



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 1st December, 2014

Place

Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 6)
To confirm the minutes of the Committee meeting held on 20 October 2014
4. **Work Programme 2014/15** (Pages 7 - 10)
Report of the Executive Director of Resources

External Audit

5. **Annual Audit Letter 2013-14** (Pages 11 - 18)
To receive the Annual Audit Letter 2013-14 from the Council's external auditors, Grant Thornton

Internal Audit

6. **Half Yearly Fraud Update** (Pages 19 - 26)
Report of the Executive Director of Resources
7. **Internal Audit Recommendation Tracking Report** (Pages 27 - 36)
Report of the Executive Director of Resources

Accountancy

8. **Quarter Two Revenue and Corporate Capital Monitoring Report 2014-15**
(Pages 37 - 60)
Report of the Executive Director of Resources

Procurement

9. **Procurement - Contract Monitoring / Social Value** (Pages 61 - 76)

Update from the Executive Director of Resources

10. **Exclusion of Press and Public**

To consider whether to exclude the press and public for the item(s) of business for the reasons shown in the report.

11. **Procurement Monthly Progress Report** (Pages 77 - 80)

Report of the Executive Director of Resources

Chris West, Executive Director, Resources, Council House Coventry

Friday, 21 November 2014

Note: The person to contact about the agenda and documents for this meeting is Hugh Peacocke Tel: 024 76833080

Membership: Councillors S Bains (Deputy Chair), D Galliers (Chair), L Harvard, R Sandy, T Sawdon and D Welsh

Please note: a hearing loop is available in the committee rooms

If you require a British Sign Language interpreter for this meeting
OR if you would like this information in another format or
language please contact us.

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Coventry City Council

Minutes of the Meeting of Audit and Procurement Committee held at 3.30 pm on

Monday, 20 October 2014

Present:

Members: Councillor D Galliers (Chair)
Councillors S Bains, L Harvard, R Sandy and T Sawdon

Employees (by Directorate): P Jennings, Resources Directorate
S Mangan, Resources Directorate
L Welton, Resources Directorate
H Peacocke, Resources Directorate

Apologies: Councillor D Welsh

Public Business

26. Declarations of Interest

None

27. Minutes of Previous Meeting

The minutes of the meeting held on 15 September were approved by the meeting and signed as a true record.

28. Matters Arising

- i. The Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) had been circulated to the Members of the Committee for comments to the Cabinet Member for Policing and Equalities and the response received had been sent to the cabinet Member for consideration.
- ii. The Committee heard that officers had considered the response from Ernst & Young regarding the Council's contract management processes. Three options had been provided but it was felt that only the third was viable. option 3 had been explored, in-house, with the People Directorate. It was agreed to look at what other companies could offer and to seek competitive quotes for the work. It was expected that this project would result in savings from the next financial year, but officers would seek to achieve savings this year, if possible.
- iii. Committee Members had received a Knowledge and Skills Self-Assessment form and outstanding forms should be completed and returned to the Council's Audit and Risk Manager.
- iv. The Meeting heard that the next meeting of the Local Government Audit Committees network, provided by Grant Thornton, would be in Birmingham on 22 October.

29. **Work Programme 2014/15**

The Committee considered a report of the Executive Director, Resources, on the Work Programme for the rest of the Municipal year.

In response to the matter on the risk update for the Ricoh Arena, the Audit and risk manager told the Committee that he would discuss it with the relevant Council officers and report back if there was any matter of relevance to the Committee.

RESOLVED that the Committee approves the Work Programme for the rest of 2014/15.

30. **Half Year Internal Audit Progress Report 2014-15**

The Committee considered a report of the Executive Director, Resources, on the internal audit activity for the period April to September 2014, against the agreed Internal Audit Plan for 2014-15.

The meeting noted summary findings from key audit reports and agreed as follows:

- That the Committee Chair writes to the Chair of Governors of Stoke Heath Primary School expressing concern at the rate of progress on the actions required to support the effective management of the school's resources.

- It was agreed to invite the appropriate senior manager from the People Directorate to the next meeting of the Committee to seek assurance that action is being taken in response to issues raised in the Section 17 audit report.

The Committee were concerned that the Council had not defined its responsibilities for this area in a policy and that payments were being made through section 17 which other agencies were responsible for. The Committee also requested an update on how the Council is progressing towards a single mechanism for accessing discretionary support.

- The Committee requested a further report in January 2015 around progress in responding to actions agreed in the System back-up, recovery and data centre IT audit review.

- The Committee requested additional information in respect of the key issue highlighted in the Pertemps Master Vendor audit report around the level of pre-employment checks completed on agency staff.

RESOLVED that the Audit and Procurement Committee approves the Internal Audit Progress Report April-September 2014 and the actions agreed above in relation to the summary findings of the key audit reviews.

31. **National Fraud Initiative: Outcomes and Information for Elected Members and Decision Makers 2012-13**

The Committee received the Audit Commission's report titled 'National Fraud Initiative: Outcomes and Information for Elected Members and Decision Maker 2012-13'. It was noted that Coventry City Council investigates relatively less matches than other authorities but achieves satisfactory outcomes by focussing on the areas of proven risk.

Resolved that the Audit and Procurement Committee notes the Report and approves the Council's approach to responding to the National Fraud Initiative.

32. Treasury Management Update

The Committee received an update from the Executive Director, Resources on the Council's Treasury Management activity. The meeting noted changes to credit ratings and investment terms and limits and further noted that any proposed amendments to the Council's strategy would be based on advice from Treasury Management experts.

Resolved that the Audit and Procurement Committee notes the Treasury Management Update.

33. Transformation Programme / Jeep Campaign Financial Savings Update

The Committee considered a report of the Executive Director, Resources, providing an update on the financial savings anticipated from the Council's Transformation Programme and the final position in relation to achievement of the JEEP (Justify Expenditure, Examine Performance) financial savings. It was anticipated that the abc Programme will have delivered additional savings of £15.8m in 2014/15 and total annual savings over the 5 year course of the Programme to date of nearly £50m. The JEEP Programme would deliver savings of £195,000 in 2014/15.

The Committee requested that a copy of this report be sent to Councillor Sweet for her information.

Resolved that the Audit and Procurement Committee notes the Transformation Programme / Jeep Campaign Financial Savings Update.

34. Ombudsman Complaints Annual Report

The Committee considered a report from the Chief Executive on the Ombudsman Complaints Annual Report which said that in 2013/14 there were 108 complaints lodged against Coventry City Council of which only 19 progressed and 10 of these were upheld.

The report summarised the areas where the complaints arose and gave further details on the cases where the complaints were upheld against the Council.

The Audit and Procurement Committee resolved to:

- (1) Note the Council's performance in relation to complaints to the Local Government Ombudsman**
- (2) Note the actions in response to complaints investigated and where the Council is found to be at fault and**
- (3) To receive this report on an Annual Basis.**

35. **Exclusion of Press and Public**

36. **Procurement Monthly Progress Report (Private)**

The Committee considered a report of the Executive Director, Resources, detailing confidential financial matters in respect of Procurement and Commissioning across the Council which showed a savings deficit of £499,000 but noted that Public Health had achieved savings of £500,000. The Council was confident of meeting its savings targets on procurements for 2014/15.

The Audit and Procurement Committee resolved to note the Monthly procurement progress Update.

(Meeting closed at 5.10 pm)



Public Report

Audit and Procurement Committee

1 December 2014

Director Approving Submission of the report:
Executive Director, Resources.

Ward(s) affected:
None

Title
The Audit and Procurement Committee Work Programme 2014/15

Is this a key decision?
No

Executive Summary:

The Work Programme 2014/15 for the current Municipal Year, attached at Appendix 1, sets out the matters the Committee intends to address over the rest of the Municipal Year.

Recommendations:

That the Audit and Procurement Committee approves the Committee's Work Programme for 2014/15

List of Appendices included

1. The Audit and Procurement Committee Work Programme 2014/15

Other useful background papers:
Audit Committee Minutes

Has it or will it be considered by Scrutiny?
No

Has it, or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No

Report author(s): Hugh Peacocke

Name and job title: Governance Services Manager

Directorate: Resources

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Enquiries should be directed to the above person.

This report is published on the council's website:

www.coventry.gov.uk/meetings

Audit and Procurement Committee

Work Programme 2014-15

10 November 2014

1st December 2014

Quarter Two Revenue and Corporate Capital Monitoring Report 2014-15
Internal Audit Recommendation Tracking Report
Half Yearly Fraud Update
Payments under Section 17 of the Children's Act
Annual Audit Letter 2013-14 (Grant Thornton)
Procurement - Contract Monitoring / Social Value
Procurement Monthly Progress Report (Private)

12th January 2015

Quarter Three Internal Audit Progress Report 2014-15
Treasury Management Update
Grant Certification Report (Grant Thornton)
Council Tax Discounts / Exemptions Update
Update on risks assessments re IT system back-up, recovery and data centre
Procurement Monthly Progress Report (Private)

16th February 2015

Quarter Three Revenue and Corporate Capital Monitoring Report 2014-15
Procurement Monthly Progress Report (Private)

23rd March 2015

Annual Audit Plan (Grant Thornton)
Ombudsman Complaints Update Report
Procurement Monthly Progress Report (Private)
Update on action arising from the Audit 2013/14 Findings Report

20th April 2015

Internal Audit Plan 2015-16
Internal Audit Update Report
Six Month Corporate Risk Register Update
Informing the Audit Risk Assessment (Grant Thornton)
Procurement Monthly Progress Report (Private)

Dates to be confirmed

Corporate Risk Register Update

2015/16

To receive the Ombudsman Complaints Annual Report

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The Annual Audit Letter for Coventry City Council

Year ended 31 March 2014

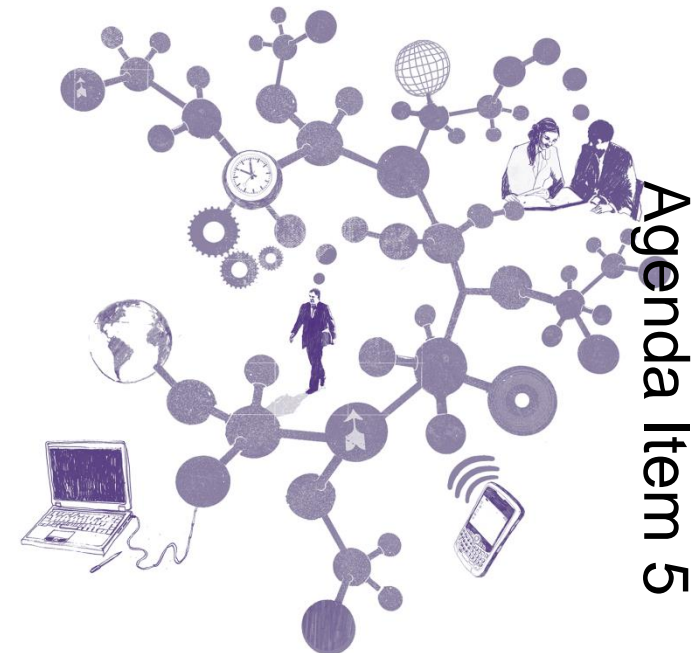
20 October 2014

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Appendices

A Key issues and recommendations

B Summary of reports and audit fees

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Coventry City Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 7 April 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 15 September to the Audit and Procurement Committee. The key messages reported were:

- the Council has successfully implemented new key financial systems during 2013/14 and avoided the many pitfalls that can occur when making such significant changes to IT systems. The Council produced draft accounts to a good standard and with an overall high level of compliance with disclosure requirements
- there were two adjustments to the financial statements submitted for audit which affected the Council's reported financial position, though neither of them had any impact on the Council's net expenditure. The first adjustment resulted in the value of the Council's investment in Coventry Solihull Waste Disposal Company increasing by £46.7m. This was the result of a revaluation exercise performed in conjunction with Solihull MBC. The adjustment is not due to an error made in the drafting of the accounts but arose because the revaluation exercise was completed after the accounts had been submitted for audit. The second adjustment, arising from an over-accrual of rental income, resulted in the Council's General Fund reserve decreasing by £2.3m.

