



Coventry City Council

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## **Council Meeting**

29<sup>th</sup> June, 2009

**Booklet 2**

Recommendation Minutes

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Audit Committee – 26<sup>th</sup> June 2009

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## AUDIT COMMITTEE

26 June 2009

### Audit Committee

Members Present: Councillor Chater  
Councillor Field  
Councillor Matchet (Chair)  
Councillor Skipper (Deputy Chair)  
Councillor Smith

Employees Present: P. Baggott (Finance and Legal Services Directorate)  
B. Hastie (Finance and Legal Services Directorate)  
P. Jennings (Finance and Legal Services Directorate)  
S. Mangan (Finance and Legal Services Directorate)  
C. Sinclair (Customer and Workforce Services Directorate)  
C. Steele (Chief Executive's Directorate)

Apologies: Councillor Andrews

## RECOMMENDATIONS

### 4. Statement of Accounts 2008/09

The Committee considered a report of the Director of Finance and Legal Services that set out the 2008/09 Statement of Accounts together with accompanying notes. The report was scheduled to be considered by the City council at their meeting on 29<sup>th</sup> June 2009. It was noted that the documentation was set out in a prescribed format and that the City Council's Auditors, the Audit Commission, would be auditing the statement over the next few months.

The Statement was prepared in accordance with requirements of the Accounting Code of Practice (ACOP), which defined proper accounting practice for local authorities. Members have been informed previously of changes in how the accounts were presented brought about by the move to compliance with UK Generally Accepted Accounting Policies (UKGAAP) accounting. These changes included replacing the Consolidated Revenue Account with an Income and Expenditure Account and a Statement of Movement on the General Fund. The result of these changes is that the Council's Income and Expenditure Account shows a deficit of £114.7m. This deficit does not reflect the genuine position of the Council's General Fund, which had a £44,000 overspend. The difference between the Income and Expenditure Account and the General Fund was explained in Section 4 of the report.

The Committee went on to consider key elements from the Statement of Accounts:

- The Income and Expenditure Account recorded how much the Council had spent and received for the day to day spending on its services (revenue expenditure and income). It also showed how that net expenditure had been funded – from the

combination of Council Tax, National Non Domestic Rates and Central Government Grant (the Revenue Support Grant). The City Council deficit for 2008/09 was £114.7m.

- The Statement of Movement on the General Fund Balance. This statement showed how the deficit on the Council's Income and Expenditure Account for the year reconciled to the surplus/deficit for the year on the General Fund.
- Statement of Total Recognised Gains and Losses. This statement brought together all the gains and losses of the Council for the year.
- The Balance Sheet, a snap shot of the Council's financial position as at 31 March 2009, showing the Council's assets, liabilities, and reserves and balances as at that date. At the end of 2008/09 the City Council's net assets were £448m.
- The Cash Flow Statement showed actual cash received and spent by the Council as a result of revenue and capital transactions with third parties.
- The Council was required to maintain a separate account that records the transactions that the City Council undertakes in relation to the collection and distribution of Council Tax and National Non Domestic Rates. In broad terms, this account showed income from Council Tax payers, and expenditure on payments (called precepts) to the City Council, the West Midlands Fire and Civil Defence Authority and the West Midlands Police Authority.
- Group Accounts statements consolidate the City Council's accounts with those companies considered to be part of our group. For 2008/09 those companies were North Coventry Holdings Ltd, Coventry North Regeneration, Coventry and Solihull Waste Disposal Company and the Arena Coventry Ltd.
- The Statement of Accounting Policies explained the main accounting policies the City Council used to produce the figures in the accounts. The general principles applied are those set out in the Accounting Code of Practice.

The 2008/09 Revenue and Capital Outturn report described the recent downgrading of the credit ratings of many financial institutions that has resulted in a significant reduction in the number of institutions that the City Council can invest with and limited the scope for managing City Council investments. The City Council currently has a £20m limit for the amount that can be placed with the Government Debt Management Office (DMO) – effectively the Bank of England. This limit was set largely for technical reasons. As the DMO is effectively the deposit taker of last resort for local authorities, it is proposed that no limit be set to the amount that can be deposited with the DMO. The effect of applying a limit to the DMO could be perverse in risk management terms, in that the City Council could in practice be forced to make a more risky investment in order to comply with a technical limit. It should be noted that in April 2009 the DMO was effectively used as the deposit take of last resort with a total of £24m being placed with the DMO. As a result, this report recommended that the Council should revise the Treasury Management and Investment Policy to remove the limit on the amount that can be invested with the Government's Debt Management Office.

