec no.	Recommendation	Priority	Management response	Implementation date and responsibility
10	<p>Group Accounts</p> <p>Group accounts are drafted using unaudited financial information provided by group entities. In future the Audit Committee need assurance that group entities provide sufficient information by the end of April to ensure materially accurate group accounts can be produced and that audited accounts are received before the completion of the Council's audit.</p>	Medium	<p>Discussions are held with Group entities before the year end so that contacts are aware of the Council's timetable for completion of the financial statements. The timetable includes the dates for provision of draft and audited financial statements. Information is also sought from companies in December, prior to the end of the financial year, so that any potential issues can be identified.</p> <p>Companies have a longer statutory timeframe for the completion and audit of their financial statements than the Council. The Council can influence companies to accelerate the completion and audit of their financial statements and companies will be encouraged to see the benefits of early completion. This is more difficult where the Council has only a minority shareholding in a company as external influences will have more power.</p>	<p>Head of City Finance – Final Accounts</p> <p>December 2017</p>
11	<p>Exit Packages</p> <p>We recommend that the Council reflects on the advice given by the Department of Communities and Local government in relation to member consideration of exit packages.</p> <p>This advice suggests that authorities should report all exit payments over £100k to Full Council. Whilst Birmingham City Council is not alone in not following the advice, it may wish to consider whether this could be a useful enhancement to strengthen the transparency of its arrangements</p>	Low	<p>The Council has previously considered the advice provided by the Department of Communities and Local Government in relation to member consideration of exit packages, which is provided as guidance only.</p> <p>As part of our considerations on this matter, the Council set up its own internal governance in 2016 for exit payments, which for chief officers exits includes sign off from a cross party elected member JNC panel.</p> <p>The Council does plan to further review the guidance from Department of Communities and Local Government during the next 6 months, as part of the elected member JNC panel.</p>	<p>City Solicitor & Monitoring Officer and Director of Human Resources</p> <p>March 2018</p>

Priority

- High
- Medium
- Low