The key recommendations arising from our financial statements audit are detailed in Appendix A.

We issued an unqualified opinion on the Council's 2013/14 financial statements on 25 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages

<p>Value for Money (VfM) conclusion</p>	<p>We issued a qualified VfM conclusion for 2013/14 on 24 September 2014.</p> <p>An Ofsted inspection of children's services in March 2014 judged the services provided by the Council to be inadequate. The Council are taking action in respect of the issues raised by Ofsted but, because of the severity of their findings, we issued a qualified value for money conclusion.</p> <p>The Council failed to achieve their total targeted savings for 2013/14, securing savings of £12.6m against a target of £17.2m. The failure to hit the target was largely due to the level of savings intended from children's services not being achieved. We were satisfied with all other aspects of the Council's arrangements for securing value for money</p> <p>The key recommendations arising from our value for money conclusion work are detailed in Appendix A.</p>
<p>Whole of Government Accounts</p>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p> <p>The Council should have submitted its draft consolidation pack to the Department for Communities and Local Government by 30 June. We did not receive a draft consolidation pack to review until 18 September. Our review of the pack identified a number of significant omissions.</p> <p>A recommendation in respect of Whole of Government Accounts is included in Appendix A.</p>
<p>Certification of grant claims and returns</p>	<p>Our certification work on the Council's Housing Benefit Subsidy claim is currently underway. We expect to certify this claim by the Department of Work and Pension's deadline of 30 November.</p>
<p>Audit fee</p>	<p>Our fee for 2013/14 was £249,311, excluding VAT, which represented a reduction of 4% from the previous year. Further detail is included within appendix B.</p>

Appendix A: Key recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Recommendation	Priority	Management response/ responsible officer/ due date
1.	The Council should put arrangements in place to revalue classes of assets simultaneously and to make the required PPE disclosures in its accounts on a class by class basis	High	<p>Arrangements are in hand to ensure that assets within the same class are valued simultaneously for the 2014/15 accounts and to make the required disclosures</p> <p>Responsible officer: Finance Manager, Corporate Finance Due date: June 2015</p>
2.	The Council should consider the issues raised in the Audit Findings report in respect of accounting for PFI contracts as part of the preparation of the 2014/15 financial statements	High	<p>These issues will be considered as part of the preparation of the 2014/15 accounts</p> <p>Responsible officer: Finance Manager, Corporate Finance Due date: June 2015</p>
3.	The Executive Director of Resources should continue to assess the adequacy of the General Fund reserve in the light of the financial risks facing the Council over the medium and long term	High	<p>The Local Government Act 2003 requires the Executive Director of Resources to give assurance on the adequacy of reserves of the Authority when it sets its budget each year. The adequacy of all reserves will continue to be monitored and reported at key points through the annual financial cycle process. In particular where there are key emerging areas of risk, such as the recent part-localisation of Business Rates, this will be factored into any assessment of reserve levels.</p> <p>Responsible officer: Executive Director of Resources Due date: On-going</p>

Appendix A: Key recommendations

No.	Recommendation	Priority	Management response/ responsible officer/ due date
4.	<p>The Council needs to maintain its sound financial position by continuing to :</p> <ul style="list-style-type: none"> keep tight financial control keep the medium term financial plan up-to-date and plan for a range of scenarios ensure that identified savings from the ABC programme are delivered try to identify realistic ways of making savings in the medium term in respect of childrens social care and early intervention services. 	High	<p>On-going maintenance of tight financial control continues to be a key focus for the Council as demonstrated by its continued sound budgetary control performance. This has been reinforced by the Council's new financial information system which is delivering more timely budgetary control information to members and senior officers.</p> <p>Rolling medium term financial planning forecasts reflecting a range of potential scenarios continue to be maintained and Members are being informed of these within the forthcoming Budget Setting process.</p> <p>Delivery of the abc Programme and savings identified as part of a new developing Budget strategy are being managed within a comprehensive range of projects. These include themes incorporating Friargate, the Customer Journey and a wide ranging Workforce Strategy.</p> <p>In response to the Ofsted Inspection report on its Children's Services earlier this year the Council is focussing on ensuring that the service is resourced to meet the immediate demands of the service across Coventry. Over the medium term, it will be necessary to ensure that social care and early intervention services are delivered in a way that strikes an appropriate balance between service need and the achievement of value for money.</p> <p>Responsible officer: Executive Director of Resources Due date: On-going</p>
5.	<p>The Council should ensure that it:</p> <ul style="list-style-type: none"> • submits its 2014/15 Whole of Government Accounts consolidation pack to DCLG by the set deadline • minimises significant omissions from the pack submitted. 	High	<p>The Council will seek to submit the 2014/15 Whole of Government Accounts (WGA) return in line with the Government set timescale and without significant omissions. Given the recently tightened timescales for the WGA it is important to note that the Council's first priority will continue to be the main Statement of Accounts, which is subject to statutory deadlines</p> <p>Responsible officer: Finance Manager, Corporate Finance Due date: In line with Government deadline</p>

Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	229,810	231,280
Grant certification fee	21,600	18,031
Total fees	251,410	249,311

There is an additional fee of £1,470 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for Metropolitan District Councils and is subject to agreement by the Audit Commission

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	7 April
Audit Findings Report	15 September
Annual Audit Letter	20 October



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Coventry City Council

Public report

Report to

Audit and Procurement Committee

1st December 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Damian Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

Fraud Update 2014-15

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud activity during the financial year 2014-15 to date.

Recommendation:

The Audit and Procurement Committee is recommended to note:

1. The outcome of the Council's response to fraudulent activity during 2014-15 to date.
2. The update provided in respect of the implementation of the Single Fraud Investigation Service.

List of Appendices included:

None

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee.

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Half Yearly Fraud Report 2014-15

1. Context (or background)

1.1 The focus given to fraud in the public sector has increased over the last few years, primarily as a result of the publication by the National Fraud Authority of "Fighting Fraud Locally - The Local Government Fraud Strategy". Whilst the national strategy states that the public sector is dealing with increasing levels of fraud, the experience of the Council is that except for benefit fraud, levels of identified / reported fraud against the Council are still at relatively low levels, in terms of both numbers and value. This report documents the Council's response to fraud during 2014-15 to date, and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference 'to monitor Council policies on whistle blowing and the fraud and corruption strategy'.

2 Options considered and recommended proposal

2.1 **Corporate Fraud** – The focus of work in this area has been split between co-ordinating the Council's response to the National Fraud Initiative and dealing with reported allegations of fraud. A summary of this activity is detailed below.

2.2 National Fraud Initiative (NFI) – The NFI exercise is currently led by the Audit Commission, although responsibility for this will move to the Cabinet Office in 2015. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. Our work in 2014/15 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2014, with 12 datasets submitted. We expect the matches to be released for investigation in February 2015.

2.2.1 With the exception of Council Tax matches, all work arising from the last NFI exercise has now been completed. The work in respect of Council Tax relates to two areas:

- Single Person Discount matches - We have delayed looking into these matches pending the completion of a separate review by the Council Tax Team. We are now in the process of cross referencing the NFI matches to the results of the Council Tax Team exercise to identify any further cases that need to be pursued.
- Rising 18's - These matches provide information on individuals in properties who have either recently turned 18 or will turn 18 in the near future. The nature of these matches is such that this will be managed as an on-going piece of work over the coming months.

2.2.2 Referrals and Investigations – Table one below indicates the number of referrals by source in 2014-15, with figures for the previous three financial years.

Table One - Fraud Referrals Received between 2011-12 and 2014-15

Source	Referrals 2011-12	Referrals 2012-13	Referrals 2013-14	Referrals 2014-15 to date
Whistle blower	15	14	12	9
Manager	16	14	13	9
Complaint / External	1	-	4	1
Total	32	28	29	19

The figures for 2014-15 do appear to indicate an increase in the number of referrals received in comparison with previous financial years. In stating this, we need to be clear that we have no mechanism for determining the number of referrals the Council should receive on an annual basis and in our experience, it is very difficult to anticipate or identify the reasons behind fluctuations in numbers.

2.2.3 Quality of Referrals - Of the 19 referrals received, seven have led to full investigations. Reasons for referrals not resulting in a full investigation include:

- Poor quality referrals – In simple terms, in assessing some referrals, we have found no evidence to support the allegations. This does not necessarily mean that the allegations were false but can reflect a misinterpretation of the relevant events.
- Insufficient evidence on which to pursue an investigation - This can result from (i) a whistle blower contacting us anonymously and not providing any means of contacting them for clarification and / or further information, or (ii) the nature of the event being a 'one-off' situation and the impracticality of proving that an event in the past has actually taken place.

It should be noted that for five referrals, a decision has yet to be made regarding how these concerns will be pursued as these are still in the initial assessment / fact finding phase.

2.2.4 Type of Allegations - A breakdown of the seven investigations carried out in 2014-15 to date, by type of allegation, is detailed below.

- Theft (three) - This relates to theft of cash / council assets.
- Abuse of position (one) – This relates to an officer using their position to obtain a benefit that they are not entitled to.
- Attendance (one) - This relates to an allegation that an employee is falsifying their timesheets by claiming to be at work when this is not the case.
- Code of Conduct (two) – This relates to concerns around the behaviour / actions of officers.

2.2.5 Outcomes – With the exception of two cases, all investigations have now been completed. The following outcomes were achieved:

- One officer left their post during the investigation / disciplinary process.
- Two officers received final written warnings.
- The remaining cases were not pursued through to a formal disciplinary hearing. This was either due to (a) there was no case to answer, (b) the investigation could not determine responsibility for the matter and (c) it was determined that a resetting of standards was the most appropriate action.

2.3 **Benefit Fraud Team** – The performance of the team, in terms of administered sanctions, is reflected in table two overleaf, along with comparative figures for the previous three years.

Table Two: Sanctions Administered by the Benefit Fraud Team

	2011-12	2012-13	2013-14	2014-15 (April to October)
Administered Sanctions	189	174	190	85
Investigators (FTE) in Year	5.7	4.3	4.6	4
Sanctions Per Investigator	33	40	41	21

The work of the Team in 2014-15 to date has contributed to the identification of overpayments (fraud and non-fraud) totalling approximately £570,000, which is being pursued for recovery.

2.3.1 Single Fraud Investigation Service (SFIS) Update – Within the fraud annual report considered in July 2014, the Audit and Procurement Committee were advised that the Council had just received notification that the Council’s Benefit Fraud Team would transfer to the Department of Work and Pensions (DWP) in March 2015 as part of the creation of the SFIS. An initial meeting was held with the DWP Project Team on 30th September 2014 to agree an implementation plan for the Council and regular meetings are planned over the coming months to support this transfer. The full impact of the transfer from the Council’s perspective has yet to be determined as we have not received all the necessary information from the DWP. The Council’s priorities in the coming months will be on managing the impact and is likely to focus on the following issues:

- Ensuring that staff impacted by the transfer receive regular communications to keep them informed on this transfer.
- Ensuring a smooth transition when the transfer takes place.
- Assessing and managing the impact that the transfer will have on arrangements within the Council.

2.4 Significant Frauds – Within the International Auditing Standards, there are clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This includes an expectation that appropriate detail is provided around significant fraud. We have applied the following principles when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 can be included if the Internal Audit and Risk Manager considers this justified by the nature of the fraud.
- In terms of establishing when a fraud has occurred, we have applied two approaches, depending on the area where the fraud has occurred. Where these relate to benefits, these are defined as occurring when the case has been through the legal process and the case has been concluded. For all other fraud, this is defined as occurring when the fraud has been detected and / or reported.

2.4.1 In the period April to October 2014, eight significant frauds have been concluded. All relate to the area of benefit fraud and have resulted in successful prosecutions. A summary of the frauds is detailed below in table three.

Table Three – Significant Frauds April to October 2014

Ref	Value of Fraud (£)	Details of Fraud	Referral Mechanism
1	£10,311.24	Not resident in property	Housing Benefits
2	£15,372.28	Living together	Fraud Hotline
3	£21,060.77	Living together	NFI
4	£11,254.98	Non declared income - working	Housing Benefits
5	£27,020.37	Contrived Tenancy	Fraud Hotline
6	£15,331.04	Living together	DWP
7	£20,255.40	Non declared income – working	DWP
8	£37,591.14	Living together	Housing Benefits

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a monitoring report.