The Committee questioned officers on aspects of the report including:

- How the City Council compared to other authorities in respect of uncollected debt
- The methodology for the disposal of assets

Officers would investigate both matters and report back to a future meeting.

**RESOLVED that the City Council be recommended to approve:**

- 1) The Statement of Accounts for 2008/09 and to authorise the Lord Mayor of the Council to sign them on behalf of the City Council.**
- 2) Revisions to the Treasury Management and Investment Policy to remove the limit on the amount that can be invested with the Government's Debt Management Office as detailed in Section 5.1 of the report.**

## **5. Annual Governance Statement 2008/09**

The Committee considered a report of the Director of Finance and Legal Services which sought approval for the Annual Governance Statement, which formed part of the 2008-09 Statement of Accounts. Best practice, as reflected in the Corporate Performance Assessment of Use of Resources, required that the approval of this Statement was considered separately from the Statement of Accounts (Minute 4/09 above refers). The report was scheduled to be considered by the Council at their meeting on 29<sup>th</sup> June 2009.

The City Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The City Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which included arrangements for the management of risk.

In discharging this responsibility, the Council was previously required to produce a Statement on Internal Control (SIC) and include this statement within its annual accounts. This changed with effect from 2007-08 with local authorities required to produce an Annual Governance Statement instead. This requirement was based on guidance issued by CIPFA in conjunction with the Society of Local Authority Chief Executives (SOLACE) titled 'Delivering Good Governance in Local Government: A Framework' in 2007.

The assurance gathering process developed to inform the Annual Governance Statement for 2008-09 included:

- Internal Audit work around the area of Corporate Governance including assessing the Council's compliance against the CIPFA / SOLACE Framework.
- An annual assessment of the adequacy of internal controls / governance arrangements by each Director.
- The outputs from the Internal Audit Service which are reflected in an annual report which will identify those issues, which in the opinion of the Audit and

Risk Manager, should be considered when producing the Annual Governance Statement.

- A review of the effectiveness of the Council's system of Internal Audit.
- Reports from external bodies received in the year, including those from the Council's external auditors, the Audit Commission.

The Committee considered those areas highlighted in the report that were viewed as significant governance issues. All significant governance issues were included on the Council's corporate and directorate risk registers. These registers also include appropriate management actions to minimise the risk. The Corporate Risk Register is also subject to regular review by the Council's Management Board, Cabinet and the Audit Committee.

The Council was seeking to continuously improve its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. Key challenges included:

- a) Ensuring the delivery of the Council's vision and corporate objectives in line with the Medium Term Financial Strategy.
- b) Working closely with partners and Government to deliver the Local Area Agreement.
- c) The Council's approach to delivering improved value for money, which was derived from its Value for Money Strategy, approved in 2006.
- d) Addressing the actions highlighted in Internal Audit's review of the Council's governance arrangements including:
  - Governance arrangements for partnership working.
  - Defining the level of awareness/understanding it expects its employees to have around key Corporate Governance guidance such as the Code of Conduct and Whistleblowing Policy and then taking action to ensure this expectation is met.
  - The need to enhance both local and corporate systems to ensure effective arrangements exist to cover corporate governance arrangements with the Council.

The review of internal control had also highlighted a number of areas for improvement. In each case, actions plans have been agreed to address issues identified. These include:

- a) Ensuring that all Coventry schools comply with the Financial Management Standard in Schools by the target date of March 2010.
- b) Continuing to develop a formal Council-wide framework for information security management.
- c) Ensuring that the Council had effective governance/project management

arrangements in place to oversee all significant Council projects.

- d) Ensuring that that there was effective awareness of roles and responsibilities for Business Continuity Management (BCM) and that service BCM plans were tested to ensure that they were fit for purpose.

The Committee questioned officers on aspects of the report and arising from discussions around defining awareness and understanding of Corporate Governance guidance asked for a briefing at a future meeting on what systems and rules were in place in relation to expenses.