5. Comments from the Executive Director Resources

5.1 Financial Implications

All fraud has a detrimental financial impact on the Council. In cases where fraud is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified.

5.2 Legal implications

All Housing Benefit fraud cases are conducted in accordance with the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA) and the Data Protection Act (DPA). In terms of corporate fraud cases, investigations are conducted in line with DPA and are referred to the police when considering criminal proceedings.

5.3 Human Resources Implications

Allegations of fraud made against employees are dealt with through the Council's formal disciplinary procedure. The Internal Audit and Risk Service are fully involved in the collation

of evidence and undertake, or contribute to, the disciplinary investigation supported by a Human Resources representative. Matters of fraud relating to employees can be referred to the police concurrent with, or consecutively to, a Council disciplinary investigation.

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The scope and content of this report is not directly linked to the achievement of key Council objectives, although it is acknowledged that fraud can have a detrimental financial impact on the Council.

6.2 How is risk being managed?

The risk of fraud is being managed in a number of ways including:

- Through the Internal Audit and Risk Service's work on both the corporate and Benefit Fraud Team. This is monitored by the Audit and Procurement Committee.
- Through agreed management action taken in response to individual fraud investigations.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

Section 149 of the Equality Act 2010 imposes a legal duty on the Council to have due regard to three specified matters in the exercise of their functions:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The "protected characteristics" covered by section 149 are race, gender, disability, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnership.

The Council acting in its role as Prosecutor must be fair, independent and objective. Views about the ethnic or national origin, gender, disability, age, religion or belief, political views, sexual orientation, or gender identity of the suspect, victim or any witness must not influence the Council's decisions.

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

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Directorate:

Resources

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Legal: Carol Bradford	Solicitor	Resources	17/11/2014	18/11/2014

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

1st December 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

Internal Audit Recommendation Tracking Report

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the progress made in implementing audit recommendations since the last update in October 2013.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the current procedure for following up audit recommendations and to consider whether it believes that improvements are required to the current process.
2. Note the progress made in implementing audit recommendations and confirm its satisfaction with progress made and the proposed action by the Internal Audit and Risk Manager for audits where actions remain outstanding.

List of Appendices included:

Appendix One - Results of Formal Follow up Exercise

Appendix Two - Results of Self-Assessment Follow up Exercise

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee

Has it, or will it be considered by any other council committee, advisory panel or other body?

No

Will this report go to Council?

No

Report title:

Internal Audit Recommendation Tracking Report

1. Context (or background)

- 1.1 The Public Sector Internal Audit Standards requires that “the Chief Audit Executive (i.e. Internal Audit and Risk Manager) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action”.
- 1.2 The report summarises the results of this work and is presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its terms of reference “to consider a report from the Head of Internal Audit regarding recommendations contained in Internal Audit reports that have not been implemented within agreed timescales”.

2. Options considered and recommended proposal

- 2.1 **Follow Up Procedure** – Given that the Service undertakes approximately 100 reviews a year, it is critical that it has a robust procedure in place for ensuring that it obtains appropriate assurance that audit recommendations have been implemented, but does so in a way that allows the Service to respond to new risks facing the Council. Where appropriate, Internal Audit defines within its audit reports the follow up process to those responsible for the system / area under review and a date is agreed of when this will take place.

Currently, there are three key considerations that will determine the follow up procedure adopted, namely:

- 1) Whether the area audited is of such significance that it is subject to an annual review.
- 2) The level of assurance provided in the audit report.
- 3) A 'catch all' process for those reviews where neither of the points above apply, but a follow up review is necessary.

- 2.2 These considerations are expanded upon below.

- **Annual Audits:** These audits are generally included in the Audit Plan on an annual basis because of the nature of the systems, and the fact they are corporate wide and have been identified as key in delivering the Council's objectives (e.g. financial systems, corporate risks).
- **Level of Assurance:** Any audit which receives '*no*' or '*limited*' assurance (see definitions overleaf) is subject to a follow up review to assess improvements based on a timing agreed between Internal Audit and relevant management. In either of these circumstances, a formal follow up review will take place which involves Internal Audit assessing progress through audit testing to ensure that agreed actions have been implemented and are working effectively.

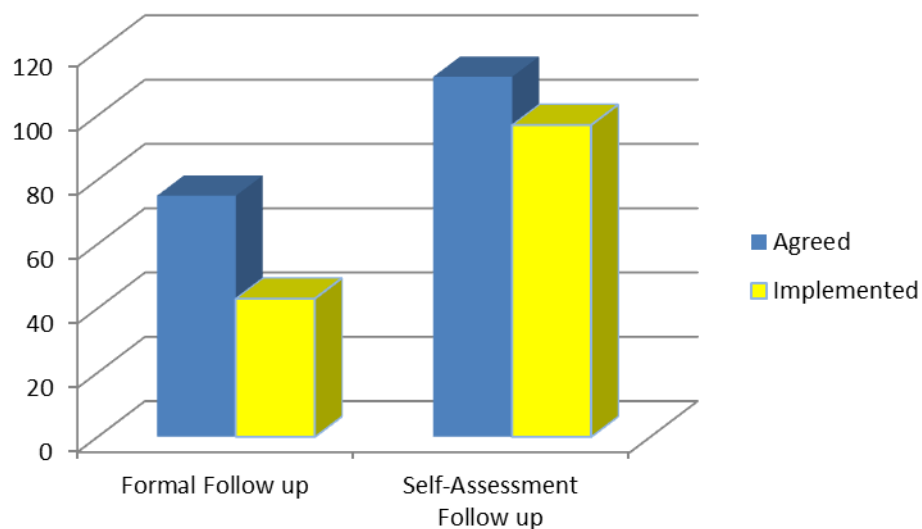
Assurance Opinion	Definition
Limited	There are weaknesses in the level of control for managing the significant inherent risks within the system. A number of control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control.
No	There are major, fundamental weaknesses in the level of control for managing the significant inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives.

- **Catch All Process:** For all other audits, a process exists which is based on a self-assessment by relevant managers. This involves Internal Audit asking managers for an update on the action taken to implement audit recommendations. The response provided by managers is not subject to any independent validation by Internal Audit.

2.3 Overall, we still believe that the procedure achieves the right balance between ensuring action is taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks. This is particularly important given the reductions in the size of the audit team over the last few years.

2.4 **Results** - The results of the latest follow up exercise are attached at Appendix One and Two and are summarised in the graph below.

Chart One: Analysis of Actions Implemented by Follow Up Method



Of the 187 actions followed up, 75% have been implemented based on both the formal and self-assessment follow up method. When this is analysed by follow up method the results are:

- Formal follow up method – 57% implementation rate.
- Self-assessment follow up method – 87% implementation rate.

Whilst there is a clear difference in results between the follow up methods, this is due, in our opinion, to one of the following reasons:

- In terms of the formal follow up, the audit process is rigorous, consisting of an assessment of the implementation of the action and the outcome achieved.
- The types of actions followed up through the self-assessment process are likely to be more straightforward, less time consuming for management to implement, and tend to focus on compliance rather than control issues.

In terms of the specific results, the following points should be considered:

- Formal follow up – The implementation rate of 57% is lower when compared with that achieved over the last three years where implementation rates ranged from 66% to 77%. It is difficult to reach any specific conclusions on the implementation rate, although the results at Appendix One do show that progress has been made in responding to audit concerns across the majority of audits followed up through this mechanism. It is also worth noting that in three audits (i.e. Section 17 Payments, System Back Up Recovery and Data Centre and Little Heath Primary School) where limited progress has been made, these reviews have already been considered by the Audit and Procurement Committee and action agreed to progress these issues.
- Self-assessment – The implementation rate of 87% remains high but is slightly lower than that achieved over the last three years (i.e. ranging from 90% to 98%). This does continue to question the value of asking managers to self-assess whether they have implemented audit recommendations. However, our view remains that without such a mechanism for following up recommendations in reviews where Internal Audit has concluded that the systems are generally working well, the value of the audit process would be diminished.

2.5 Proposed Way Forward for Dealing with Outstanding Actions - After the follow up has been completed, the results are collated within Internal Audit. If progress is not consistent with expectations, audit management will determine the next course of action.

Based on the reasons for the lack of progress, the following courses of action are available:

- Revised implementation dates are agreed for outstanding actions.
- Concerns raised through the management structure to ensure senior managers are aware of both the lack of progress made and the risks still facing a service.
- As a last resort, to ask the Audit and Procurement Committee to intervene and seek prompt action from the relevant manager.

Our proposed actions for the audits where recommendations remain outstanding are highlighted within Appendices one and two.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a monitoring report.

5. Comments from the Executive Director Resources

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal audit work has clear and direct effects, through the recommendations made, to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

5.2 Legal implications

There are no legal implications associated with this report.

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis, and reflected in the annual Internal Audit Plan.

6.2 How is risk being managed?

In terms of risk management, there are two focuses:

- Internal Audit and Risk Service perspective - The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e. planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee.
- Wider Council perspective - The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit and Procurement Committee. Where progress has not been made, further action is agreed and overseen by the Audit and Procurement Committee to ensure action is taken.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

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Directorate:

Resources

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Legal: Carol Bradford	Solicitor	Resources	17/11/2014	18/11/2014

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Appendix One – Results of Formal Follow up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Section 17	1	-	5	1	Reported to Audit and Procurement Committee in October 2014.
System Back Up, Recovery and Data Centre	1	-	7	2	Reported to Audit and Procurement Committee in October 2014.
Little Heath Primary School	4	4	6	4	
Stoke Heath Primary School	1	-	8	3	Reported to Audit and Procurement Committee in October 2014.
Network Security	3	1	4	2	Outstanding actions linked to major IT developments (e.g. Network Modernisation Project, Replacement of Corporate Firewalls). These developments will be considered for individual audits in the 2015-16 audit planning process.
Care Director Income			4	2	
Accounts Payable			5	4	Actions addressed through new system. Subject to annual review.
Accounts Receivable			2	2	
Blue Badges	1	1	6	5	Subject to both a formal and self-assessment follow up review in the last year.
Car Parking Enforcement	2	2	2	1	
Council Tax			2	-	Actions are on-going. Subject to annual review.
Business Rates			5	4	Subject to annual review.
Payroll			2	2	
Safeguarding Adults			4	3	Subject to annual review.

Unless stated otherwise – any outstanding actions will now be followed up through self-assessment process

Appendix Two – Results of Self-Assessment Follow up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
St Christopher's Primary School			1	1	
Foxford Secondary School			7	5	
Mount Nod Primary School			3	2	
Joseph Cash Primary School			2	2	
Coundon Primary School			3	3	
Richard Lee Primary School			1	1	
St Gregory's Catholic Primary School			3	2	
Corley Centre			5	4	
Holbrooks Primary School			3	3	
John Gulson Primary School			1	-	
Eastern Green Junior Primary School			2	2	
Hearsall Primary School			1	1	
Howes Primary School			4	4	
Willenhall Community Primary School			3	3	
St Osburgs Catholic Primary School			2	2	
Manor Park Primary School			2	2	
Follow-up Cottage Farm Lodge			2	2	
Follow-up Skipton Lodge			4	4	
Limbrick Wood Primary School			5	5	
Officers Expenses			3	3	
Major Projects – New Homes for Old			3	2	
Procurement - Highways			4	4	
Moat House Community Primary			2	2	
Cash Collection - Libraries			6	4	
Wyken Croft Primary School			5	4	
Holy Family Catholic Primary School			1	1	
Edgewick Community Primary			5	5	
Legal Costs			2	-	

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Procurement / Commissioning – Exceptions to Contract rules	1		3	2	Revised timescales agreed for outstanding actions. These will be followed up through the self-assessment procedure.
Welfare Reform - Discretionary Housing Payments			5	5	
Whitley Abbey Primary			1	1	
Baginton Fields Special School			6	6	
Bereavement Services			5	4	
Sherbourne Fields Special School			2	2	
Alice Stevens Special School			4	3	

Unless stated otherwise – Outstanding actions will be followed up in next review



Cabinet
Audit and Procurement Committee

4th November 2014
1st December 2014

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

2014/15 Second Quarter Financial Monitoring Report (to September 2014)

Is this a key decision?