**RESOLVED that the City Council be recommended to approve the Annual Governance Statement for 2008-09 (attached as Appendix 1 to the report submitted) and to authorise the Leader and Chief Executive to sign it on behalf of the City Council.**





## **CABINET**

29<sup>th</sup> June 2009

Cabinet Members Present:  
Councillor Blundell  
Councillor Mrs Dixon  
Councillor Foster  
Councillor Mrs Johnson  
Councillor Lee  
Councillor Noonan  
Councillor Ridley  
Councillor Sawdon  
Councillor Taylor (Chair)

Non-Voting Opposition Representatives present:  
Councillor Duggins  
Councillor Mutton

Employees Present:  
H. Abraham (Customer and Workforce Services Directorate)  
S. Brake (Community Services Directorate)  
F. Collingham (Chief Executive's Directorate)  
T. Ditta (City Services Directorate)  
D. Elliott (City Development Directorate)  
T. Errington (City Development Directorate)  
B. Hastie (Finance and Legal Services Directorate)  
M. Fenton (Children, Learning and Young People's Directorate)  
C. Green (Director of Children, Learning and Young People)  
J. Handley (Customer and Workforces Services Directorate)  
G. Hyde (City Development Directorate)  
S. Iannantuoni (Customer and Workforce Services Directorate)  
P. Jennings (Finance and Legal Services Directorate)  
J. McGuigan (Director of City Development)  
J. McLellan (Customer and Workforce Services Directorate)  
B. Oliver (City Development Directorate)  
J. Parry (Chief Executive's Directorate)  
C. Pullin (Children, Learning and Young People's Directorate)  
C. Sinclair (Customer and Workforce Services Directorate)  
C. Steele (Chief Executive's Directorate)  
J. Summerfield (Children, Learning and Young People's Directorate)  
J. Venn (Chief Executive's Directorate)  
A. West (Chief Executive's Directorate)  
C. West (Director of Finance and Legal Services)  
L. Wroe (City Development Directorate)

Apologies: Councillor Nellist

## **RECOMMENDATIONS**

### **14. Declarations of Interest**

There were no declarations of interest.

**17. Authority to Appoint a Preferred Bidder for, and Transfer Land to, the Sidney Stringer Academy**

The Cabinet considered a joint report of the Director of Children, Learning and Young People and the Director of Finance and Legal Services, which provided an update on the progress of the Sidney Stringer Academy and sought approval to appoint a preferred bidder to advance the design and construction of the new Academy and the appropriation of the development land at the corner of Primrose Hill Street and Vine Street and the site north of Primrose Hill Street.

In December 2006, the Cabinet approved the submission of the Expression of Interest (EoI) to develop the Sidney Stringer Academy. This development formed part of the Swanswell Learning Quarter, to replace the current Sidney Stringer School. This approval led to significant feasibility work, resulting in the preparation of an Outline Business Case (OBC) for submission to the Department for Children, Schools and Families (DCSF) and Partnerships for Schools (PfS). The OBC received approval from DCSF in December 2008, establishing the budgetary parameters for the Academy capital investment.

This approval allowed commencement of the procurement of a contractor-led delivery team from the PfS Academy Framework. This work commenced in January 2009 and culminated in the submission of comprehensive bid proposals on 11<sup>th</sup> May 2009. Bid submissions were requested and subsequently received from Kier and Laing O'Rourke.

In line with the nationally recognised model for Academy developments, the Sidney Stringer Academy will be managed by a new legal entity – the "Sidney Stringer Academy Trust". This body, representative of the four sponsors of the Academy (Coventry City Council, City College Coventry, Coventry University and Jaguar Cars), would become responsible for all operational aspects of the new Academy. The Government's Academy model also required the Trust to have a long lease on the Academy site.

An Evaluation Team, comprising of representatives of Coventry City Council, City College, Sidney Stringer Academy Trust, predecessor school and external technical advisors, had, over the Invitation to Tender (ITT) period, worked with two competing bidders to develop proposals which deliver against the vision, objectives and technical brief established for the Academy building.

This team undertook a detailed evaluation of the bid submissions, using the PfS standard evaluation documentation and focused on the areas of design, works, handover and price. Both submissions were considered to be of a high quality. However, Kier's proposal appeared to respond to the educational vision better and offer greater value for money. The bidders scored were detailed within the report submitted.