Yes – Council is being asked to approve new capital expenditure of £2m

Executive summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2014. The headline revenue forecast for 2014/15 is an underspend of £0.4m.

The report incorporates three further issues that require approval by Cabinet, the first two of which also require Council approval.

- A change to the Council's Treasury Management Strategy and Investment Policy involving the lowering of minimum credit rating criteria permitted by the Council for its investment counterparties to ensure continued inclusion of mainstream banks on the lending list (section 2.4).
- The incurring of additional costs of £2m for a revised and enhanced scheme to construct the new Customer Service Centre as a change to the Capital Programme. This is a key part of the Council's wider customer transformation and property rationalisation plans which will secure existing £0.5m p.a. savings targets and further savings of £5m p.a. associated with the Kickstart and Customer Journey programme that will be set out within the forthcoming Pre-Budget Report (section 5.3).
- A revision to the Council's multi storey car park lease to City College Coventry to defer the payment of rent by the college for 3 years resulting in a cash-flow impact on the Council of £210,000 p.a. for three years, recovered in the period after this (section 5.4).

The overall £0.4m revenue underspend incorporates significant areas of overspend within the People Directorate, balanced largely by underspends within the Asset Management Revenue Account. At the same point in 2013/14 there was a reported overspend of £1.5m. Given previous budgetary control trends and management expectations of continued robust control of expenditure it is anticipated that the Council will be underspent at year-end and will be available to commit to corporate expenditure priorities. Subject to Council approval, the first call on this will be the Customer Service Centre scheme referred to above.

People Directorate overspends resulting from high numbers of looked after children and increasing numbers of referrals into the service have occurred despite additional budgetary provision being provided previously by Council. Cabinet is reminded that this is one of the key issues that will need to be addressed in the forthcoming 2015/16 Budget Setting process.

The Capital spending forecast as at the second quarter is projected to be £148m. This represents a net decrease of £7.5m compared to the £155.5m reported at the first quarter. This decrease in the Capital Programme comprises £13.6m rescheduling of expenditure into 2015/16, £6.6m new spending approvals, and a small underspend of £0.4m. Spending at this revised level will be met by resources identified previously.

Recommendations:

Cabinet is recommended to:

1. Note the projected revenue underspend prior to any new expenditure commitment approvals.
2. Approve the revised capital estimated outturn position for the year of £148.2m incorporating: £6.6m net increase in spending relating to approved/technical changes (Appendix 2), £13.6m net rescheduling of expenditure into 2015/16, (Appendix 4) and £0.2m net underspend on schemes (Appendix 5).
3. Approve an additional £2m one off capital investment to fund a revised and enhanced scheme for the new Customer Services Centre remodelling work to floors 1 and 2 of Broadgate House to incorporate a new ground floor shop and enhanced access to meet accessibility requirements. This will be funded from any underspending on the revenue and capital programmes and if needed a contribution from reserves.
4. Approve a variation to the City College Car Park lease, by way of a £210,000 p.a. reduction in rent for up to 3 years from 2014/15, to be recovered through increased rent over a maximum of 7 years, and to delegate responsibility to the Executive Director Resources to agree the detailed terms of the variation to the lease, as outlined in section 5.4.
5. Recommend to full Council the revisions to the Treasury Management Strategy and Investment Policy as outlined in section 2.4 including the lowering of minimum credit ratings to BBB+.
6. Recommend to full Council the £2m additional cost of works required for the Council's Customer Service Centre and the associated funding proposals outlined in sections 5.3.

Audit and Procurement Committee are recommended to:

7. Consider whether there are any comments they wish to be passed to Cabinet.

Council is recommended to:

8. Approve the revisions to the Treasury Management Strategy and Investment Policy as outlined in section 2.4 including the lowering of minimum credit ratings to BBB+.
9. Approve the £2m additional cost of works required for the Council's Customer Service Centre and the associated funding proposals outlined in section 5.3.

List of Appendices included:

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 2014/15
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Capital Programme: Analysis of Over/Under Spending
Appendix 6	Prudential Indicators

Background Papers

None

Other useful documents:

Budgetary Control 2014/15 file, location CRH 3

Has it or will it be considered by scrutiny?

No

Has it, or will it be considered by any other council committee, advisory panel or other body?

Audit and Procurement Committee, 1st December 2014

Will this report go to Council?

Yes

Report Title:

2014/15 Second Quarter Financial Monitoring Report (to September 2014)

1. Context (or Background)

- 1.1 Cabinet approved the City Council's revenue budget of £258.5m on the 25th February 2014 and a Capital Programme of £149.3m. This is the second quarterly monitoring report for 2014/15 to the end of September 2014 (period 6) the purpose of which is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity.
- 1.2 The current 2014/15 revenue forecast is an underspend of £0.4m. The reported overspend at the same point in 2013/14 was £1.5m. This incorporates a People Directorate overspend which is due in large part to high numbers of looked after children and increasing numbers of referrals into the service. It is now anticipated that despite additional budgetary provision being provided for children's social care within the 2013/14 Outturn and 2014/15 Budget Setting processes, the increase in costs indicated within this report will create further expenditure pressures in the medium term. It is important to reiterate here, the message reported at the first quarter that this is one of the key issues that will need to be addressed for 2015/16 Budget Setting.
- 1.3 Capital spend is projected to be £148m, a decrease of £7.5m since the Quarter 1 report. This is due in large part to new member approvals and technical changes that have arisen since Quarter 1 offset by expenditure rescheduled into 2015/16. This spend will all be met by resources identified previously.
- 1.4 The report incorporates three further issues that require approval by either Cabinet or Council:
- A change to the Council's Treasury Management Strategy and Investment Policy involving the lowering of minimum credit rating criteria permitted by the Council for its investment counterparties to ensure continued inclusion of mainstream banks on the lending list (section 2.4).
 - The incurring of additional costs of £2m required to fund a revised and enhanced scheme for the Customer Services Centre remodelling work to floors 1 and 2 of Broadgate House to incorporate a new ground floor shop and enhanced access to meet accessibility requirements as a change to the Capital Programme (section 5.3).
 - A revision to the multi storey car park lease to City College Coventry to defer the payment of rent by the college by up to 7 years (section 5.4).

2. Options considered and recommended proposal

- 2.1 **Revenue Forecast** - The Quarter 2 revenue budget monitoring exercise has identified an overall underspend of £0.4m. Table 1 below provides details of the forecast directorate variances.

Table 1 - Forecast Variations

Directorate	Revised Budget	Forecast Spend After Action/ Use of Reserves	Net Forecast Variation
	£m	£m	£m
Chief Executives	2.0	2.0	0.0
Public Health	0.1	0.1	0.0
People	162.0	166.5	4.5
Place	27.7	28.4	0.7
Resources	13.1	12.6	(0.5)
	204.9	209.6	4.7
Contingency & Central Budgets	53.6	48.5	(5.1)
Total	258.5	258.1	(0.4)

The key reasons for the predicted directorate overspends are set out below. Management action will continue to focus on delivering savings, achieving income targets and controlling expenditure effectively over the remainder of the financial year.

2.2 Individual Directorate Comments for Revenue Forecasts

A summary of the forecast year-end variances is provided below. Further details are shown in Appendix 1.

People Overspend £4.5m

The People Directorate is reporting a net overspend of £4.5M. The two most significant pressures across the People Directorate, continue to be Community Purchasing spend within adult social care and the continued increased high levels of activity within childrens' social care. Community Purchasing, and Looked After Children (LAC) Placements forecast a total overspend of £3.3M for the 2014/15 financial year.

A further £1.6M of pressure is as a result of costs linked to the OFSTED Action plan, largely additional social work staffing to lower caseloads as per OFSTED recommendations. The total forecast additional costs at quarter 2 are £6.7M but this is offset by additional funding from corporate reserves of £1.1M (agreed in October 2013 for additional social work staffing), and £4.0M (agreed in the 2013/14 financial outturn report for OFSTED Action Plan). This will be rigorously monitored as we move through the financial year.

Place Overspend £0.7m

Place Directorate is reporting a net £0.7m deficit which is primarily due to 2 main factors:

Firstly, the projected cost of waste disposal and collection is significantly in excess of available budget (£0.8m), the main cause being an increase in the expected level of disposal tonnages. Secondly, whilst commercial property rental yields are good in the context of the economic climate, the portfolio will not achieve rental levels budgeted for which were set prior to the downturn in the economy (£0.4m).

A handful of other variations exist which relate to achievement of income targets for Repairs & Maintenance, project management and Bereavement Services. These are being managed by underspends and management actions in other operational budgets.

Resources Underspend £0.5m

The Resources Directorate is reporting a net £0.5M underspend at quarter 2. Although there are some significant additional cost such as the legal costs relating to judicial review, and pressures within ICT, this is offset by underspends in all other divisions within the directorate.

Contingency & Central Budgets Underspend £5.1m

Actions taken at 2013/14 outturn to repay debt plus the rescheduling of capital spend has reduced the Council's planned borrowing needs and consequently reduced debt costs to help deliver a £5.4m underspend within the Asset Management Revenue Account revised upwards from £4.5m at quarter 1. This together with underspends across pay, price and energy contingency budgets provides the flexibility to set aside £3m contribution to fund redundancy and early retirement costs approved in the 5th August 2014 Cabinet reports relating to Staffing Reduction Consultation and Quarter 1 Financial Monitoring. The underlying on-going underspends within this position are being factored into 2015/16 Budget Setting plans.

2.3 Capital Position 2014/15

Table 2 below updates the budget to take account of £6.6m new approved/technical changes that have arisen since Quarter 1, £13.6m net expenditure rescheduled into 2015/16 and an underspend of £0.2m. This gives a revised projected level of expenditure for 2014/15 of £148.2m. Appendix 3 provides an analysis by directorate of the movement since Quarter 1. The Resources Available section of Table 2 explains how the capital programme will be funded in 2014/15. It shows that over half of the capital programme is funded by external grant monies (62%), whilst (25%) is funded from borrowing. The latest projections of capital receipts, arising predominantly from the sale of our assets, show £6.3m capital receipts expected by year end against a target level of £6.2m. Overall, the capital programme and associated resourcing reflects a forecast balanced position in 2014/15.

Table 2 - Movement in the Capital Budget

CAPITAL BUDGET 2014-15 MOVEMENT	£m
Estimated Outturn Period 3	155.5
Approved / Technical Changes (see Appendix 2)	6.6
"Net" Underspending	(0.2)
"Net" Rescheduling into future years (see Appendix 4)	(13.6)
Revised Estimated Outturn 2014-15	148.2
RESOURCES AVAILABLE:	
Unsupported (Prudential) Borrowing	37.9
Grants and Contributions	92.4
Capital Receipts	6.3
Revenue Contributions	11.3
Leasing	0.3
Total Resources Available	148.2

2.4 Treasury Management Activity in 2014/15

Interest Rates

There has been a gradual improvement in growth in the UK economy up to Q2 2014. However, this growth is fragile in nature due to its reliance on the housing market. As a result of this growth the rhetoric released by the Monetary Policy Committee has indicated that interest rates may rise sooner than financial markets were expecting. Currently, there has been no change to interest rates as these increases are expected to take place next year and will rise at a slow, incremental level and they will be to a lower overall level than in the past.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2014/15 capital programme is £25.7m, taking into account borrowing set out in Section 2.3 above (total £37.9m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£12.2m). No long term borrowing has been undertaken for several years, in part due to the level of investment balances available to the authority. Any future need to borrow will be kept under review in the light of a number of factors, including the anticipated level of capital spend, interest rate forecasts and the level of investment balances.

During 2014/15 interest rates for local authority borrowing from the Public Works Loans Board (PWLB) have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2014/15 to P6	Maximum 2014/15 to P6	As at the End of P6
5 year	2.68%	3.07%	2.77%
50 year	3.92%	4.48%	4.03%

The PWLB now allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This “certainty rate” initiative provides a small, but welcome reduction in the cost of future borrowing. This trend is set to be extended with the planned introduction of a “project rate” which will enable authorities, working with their Local Enterprise Partnership (LEP), to access PWLB borrowing at 0.4% below the standard rate.

Regular monitoring continues to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans with less expensive new replacement loans. However, the current premiums payable on early redemption currently outweigh any potential savings.

Short Term (Temporary) Borrowing and Investments

In managing the day to day cashflow of the authority, short term borrowing or investments are undertaken with financial institutions and other public bodies. Up to period 6, no short term borrowing was taken out.

Short term investments were made at an average interest rate of 0.55%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities as well as with the Government through the Debt Management Office (DMO).

Treasury advice indicates that it is likely that there will soon be a move by credit rating agencies whereby they will no longer include government support in banks’ credit ratings. This will mean there is a chance that institutions such as Barclays, Lloyds, Nationwide and Santander could become BBB+ rated, down from their current rating of A- or better. The BBB+ rating is below the Council’s current threshold of acceptable credit ratings of A-

In line with advice from the Council's Treasury Management Advisors, in order that we have a sufficient number of counterparties to make investments with, it is proposed that the council adjusts its Treasury Management Strategy and Investment Policy to enable investments to be made with BBB+ rated institutions. BBB ratings indicate a "good credit quality". In addition, it is proposed that a total limit for such non-specified investments is set at £32m. This proposed change is reflected in recommendations 5 and 8.

Although the level of investments varies from day to day with movements in the Council's cash-flow, investments held by the City Council identified as a snap-shot at each of the reporting stages were: -

	As at 30th June 2014 £m	As at 30th Sept 2014 £m
Banks and Building Societies	59.8	47.8
Money Market Funds	7.2	24.3
Government Debt Management Office	0	0
Local Authorities	29.0	13.0
Total	96.0	85.1

External Investments

In addition to the above investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. The intrinsic Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. These pooled funds are designed to be held for longer durations, allowing any short term fluctuations in return to be smoothed out. In order to manage risk these investments are spread across a number of funds.

As at 30th September 2014 the pooled funds were valued at £17.4m, spread across the following funds: Payden & Rygel; Federated Prime Rate and CCLA.

Prudential Indicators and the Prudential Code

Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30th September 2014 are included in Appendix 6. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2014/15. Specific points to note on the ratios are:

- The Ratio of Financing Costs to Net Revenue Stream (indicator 1) is 13.02% compared to 14.24% within the Treasury Management Strategy, due in the main to lower levels of Prudential Borrowing resourced capital spend in 2013/14;
- The Upper Limit on Variable Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. The Period 6 value is -£62.5m (minus) compared to +£88.3m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable as this is a financial monitoring report.

5. Comments from Executive Director, Resources

5.1 Revenue

The current revenue forecast for 2014/15 is a projected underspend of £0.5m.

The financial position facing the Council remains very challenging for 2014/15 with continued implementation of unprecedented cuts in formula and specific grants. In parallel with this the Council's budget incorporates very large savings targets resulting from abc service reviews. Whilst it is important to reiterate that the 2014/15 budget is a robust one, this report reflects that there are some areas with challenging budget pressures that need to be addressed.

The most challenging areas are children's social care services, which continue to face very significant service and financial challenges this year. The volume of cases and the cost of care for looked after children and for safeguarding other children and young people who cannot otherwise live safely with their families continues to represent a large service and budget pressure. Notwithstanding additional resources approved for this area within the 2013/14 financial monitoring process (£1.1m), 2013/14 Outturn Report (£4m) and 2014/15 Budget Setting Report (£3.4m), there are further pressures of £4.8m forecast within this report. It is clear that a very significant medium term expenditure pressure is emerging that will need to be addressed within the 2015/16 Budget Setting process.

We are forecasting that the Asset Management Revenue Account will continue to deliver significant savings attributable in large part to efforts to minimise the level of borrowing that the Council has required. As these crystallise they will be built into future medium term financial forecasts.

5.2 Capital

The Capital Programme shows a projected balanced position for 2014/15.

The overall level of prudential borrowing required in 2014/15 has decreased by £12.9m (£50.8m at quarter 1). Of the £37.9m total borrowing now forecast, £24.3m relates to spending on specific schemes approved by Cabinet. This figure has decreased by £5.8m since Quarter 1 as a result of delaying the purchase/lease of new vehicles and the resource switch from prudential borrowing to revenue contribution approved as part of the 2013/14 Outturn Report in relation to leisure facilities. Borrowing which has previously been approved but not undertaken has also reduced from Quarter 1 by of £7.1m

The Executive Director Resources will review the overall level of prudential borrowing undertaken in 2014/15 together with other sources of funding as part of the year end process and continue to re-evaluate future capital spending profiles taking into account economic circumstances, the ability to generate capital receipts and the profile of other areas of significant investment managed by the Council.

5.3 The Customer Services Centre

The Customer Services Centre (CSC) over floors 1 and 2 of Broadgate House is a key part of the Council's wider customer transformation and property rationalisation plans which will secure existing £0.5m p.a. savings targets within the abc programme and further proposed savings of £5m p.a. that will be set out as part of the forthcoming Pre-Budget Report associated with the Kickstart and Customer Journey programme which will modernise and improve the way the Council interacts with its customers. The changes will bring together into one place by September 2015 improved conferencing facilities for customers attending safeguarding and youth offending appointments, the Council's currently disparate city centre based customer facing reception points (including housing benefits, council tax, planning and social care) and the contact centre. The CSC will provide for the first time a modern and efficient city centre based environment for our customers. The remodelled building will also include a variety of self service facilities to encourage customers to interact with us in different ways, which is an important part of the Council being able to focus diminishing resources and face to face support on the most vulnerable in the City.

The original report to Members in June 2013 approved all of the changes to kickstart the Friargate business district, transform the Council and deliver savings. At that stage, the Broadgate House CSC had not been through a full feasibility study and an early capital estimate of £1m was included in the one off capital cost of £59m for the overall programme, all of which is financed and delivers ongoing revenue savings. This £1m scheme was always recognised as sub-optimal, as it did not include ground floor access to the new customer facility. Finance and budgetary risk has always been recognised on the programme, reported and actively mitigated where possible.

A full CSC feasibility study has now been completed, and a revised and much improved scheme has been developed, which recognises the importance of using this one-off opportunity to provide the best possible facilities for the Council's customers. The costs of delivering the required changes are now estimated at £3m. This has been arrived at following the appointment of the architect and cost consultants and a subsequent review of all elements of the project to reduce them to their lowest cost. There are several reasons for the revised estimate. Firstly, the level of remodelling required on the second floor of the building which is much greater than originally anticipated at business case stage when the exact layout and nature of the CSC had not been developed. Refurbishment projects are inherently more difficult to deliver and cost for compared with new build projects, given the need to work with the challenges of the existing building – in this case the cellular nature of the second floor, its access and the fact that the building has listed status. The designs have also introduced a new ground floor access from a vacant shop in the upper precinct, which will also enable lift access via the shop to the first and second floor. This will provide very significantly improved customer experience within the new CSC, and allow it to meet accessibility requirements which are essential for our customers – previously access would have been via the ramp to the first floor level. Higher than expected construction inflation has also contributed to the increase in costs.

This one off investment will be funded from any underspending in this year's revenue and capital programmes and if necessary a contribution from reserves. It will enable the Council to continue with its plans to transform the customer experience and deliver on-going revenue savings as part of the Kickstart and Customer Journey business case.

5.4 City College Car Park

In 2009, as part of the Swanswell development, the Council granted a long lease to the City College for a multi-storey car park, at a rent of £315k p.a. over 30 years. To date, the College has made 5 payments covering the period 2009/10 to 2013/14. In recent times the City College has received an “inadequate” rating from Ofsted and a notice of concern issued by the Skills Funding Agency (SFA). Following a re-inspection by the SFA the notice of concern was lifted in July 2014. However, the significant financial cost of investing in the post inspection action plan together with the underachievement of income targets have resulted in a forecast deficit of approximately £2.5m in 2013/14, before restructuring costs which will be over £1 million. A detailed Recovery Plan has been produced and the college is in discussion with its partners and stakeholders, including the City Council. As part of a package of measures under consideration within the recovery plan, the college has requested a temporary reduction in the rent payable in order to help manage the financial pressures.

Discussions with the College have been undertaken and it is proposed that the car park lease is varied to reduce the rent payable by a maximum of £210,000 p.a. over 3 years from 2014/15, with the rent being recovered over a maximum period of 7 years from 2017/18. It is further proposed that responsibility for finalising the lease variation is delegated to the Executive Director Resources in line with the above.

5.5 Legal implications

None

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The Council strives to monitor the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan despite financial pressures. As far as possible we will try to deliver better value for money in the services that we provide and achieving the same or better level of service with fewer resources.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

In Quarter 2 there is a forecasted underspend. The Council will continue to ensure that strict budget management continues to the year-end.

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Appendix 1 details directorates forecasted variances.

	£m	People Directorate
Child Protection	2.0	A combination of various pressures in children's social care ranging from: a) social work and admin staffing costs due to high levels of activity, meaning we are using agency staff and permanently recruiting additional social workers in line with the OFSTED action plan b) the implementation of the Multi-agency Safeguarding Hub and a Child Sexual Exploitation team c) legal costs driven by high activity levels (currently around 100 cases) and barrister fees, and additional staffing in line with the OFSTED action plan d) discretionary payments to prevent children from becoming looked after, largely made up of housing costs for families who are homeless or in temporary accommodation, or for families awaiting benefits or with no recourse to public funds.
Mental Health & Learning Disabilities	1.9	Mental Health Community Purchasing continues to see a forecasting increase with an overspend position of £1,013k as a result of increasing numbers of service users requiring city council funding. Packages continue to be reviewed to ensure all funding options are identified. LD Community Purchasing is overspent £954k, mainly as a result of transitions and on-going out of city placements.
Looked After Children Services	1.7	The main overspend of £1.0m is due to high looked after Children (LAC) activity - quarter 2 financials are based on 616 LAC. However, numbers and costs have decreased significantly since quarter 1 when the forecast was based on 628 LAC. The most significant variations have arisen as fostering numbers are not as expected. The target for internal fostering is 180 - actual is only 150, while the target for more expensive external fostering placements is 233 - actual is 270. Special Guardianship payments are over budget by £407k. This is due to the approved increase in allowances, and higher SGO numbers.
Catering	0.7	The Introduction of Universal infant free School Meals and the associated forecast income would have provided the income required to reduce the services corporate overhead commitment. The loss of a number of schools to other contractors has resulted in the service being unable to achieve the income target that has been set.
Strategy & Commissioning (CYLP)	0.6	Contract efficiencies & vacant post savings of (£269k) off-set by supported accommodation & 'staying put' contract pressure of £853k.
Adult Social Care Provider Services	0.6	Housing with Care & Older People Day Opportunities over-spend of £448k arising from salary related pressure and short-fall of income against budget. This is partly offset by an underspend of £122k within Residential Services. Mental Health & Learning Difficulty services are showing a forecast over-spend of £248k arising from salary related pressure & a short-fall of income against budget.
Safeguarding	0.3	Difficulties in recruiting to IRO and Manager vacancies has resulted in requirement to use significantly higher cost agency staff.
Strategy, Commissioning & Transformation	0.2	This overspend relates to project delivery costs to deliver the A Bolder Community Services Savings targets