The land to be transferred to the Academy Trust included the existing Sidney Stringer School site, a tranche of land on the north side of Primrose Hill Street, and the land that was occupied by the Neighbourhood Management building at the corner of Primrose Hill Street and Vine Street. Parts of this land, not currently occupied by the

school, would need to be appropriated for educational purposes.

Once the contractor was selected the first stage was that the Trust would be granted a short three-year lease of the current Sidney Stringer School and a development agreement obliging the Council to construct the new academy. On practical completion of the development a long lease of the new academy would be granted to the Trust.

**RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend the City Council:**

- (1) Approve the changes to the land to be transferred to the Academy Trust, which were detailed in section 4.4 of the report submitted.**
- (2) Endorse the evaluation panel's recommendation to appoint Kier as preferred bidder to deliver the new Academy facilities, noting that there were no financial commitments on the Council at this stage and that further reports would be brought to Cabinet, seeking approval of the Full Business Case, award of contract and contract management structure to implement the building of the Sidney Stringer Academy.**
- (3) Note the intention to enter in a development agreement with the Trust and the grant of leases on the terms detailed in section 5.8 of the report.**

#### **19. Local Area Agreement and Corporate Plan – Performance Review 2008/09**

The Cabinet considered a report of the Assistant Chief Executive, which provided a review of performance at the end of 2008/09 against the Local Area Agreement Performance Indicators and the Corporate Plan management objectives.

The Council and Coventry Partnership agreed Coventry's Sustainable Community Strategy (SCS) in March 2008. The Local Area Agreement (LAA) was signed off by Government in June 2008, with a refresh of some targets agreed in March 2009. These documents set out the vision and priorities for Coventry.

In September, the Council adopted its Corporate Plan 2008-11, aligning its corporate objectives with the SCS and building the LAA indicators into its performance management framework. In addition, a new set of national performance indicators was introduced for 2008/09, covering the activities of local authorities and partner organisations. Indicators included in the LAA were selected from this set.

Half year progress on the LAA was presented to Cabinet on 16th December. A new report format was introduced to help focus on significant issues and any action required. The report had been updated to reflect the position at the end of 2008/09 and was attached as an appendix to the report submitted.

The report indicated that the Council was developing a data management system in conjunction with the Coventry Partnership to improve the quality, timeliness and accessibility of information to support decision-making and performance management. The

new performance management software had been piloted for the first time to support production of the end of year report. This involved lead officers and data collectors updating information and performance commentaries direct to the system. The pilot had been a learning exercise and it was noted that some changes to format and presentation may be needed for the future.

The City Council agreed its new Corporate Plan in September 2008, aligning its corporate objectives with the priorities in the SCS. As part of this process, the supporting performance indicators were significantly revised to include measures from the new national indicator set and a number of gaps were identified where other measures needed to be developed. Some smaller amendments were made to the management objectives and accompanying indicators to reflect performance priorities that had emerged during the last year.

The summary of progress for SCS themes based on the LAA indicators provided a partial overview of progress against the Council's corporate objectives and a full review would be carried out at the end of the first year of the plan in September. A full report on the Council's management objectives was attached as an appendix to the report.

The Cabinet noted that the preparation of the report had been challenging for a number of reasons, mainly to do with the introduction of the new National Indicator Set. The report reviewed the progress made in delivering the priorities set out in the Local Area Agreement and the management objectives of the Corporate Plan. The information would be used to identify further action that needed to be taken to improve performance and services to the people of Coventry and provide performance information to assist in the budget setting process. The full performance tables for the national indicator set would be made available on the Council's website.

The information included in this report and subsequent updates will be used to inform performance management of the objectives and priorities in the Local Area Agreement and Corporate Plan. Information from the performance report will be considered by Scrutiny to help shape its work programme for the year. The Local Public Service Board will use the performance report on the LAA to drive its performance management of the targets over the coming year.

**RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend the City Council to note the progress made on the Local Area Agreement and Corporate Plan and to take this information into account when considering future proposals including budget setting.**

## **20. Multi Area Agreement on Employment and Skills**

The Cabinet considered a joint report of the Chief Executive and the Director of City Development, which sought agreement of a Multi Area Agreement on Employment and Skills between the Council and its partners with central Government.