Inclusion & Participation	0.2	Mainly down to the SEN transport overspend of £212k
Public Safety	0.1	Shortfall in meeting Management of Vacancy target based on existing establishment
SCTEI Strategic Management	(2.1)	This is the financial strategy deployed to balance the directorate's bottom line including contributions from reserves, and utilisation of non-ring-fenced grant funding for existing expenditure. The variance against this relates to additional contributions from reserves, and additional savings identified throughout the year.
Strategic Commissioning (Adults)	(0.7)	This underspend is the effect of staffing efficiencies and a number of contractual changes and efficiencies over and above the A Bolder Community Services programme .
Older People & Physical Impairment	(0.5)	OP Community Purchasing is overspent by £894k. There has been a positive impact resulting from Electronic Call Monitoring with package costs reducing, however numbers of packages have increased. Residential Home costs have increased; this is attributable to a slight increase in number of admissions. Management actions associated with the implementation of telecare and further benefits from ECM will improve the position further. Alongside this overspend is a continuing underspend within Physical Impairment Services of (£1,323k) as well as a (£78k) salary saving across the teams
Early Years, Parenting and Childcare	(0.4)	An additional £100k income has been received for 2 year olds for Access & Inclusion. Savings have been achieved through holding vacancies, pending finalisation of the service reviews for Nurseries and Children's Centres.
Business Performance (SPQ)	(0.2)	Two thirds of this underspend is attributable to a windfall underspend from budgets which relate to closed historic pension payments. This budget is no longer active, but will gradually reduce over time. The other third of the underspend relates to the holding of vacancies pending a restructure in the service.
	0.1	Other Variations Less Than £100k

	4.5	Forecast Overspend
	£m	Place Directorate
Waste and Fleet Services	0.8	<p>This is primarily pressure on the cost of domestic waste disposal arising as a result of a combination of increased tonnages (more properties and more waste per property) and increased gate fees.</p> <p>As well as a reduction in clients, Commercial Waste has also seen an increase in tonnages and waste disposal costs, the majority of which cannot be passed on to customers until prices have been reviewed.</p> <p>There are also expected to be some salary pressures and additional fleet costs on Domestic Waste, which are being partly offset by reduced spend on Fleet & Workshops.</p>
Streetpride & Greenspace	0.5	This overspend is due partly to income pressures, in particular Crematorium income and parking income at Coombe, together with the need to maintain service continuity for the Streetpride team
Commercial Property	0.4	Rental income forecast is greater than the previous year, however historic financial performance cannot be achieved in the current market. This, combined with associated void rate pressures (despite significant management actions) forms the basis of the overspend.
Technical Services	0.1	Projected pressure primarily due to lower than required volumes of project work in Project Delivery
Directorate and Support	(0.4)	Management action planned to offset wider directorate pressures
Property Asset Management	(0.3)	This largely reflects the delivery of some savings towards the Strategic Property FSR in advance of 15/16.
Building Sustainable Communities	(0.2)	This is primarily due to overachievement of income in relation to the establishment of a new emissions trading scheme and from an increase in fees to schools for the provision of Display Energy Certificates.
Cultural and Sport	(0.1)	Underspend is due to staff freeze pending a review
Building Control	(0.1)	The forecast over-recovery is based on the current Building Control shared service operating model. It assumes same level of income performance with a reduced number of Building Control staff.

		0.7	Forecast Overspend
	£m	Resources Directorate	
Resources Mgt Team & Overheads	0.9	Salary overspend plus additional costs for judicial review	
HR Support	0.4	Underachievement of Turnover Target for all HR areas	
ICT operations	0.3	Procurement savings targets not being delivered due to delays and other difficulties; Mobile phone dual running; Software pressures mainly arising from inflation on systems plus some underachievement of Turnover Target.	
Post and Print	0.2	This relates to corporate MFD expenditure. A greater level of control may need to be put in place to ensure adoption of Kickstart principles and so reduction in spend.	
ICT Strategy & Architecture	0.1	Procurement savings targets not being delivered due to delays and other difficulties, plus some underachievement of Turnover Target.	
Talent & Skills Team	(0.7)	Vacancies plus underspend on external training partly due to a period of transition both in People's Directorate and Workforce Development and better management of external training spend	
HR recruitment	(0.5)	Increase in Agency Rebate due to increased use of Agency staff in People Directorate.	
Financial Mgt	(0.3)	Underspend on salaries; Income Nucle & RGF; additional income from schools; underspend on Other Local Authorities.	
Benefits	(0.2)	Underspend on Community Support Grants	
Customer Service Centre	(0.2)	Salary underspend - restructure in progress.	
Electoral Registration	(0.1)	Funding contribution to IER has offset Electoral registration costs	
ICT Mgt	(0.1)	Staff vacancies on ICT Management Team - Management Restructure in progress. Overall salaries across ICT show minimal variance.	
	(0.3)	Other Variations Less Than £100k	

	(0.5)	Forecast Underspend
	£m	<u>Contingency & Central Budgets</u>
ER/VR Contribution	3.0	Recommended contribution to set aside resources to fund future costs arising from redundancy and early retirement decisions
ABC Savings	1.0	Overspend relating principally to non-achievement of previous abc target saving relating to Demand Management. For future years this will be incorporated within overarching strategies balance the budget.
Asset Management Revenue Account	(5.4)	£4.5m within the Asset Management Revenue Account relating in large part to reduced previous capital spend and planned borrowing needs with consequent reductions in debt costs.
Pay, Price and Energy Contingencies	(3.3)	Lower than anticipated costs across contingencies. Further work is now being implemented to centralise management and control of salaries budgets that will help to maximise future savings in this area.
	(0.4)	Other Variations Less Than £100k

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Housing Policy (Siskin Drive)	The HCA element is being taken out of the capital programme (see report management of council land - Cabinet on 07/10/2014)	-1.1
SUB TOTAL - People		-1.1
PLACE DIRECTORATE		
Integrated Transport Programme	£150k from Centro for Major Scheme Development Coventry Station Masterplan.	0.2
South West Coventry Jnct Imp Programme	University of Warwick contribution to the works that the City Council is carrying out around the University.	6.6
Canely Crematorium - New Burial Graves	As per report taken to Cabinet Member (Public Services) 'Creating additional Burial Space at Canley Garden Cemetery adjacent to Charter Avenue' on Tuesday 29th July 2014.	0.1
Super Connectivity	Expected outcome given the substantial change in the project. DCMS has reduced the number of businesses we are due to connect from 800 to c260. Equally some of the more expensive connection mechanisms proposed by suppliers have not been deemed eligible The budget therefore overstates the likely position and has been amended to reflect the forecast	-1.5
Tackling Fuel Poverty	The contractor (Kier Services) were able to raise an additional c.£230k by exceeding carbon savings targets. This has resulted in a reduction in the grant required to fund the Scheme.	-0.2
Public Realm 3	New programme of works utilising ERDF to part fund Gosford Street, Belgrade Plaza and the Canal Basin Junction 1 public realm improvements. (see report Public Realm 3 - Cabinet on 07/10/2014)	3.0
SUB TOTAL - Place Directorate		8.1
RESOURCES DIRECTORATE		
Strategic ICT Projects	£450k resourced switched to revenue for the Microsoft Enterprise Licences, £44k switched to revenue for INFORM	-0.5
SUB TOTAL - Resources Directorate		-0.5
TOTAL PROGRAMME CHANGES		6.5

Capital Programme: Estimated Outturn 2014/15

The table below presents the revised estimated outturn for 2014/15.

DIRECTORATE	ESTIMATED OUTTURN PERIOD 3 £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 14- 15 £M
PEOPLE	43.0	(1.1)	0.0	(4.1)	37.8
PLACE	105.2	8.1	(0.2)	(9.5)	103.6
RESOURCES	7.3	(0.5)	0.0	0.0	6.8
TOTAL	155.5	6.6	(0.2)	(13.6)	148.2

*The "Feb 2014 Directorate Programme" figure presented in the above table reflects the capital programme as presented in the February Budget Setting report, revised to take into account the net impact of rescheduling expenditure between 2013/14 and 2014/15.

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need - Primary Schools Expansion Programme	Rescheduling of £3.6million into 2015/16 – funding was to support the delivery of three further primary school expansions at Mount Nod, Pearl Hyde and Keresley Grange. These have been deferred pending further review of pupil numbers/ forecasts in the respective planning areas to quantify potential implications for neighbouring schools.	-3.6
Condition	The Service currently occupies the annexe building at Whitmore Park Primary School, which is in a poor state of repair. £335k was allocated in 2014/15 to address the condition issues but this scheme has been put on hold as a result of the on-going review of educational services. Now rescheduled into 2015/16.	-0.3
Early Years	Demand led and therefore extremely difficult to forecast outturn position.	-0.2
SUB TOTAL - People		-4.1
PLACE DIRECTORATE		
Nucle	The final construction contract awarded to Buckingham has a different cash flow profile than that assumed in January 2014, principally because it is based on the profile of actual construction activities for this project rather than the generic project cost s-curve that the previous estimate was based upon. Built within the cash flow includes an element of contingency for unforeseen risk and these follow the construction costs. The final construction programme is still on target for completion by May 15 so still within the original timescale.	-3.3
Growing Places Fund	The delivery partner has found that it has taken longer than anticipated to complete loan offers and draw down the cash.	-2.8
RGF3 Business Grants	Re-profiling RGF to align with when the activity is now planned to happen.	-0.6
RGF3 Friargate Bridgedeck	The Friargate bridge expenditure profile has been accelerated to reflect the latest contractor programme and cash flow. Costain are forecasting £14.93M expenditure by end of March 2015, and additional to this is professional fees, all of the programme design fees, Network Rail fees, other contractor works and enabling works.	2.3
RGF3 M40 Junction 12	Re-profiling RGF to align with when the activity is now planned to happen.	-0.4
RGF4	Re-profiling RGF to align with when the activity is now planned to happen.	-0.6

RGF2 Wave 2 Growth Hubs	Re-profiling RGF to align with when the activity is now planned to happen.	-0.5
Lythalls Lane (CIF)	The programme has slipped by at least 6 months as we found out that part of the development still had on-going leases until February 2015 which had not been declared as part of the due diligence . We have consequently revised the programme and reduced the amount of budget required as it is likely March will be the first significant claim by a contractor.	-0.1
Play Areas (NEW)	The primary reason for rescheduling is due to a decision to delay spend on sports pitch improvements pending the outcome of external funding bids to the Football Foundation, which if successful, will match the funding the Council has for this work. As the funding process and timescale is dictated by the potential funder, there are no firm dates at present when these \$106 contributions will be spent, however, progress on the bids will be provided via the quarterly reporting process	-0.5
Vehicle & Plant Replacement	Delay in the purchase of 5 Cars, 5 Refuse lorries, 28 mini buses and 8 Other vehicles.	-2.7
Integrated Transport Programme	Additional costs will be incurred as a result of unplanned optioneering work that has been required to address previously unidentified land issues impacting the deliverability of the originally planned works. Also in order to ensure the deliverability of key elements of the project, some design work for new station canopies and a footbridge between station platforms previously planned for 2015/16 needs to be bought forward to the current financial year.	0.1
Miscellaneous	Net Rescheduling	-0.5
SUB TOTAL - Place Directorate		-9.5
TOTAL RESCHEDULING		- 13.6

Capital Programme: Analysis of Over / Under Spend

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
AT7 Centre	The forecast underspend has resulted as a consequence of careful monitoring of the contract against the original target budget. Throughout the process a 'best value' approach was adopted by the Client Team and a number of potential variations presented opportunity to challenge certain design concepts resulting in significant savings being realised. An example being a £40k saving being achieved through a redesign of the perimeter access route".	-0.2
SUB TOTAL - Place Directorate		-0.2
TOTAL RESCHEDULING		-0.2

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30 th Sept 2014
Ratio of Financing Costs to Net Revenue Stream (Indicator 1) , illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers).	14.24%	13.02%
Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 3) , illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme.	Year 3 estimate / limit of £539.8m	£375.0m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 6) , representing the "outer" boundary of the local authority's borrowing. Borrowing at the level of the authorised limit might be affordable in the short term, but would not be in the longer term. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.	£515.4m	£375.0m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 7) , representing an "early" warning system that the Authorised Limit is being approached. It is not in itself a limit, and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.	£475.4m	£375.0m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 10) , highlighting interest rate exposure risk. The purpose of this indicator is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.	£441.5m	£250.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£88.3mm	-£62.5m
Maturity Structure Limits (Indicator 11) , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 30% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	15% 0% 9% 6% 71%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£10m	£0

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Briefing note

To **Audit and Procurement Committee**

Date: 1st December 2014

Subject: Update on delivery and implementation of the Social Value Policy

1 Purpose of the Note

This note is to update the Audit and Procurement Committee on the work that has been undertaken since the introduction of Coventry's Social Value Policy adopted by Cabinet on 11th February 2014. It contains highlights of the report that will be taken to Finance and Corporate Services Scrutiny Board on 2nd February 2015 and Cabinet Member for Strategic Finance and Resources on 9th March 2015.