The report indicated that Central government had recognised that some economic issues are addressed most effectively at a sub-regional basis to reflect local economic geography and labour markets that are not necessarily reflected by local authority

boundaries and was encouraging local authorities to tackle issues together through Multi-Area Agreements (MAAs). Multi-Area Agreements were agreed between central government and a number of individual local authorities with the aim of achieving a number of agreed shared outcomes.

For the last two years Coventry has been one of the partners in a City Strategy Pathfinder Programme with the other six West Midlands Metropolitan District Councils, Telford and Wrekin Unitary Authority and other partners including JobCentre Plus; the Learning and Skills Council and local businesses.

Key features of the City Strategy approach were the development of a single offer for clients and employers within a local area with the aim of both getting local people into jobs at the same time as providing skills training and employer support. This included the production of Neighbourhood Employment and Skills Plans for each of the wards in the city region covered by the pathfinder and the development of an Employers' Board – which in Coventry's case encompassed Warwickshire to reflect its labour market and also its strengthening links within the Coventry Solihull and Warwickshire sub-region.

City Strategy Pathfinder activity was focused on the areas with the highest levels of worklessness across the city region, which included six wards in Coventry. The pathfinder was evaluated and found to be successful and was to be carried on for a further two years and be rolled out to other areas in the City.

The Cabinet noted that, earlier in the year, it was proposed that the successful local City Strategy pathfinder programme should be developed into a formal four-year sub-regional Multi-Area Agreement with central government. Employees in the Council's Regeneration Services had been actively engaged in supporting the development of the employment and skills MAA and would continue to provide advice and support to enable it to operate effectively ensuring that benefits to Coventry were realised over the next three years.

A draft Multi Area Agreement document was considered by Scrutiny and Cabinet and then approved for submission to Government at the Council meeting on 17<sup>th</sup> March 2009. Following further negotiations between local partners and Government, particularly around more local control of commissioning services, the final MAA document had been produced and was appended to the report submitted.

The proposals in the Multi Area Agreement had been agreed with Government and it was expected that, subject to approval by each local authority, the agreement would be formally signed by all parties in mid-July 2009.

The proposed Multi Area Agreement covered the eight local authority areas of Coventry; Birmingham; Solihull; Sandwell; Dudley; Walsall; Wolverhampton and Telford and Wrekin. The eight local authorities would each be joint signatories to the MAA with Government. Warwickshire County Council has collaborated with the development of the MAA.

The aim of the Agreement is to have more people in sustainable employment and training across the metropolitan area of the West Midlands and Telford. This would be achieved by removing a number of barriers, inflexibilities and inconsistencies in the way

that employment and skills services were delivered locally and through the delegation of decision making and funding from national and regional agencies to local partners.

As a result of the recession, unemployment had risen steeply in the West Midlands so that it was the region with the highest level in the UK and the need for activity and support included within the proposed MAA had increased.

It was acknowledged that initial targets had been developed for the MAA but that these would be reviewed after a year as the effects of the recession and changing economic conditions had meant it had been difficult to assess targets for the four years of the MAA.

Targets for local authority areas would be developed and would identify priority groups and areas on which each local area wished to focus employment and skills interventions and in turn these would inform the development, specification and commissioning of employment and skills programmes and the use of resources.

It was noted that overall governance of the Multi Area Agreement would sit with the City Region Growth and Prosperity Board of which Coventry was a member. Local governance mechanisms included an Employment and Skills Board for Coventry (including Warwickshire), which was made up of a range of employers and representatives from local authorities, JobCentre Plus and the Learning and Skills Council. It would be formally linked to the Coventry Partnership. The Council and its partners in the Coventry Economy Learning Skills and Employment Group would ensure that the development of the MAA complemented other activity in the City.

An Employment and Skills Strategic Management Board would be responsible for the day to day delivery of the MAA and would be made up of chairs from the four Employment and Skills Boards in the city region and two local authority leaders and four ex-officio places on the Board would be allocated to the Regional Directors of Jobcentre Plus, the Learning and Skills Council/Skills Funding Agency and the Young People's Learning Agency and one local authority Chief Executive.

**RESOLVED that, after due consideration of the options and proposals contained in the report and matters referred to at the meeting, the Cabinet recommend the City Council to agree the Multi Area Agreement on Employment and Skills with central government as set out in appendix 1 of the report submitted.**