2 Recommendations

Audit and Procurement Committee is asked to endorse the work carried out on delivery and implementation of the Social Value Policy.

3 Information/Background

- 3.1 The Social Value Policy was adopted by Full Cabinet on the 11th February 2014 (See appendix 1) and incorporates the Public Services (Social Value) Act 2012 that came into force on 31st January 2013. Our policy expands the coverage of the Act to all contracts over the EU threshold, where proportionate and reasonable to do so.
- 3.2 Social Enterprise West Midlands (SEWM) tell us that we were the first authority in the West Midlands to formally adopt a Social Value policy. In addition we are now not just Social Value Champions but a Social Innovation Partner with SEWM which demonstrates our commitment to improving the social, environmental and economic wellbeing of our City (separate report taken to Cabinet Member, Community Development, Co-operatives and Social Enterprise on the 5th November 2014)
- 3.3 To complement the Social Value Policy which applies to all contracts let by the authority, a Business Charter for Social Responsibility (BCfSR) was drafted in consultation with key partners. The purpose of this charter is that companies can sign up on a voluntary basis if they have existing contracts or are keen to work with the Council in the future. The BCfSR was adopted by Cabinet Member (Strategic Finance and Resources) on 21st October 2013.

4 Progress since the Policy was adopted

- 4.1 To develop the policy the Assistant Director Procurement pulled together a cross authority group of colleagues working on areas which can impact on Social Value and this group has continued to meet to discuss progress and iron out any issues that people were facing with implementation of the policy. The principles of the policy have now been embedded into our day to day activities and the benefits are beginning to be delivered to the residents of Coventry.
- 4.2 Since the policy was approved, some of the key achievements in delivering Social Value include:
 - 4.2.1 Launching the Business Charter in conjunction with Coventry's Wellbeing Charter on the 31st March 2014 with more than 5 Businesses signing up to the Charter to re-enforce their commitment towards delivering more benefits to the residents of Coventry.

- 4.2.2 Establishment of the Social Value recording process including Coventry's Social Value Procurement Framework to guide colleagues to identify the Social Value that can be generated for the residents.
- 4.2.3 The revision of the Procurement Outline Document (POD) template to include consideration of the social value impact the procurement could have on our local community. A POD is the business case which is developed and taken through the Procurement Panels and Board before any procurement activity begins. Panel and Board members are therefore able to challenge the business case if they feel not enough cognisance has been given to the policy.
- 4.2.4 The development of close working relationships with commissioning colleagues to ensure that social value is considered early on in the consultation process (pre-procurement stage) as this is the stage where maximum impact can be made.
- 4.2.5 Embedding of contractual clauses within tender documents to mandate the delivery of Social Value in contracts.
- 4.2.6 A review of tender documentation in consultation with the voluntary sector to ensure that artificial barriers to the third sector submitting compliant bids were removed.
- 4.2.7 A review of all contracts on the contracts register to identify which contracts could have the most social, economic and environmental impacts.
- 4.2.8 Presentations/training for procurement and commissioning staff on social value and how it can be used legally in the procurement process.
- 4.2.9 Reduction of carbon footprint by encouraging suppliers to work with their employees in planning travel and use of cars.
- 4.2.10 Use of more local companies on contracts like Scape Minor works Frameworks leading to employing more than 25 local people to deliver the work via sub-contracting.
- 4.2.11 Building the skills of our young people via the Shared Apprentice Schemes on some of our bigger construction projects including Friargate Bridge, AT7 Centre extension, Transport Museum Extension, Public Realm Project as well as other projects delivered via the Section 106 funding.
- 4.2.12 Delivering social benefits by linking the suppliers with local schools to boost their confidence and raising their awareness about various career options.
- 4.2.13 The Council has been awarded the Best 'Small Business Friendly' Procurement Policy as part of the FSB's annual Local Authority Awards.
- 4.2.14 A total of 82 externally funded grant awards have been issued to date (up until end June 2014) that include a clause for the grantee to work with the Council's Employer Hub for their recruitment ensuring the jobs created from the grants remain local. To date 10 companies have made contact with the employer hub. The process is being rolled out to cover all grants to businesses that the Council manages.
- 4.3 To bring the policy to life for members three case studies have been attached (Appendix 2) explaining the impact on our local community.



Social Value Policy

Coventry City Council

1 Purpose and Background

- 1.1 Coventry City Council is required to consider, before commencing the procurement process, how the economic, social and environmental well-being of the city may be improved through the procurement of its services as part of the Public Services (Social Value) Act 2012. The aim of the Act is not to alter the commissioning and procurement processes, but to ensure that, as part of these processes, councils give consideration to the wider impact of the services delivery. It allows a council, for example, to choose a supplier under a tendering process who not only provides the most economically advantageous service, but one which goes beyond the basic contract terms and secures wider benefits for the community.
- 1.2 The aim of this policy is to set out how Coventry City Council will deliver social value through its commissioning and procurement activities and to set out the Council's priorities in relation to social value. The Government issued guidance on social value in its Best Value Statutory Guidance in September 2011. This can be accessed at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5945/1976926.pdf

2 Defining Social Value

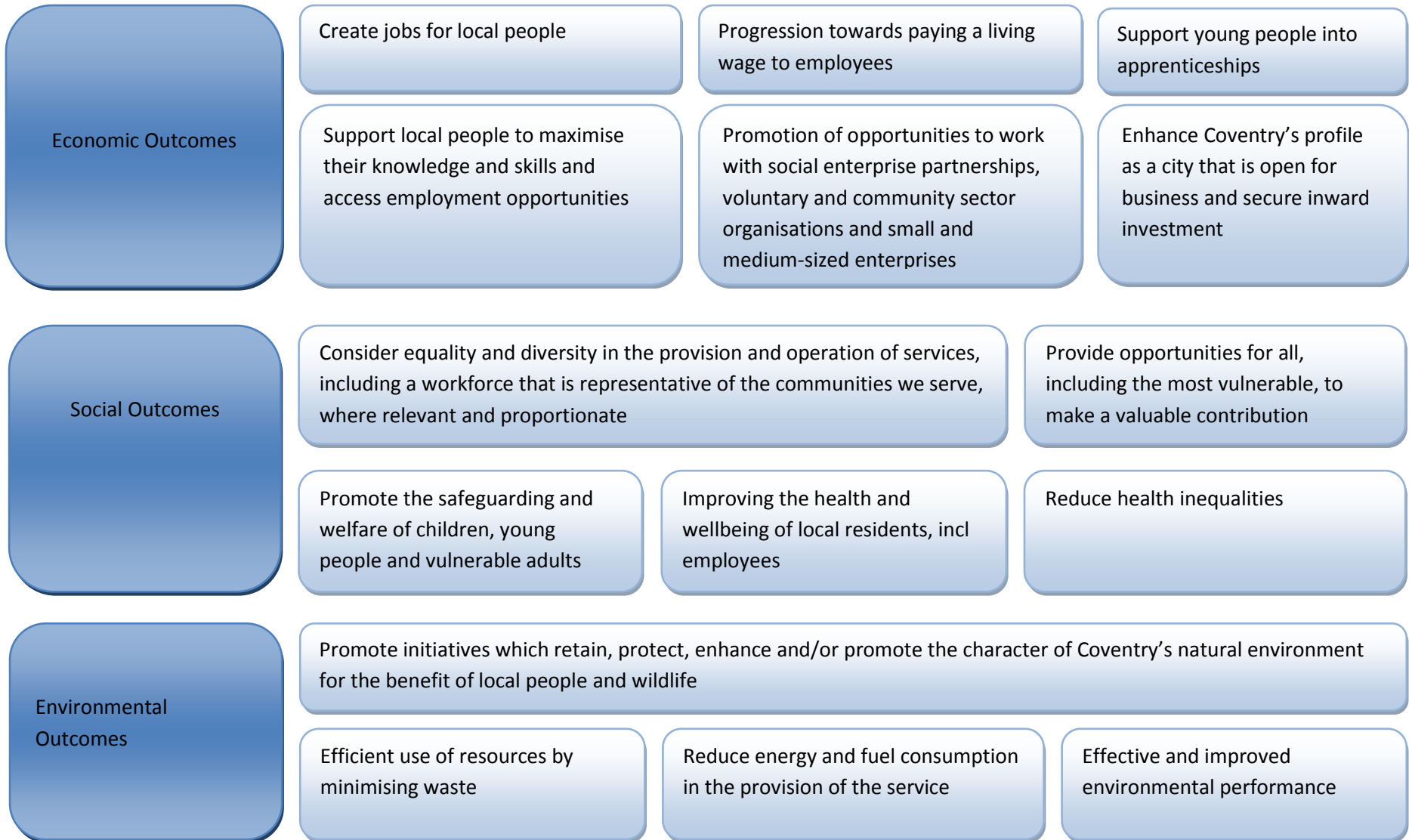
- 2.1 The Act does not define what is meant by 'social value'. Therefore, the Council will adopt the definition of social value as set out by the Sustainable Procurement Taskforce. Social value is defined as:
a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment

3 Our Social Value Outcomes

- 3.1 The Council has developed a set of outcomes that will allow it to consider the economic, social and environmental well-being of the city and its residents when commissioning and procuring goods and services. These outcomes are based on the vision, values and priorities contained in the Council Plan (www.coventry.gov.uk/councilplan/).
- 3.2 The Council procures a wide range of goods and services, and it is recognised that there can be no 'one size fits all' model. This policy will, therefore, need to be applied in a proportionate manner and be tailored to reflect the service or goods to be procured. It is the role of service commissioners and procurement leads to consider, on a contract by contract basis, the potential social value outcomes that could be delivered through the procurement process and the most appropriate procurement strategy to achieve these.
- 3.3 Where appropriate in its procurement activities, the council will specify social value outcomes that are proportionate and relevant to the specification of the service required and will evaluate tenders in accordance with those social value outcomes and the specification.
- 3.4 Applications to provide services from organisations should therefore *demonstrate* their, and where appropriate their supply chains', ability to add economic, social and

environmental value to the city above and beyond simply providing the tendered service and provide evidence which would contribute to the outcomes set out below.

Our Social Value Outcomes where relevant and proportionate



4 Scope

- 4.1 The Act applies to services contract and contracts which combine service with the purchase or hire of goods. However, the Council has for many years considered social, economic and environmental issues when procuring goods and services. Therefore, the Council will continue to encourage consideration of social value outcomes in all contracts above the EU threshold, where it can be evidenced that it is relevant to the subject matter of the contract.
- 4.2 For those contracts that fall below the EU threshold, the approach should be to maximise these outcomes where possible.
- 4.3 In order to ensure that the Council adheres to the Act and to EU law, the social value sought from a contract must be relevant and proportionate in respect of the proposed contract.

5 Consultation

- 5.1 In discharging its statutory duties, the Council is required to consider whether consultation should take place as part of the commissioning process, so as to allow the community and voluntary sectors to be more closely involved. Consultation should be considered as part of the process of looking at how a procurement might be offered for tender which would improve the area's economic, social and environmental well-being.

6 Implementation

- 6.1 The Council has also developed an Implementation Framework (attached at Appendix 1), which sets out the Council's approach to delivering its Social Value Policy. The Framework sets out how the Council will ensure that social value is embedded in its commissioning cycle, the governance arrangements in place to deliver social value and a set of indicators that will be used to consider the potential social value that could be delivered with regard to the Council's social value outcomes.

7 Responsibility

- 7.1 The delivery of the Social Value Policy is the responsibility of Executive Director Resources, reporting to Cabinet Member Strategic Finance and Resources. All procurement decisions will be managed through the procurement processes, as set out in the Council's constitution.

8 Monitoring and Review

- 8.1 The Social Value Policy will be monitored on an ongoing basis through reports on procurement to the Cabinet Member responsible for procurement.

Appendix 1: Implementation Framework

1 The Council will ensure that social value is delivered through a number of approaches:

1.1 Commissioning Cycle

1.1.1 The opportunities to secure improvements to social, environmental or economic wellbeing will vary from service to service. Consideration of social value is built into all the stages of the Council's commissioning cycle – when reviewing service provision; conducting a needs analysis; consulting stakeholders and/or the marketplace; and specifying the services to be procured. This offers more genuine opportunities to community and voluntary groups to become involved, whilst maintaining our focus on obtaining value for money.

1.2 Governance Arrangements

1.2.1 The Council will use its existing governance arrangements, through both its democratic governance, as set out in the Council's Constitution, and its Strategic Category Panels, in order to ensure scrutiny and control of procurement decisions so that the Council achieves social value, where appropriate.

1.2.2 The Strategic Category Panels ensure that the Council achieves the best possible outcomes using the resources available, as efficiently as possible. By embedding social value into the Procurement Outline Document (POD), which is taken to Strategic Category Panels for approval, the Council will meet its obligations under the Public Services (Social Value) 2012 Act. In order to embed social value into our processes, the changes will be set out in the Rules for Contract document and associated policies to take effect as soon as possible.

1.3 Social Value Indicators

1.3.1 The Council has identified a set of indicators that can be used to measure and track the amount of social value delivered through contracting arrangements. When commissioning goods and services, commissioners and procurement leads must consider the indicators for inclusion into the award criteria or as a performance obligation, where appropriate. These indicators are not an exhaustive list, and commissioners and procurement leads may wish to consider additional indicators.

Social Value Indicators, where relevant and proportionate

Outcome		Indicators
Economic	Create jobs for local people	<ul style="list-style-type: none"> No of new jobs created within the city Number of local people in employment within services commissioned
	Progression towards paying a living wage to employees	<ul style="list-style-type: none"> No of suppliers paying a living wage
	Support young people into apprenticeships	<ul style="list-style-type: none"> No of businesses operating apprenticeship schemes/work placements No of local people accessing apprenticeships/work placements within services commissioned
	Support local people to maximise their knowledge and skills and access employment opportunities	<ul style="list-style-type: none"> No of training places/apprenticeships/work placements No of local people supported to gain a qualification No of employees benefiting from L&D activities Level of qualifications achieved
	Promotion of opportunities to work with social enterprise partnerships, voluntary and community sector organisations and small and medium-sized enterprises	<ul style="list-style-type: none"> No of contracts with social enterprise partnerships Evidence that suppliers work with voluntary and community organisations via contracting/sub-contracting arrangements
	Enhance Coventry's profile as a city that is open for business and secure inward investment	<ul style="list-style-type: none"> No of new investment projects Amount of new money invested in the city No of foreign owned businesses in the city New business registration rate
Social	Consider equality and diversity in the provision and operation of services, including a workforce that is representative of the communities we serve, where relevant and proportionate	<p>Indicators based on individual service requirements</p> <p><i>Examples:</i></p> <ul style="list-style-type: none"> <i>Service caters for the specific needs of users.</i> <i>Equality profile of service users</i>

Outcome		Indicators
	Provide opportunities for all, including the most vulnerable, to make a valuable contribution	Indicators based on individual service requirements <i>Examples:</i> <ul style="list-style-type: none"> • <i>Increase in volunteering</i>
	Promote the safeguarding and welfare of children, young people and vulnerable adults	Indicators based on individual service requirements <i>Examples:</i> <ul style="list-style-type: none"> • <i>Fewer children in LA care</i> • <i>Reducing incidents of domestic violence</i>
	Improving the health and wellbeing of local residents, including employees	Indicators based on individual service requirements <i>Examples:</i> <ul style="list-style-type: none"> • <i>Provision of facilities and resources for the wider community</i> • <i>No of businesses with a workplace health charter</i>
	Reduce health inequalities	Indicators based on individual service requirements and linked to Council Plan indicators
Environmental	Promote initiatives which retain, protect, enhance and/or promote the character of Coventry's natural environment for the benefit of local people and wildlife	<ul style="list-style-type: none"> • Increased biodiversity • Amount of green space available
	Efficient use of resources by minimising waste	<ul style="list-style-type: none"> • Amount of waste sent to landfill • Recycling rates • Reduced packaging
	Reduce energy and fuel consumption in the provision of the service	<ul style="list-style-type: none"> • Reduced carbon footprint of business
	Effective and improved environmental performance	<ul style="list-style-type: none"> • Certification to Environmental Management System Standard or evidence of equivalent environmental management system, for example an Environmental Policy in place

MEET THE BUYER EVENT



Coventry City Council and Costain held a “Meet the Buyer” event in February 2014.

The event aimed to introduce local SME’s to Costain who won the contract for two major developments in Coventry (*Friargate Bridge and Whitley Junction*) to hear more about the types of contracts Costain will want to subcontract for.

More than 30 individuals attended the event, from a range of different businesses covering Construction, Engineering, Security to Ecology.

Following the event Costain continued to engage with the businesses which attended, one company is in discussions with Costain on a Rail Electrification Project and Advance Ecological Works, they are also listed as potential supply chain for M4 Corridor works which is a £800m bid.

Many of the other businesses which attended the event are now on the tender list for future works and will be invited to tender for Friargate when Costain reach that point in the procurement process, fulfilling the councils commitment to local procurement and employment and allowing the local supply chain to benefit from the larger contracts they award.

The Coventry and Warwickshire Construction Shared Apprenticeship Scheme is a partnership initiative between Coventry City Council, BAM Construct UK, local colleges and construction employers.

The objective is to open up opportunities for young people to enter the construction industry and become apprentices. The scheme has provided a platform for the young people to learn, get qualified and demonstrate their skills and value to local businesses.

Costain engaged with the scheme via the Meet the Buyer event and appointed a local young person as an administration apprentice within their site office. The young person excelled with Costain and has successfully been offered full time employment within the company.

As a result of this success, Costain is now recruiting for a second admin apprentice via the Construction Shared Apprenticeship Scheme to provide another opportunity for a local young person.

CONSTRUCTION SHARED APPRENTICESHIP SCHEME



Coventry City Council was awarded the Best ‘Small Business Friendly’ Procurement Policy as part of the FSB’s annual Local Authority Awards.

The awards provide an opportunity to make known any project or initiative that promotes and champions local economic development. Coventry City Council's application showed how an initiative approach with Costain to keeping trade local has helped local firms to access contracts.

The council is determined that local business should have the chance to bid for some of the supply chain work for major projects underway in the city. By holding the Meet the Buyer event in partnership with Costain local companies had the opportunity to show what they can do and now, lots of local companies are part of the large infrastructure projects that are happening across the city, now and in the future.

FSB LOCAL AUTHORITY AWARDS 2014



WORK WITH SCHOOLS



Costain agreed to link in with schools to offer site visits and Coventry City Council has worked to link them to:-

- 2 secondary schools
- 1 primary school
- 1 support service

Costain is also supporting a careers event for pupils that have previously been disengaged at school as well as a Local Enterprise Partnership Jobs & Careers event.

PROJECT CASE STUDY – ROCKWARM

Project Team

Project Partners:

Kier Services Ltd
Rockwarm Insulation Ltd
Scape System Build Ltd

Project Details

Value:

Dual funded - DECC Local Authority Competition funding £597,000, British Gas Energy Company Obligation funding £223,000

Desired Outcomes:

- Fuel poverty mitigated
- Health and wellbeing of disabled householders improved
- 100% of work carried out by local workforce
- Employment and training opportunities for local people

Coventry Fuel Poverty Project

Coventry's Fuel Poverty Project was devised by the Sustainability and Low Carbon Team as an innovative response to fuel poverty in Coventry. Focusing on insulation and heating improvements for disabled householders likely to be fuel poor, the team successfully bid for £597,000 of funding from the Department of Energy and Climate Change. The third and final phase of the project is currently underway – the life of the project was extended by attracting an additional £223,000 of Energy Company Obligation funding from British Gas.

One of the ambitions for the project was that local contractors should be used to carry out the work. The Council's Procurement and Commissioning Service examined a number of different framework contracts and identified the Scape National Minor Works Framework as being suitable. One of the attractions of the Framework was that the appointed contractor, Kier Services Ltd, had to place at least 60% of the work with suppliers within a 30 mile radius of the city.

The Sustainability and Low Carbon Team subsequently negotiated with Kier to increase the local supply target up to 100%, and after carrying out their own selection process, Kier appointed Rockwarm, a specialist insulation company based in Nuneaton.

The project enabled Rockwarm to provide employment to twenty nine local employees in order to deliver the project. Five were from Coventry and the remainder lived in Nuneaton, Bedworth and Hinckley. Three new locally based operatives were taken on to be part of this workforce. Two of these, Dan Stokes and Mick Neville, were renderers who had been unemployed, and as a result of the project both received training to NVQ level 2 in external wall insulation. The third was Charlie Miles, an unemployed cavity wall insulation installer. Charlie was also trained to install external wall insulation, and has now progressed within the company to become a Quality Inspector.

This project is an example of the council working smartly to lever in external funds to tackle a pressing local problem for vulnerable people. In so doing it has also helped the city's economy by providing employment and making it easier for people to avoid high energy costs and be healthier by having better insulated homes.



Pictured from left to right are Charlie Miles, Mick Neville and Dan Stokes

Construction Shared Apprentice Scheme Coventry & Warwickshire

Project team

Project Partners:

BAM construct UK
Coventry City Council
City College Coventry
Warwickshire College
Local construction businesses

Project details

Value:

Multi Funded - Public funds, Private funds and Construction grant - £200k+

Desired Outcomes:

- 60 Shared Apprentices recruited
- Target disadvantaged students
- 80% + Completed Apprentice Frameworks.
- Apprentices into employment and/or further learning



Introduction.

The Construction Employers Engagement Forum at City College Coventry, identified apprentice recruitment as their key area of concern. A sub group from the forum was brought together to identify what the barriers were for employers taking on apprentices and how we could develop a shared apprenticeship model that could combat those barriers.

The barriers identified were:

- Employers believed that Apprenticeships brought with it high administration and management time/costs.
- Employers did not feel they could offer all units of work experience needed.
- Uncertainty of long term work/order book meant that they would not commit to take someone onto an Apprenticeship for up to 3 years.
- High expectations of the Apprentice to produce 'financial' return quickly.

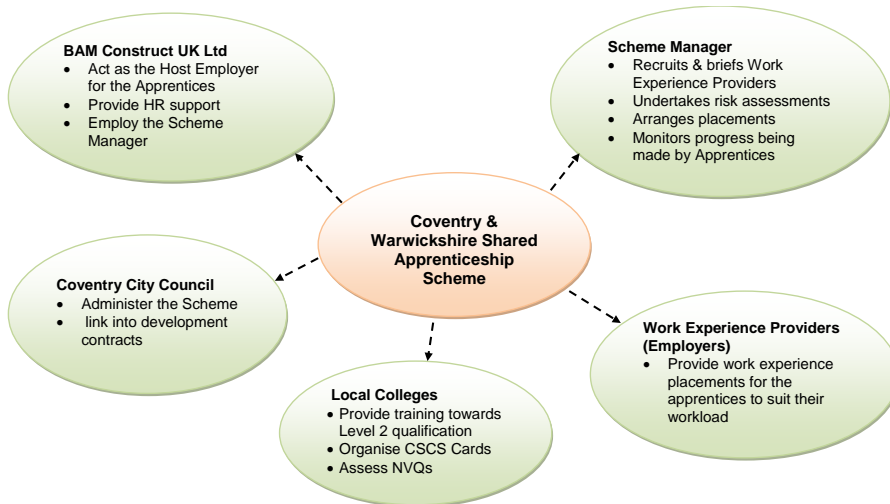
A scheme was needed where companies do not have to directly employ, pay a nominal amount for, and can move the apprentices elsewhere with short notice, whilst the young people still get every opportunity to cover the units in their qualification was required as a matter of urgency.



'Affordable to sub-contractors - this also encourages them to take the apprentices to other projects they are working on or indeed employ them directly. All employers working on contracts in the area should be encouraged to sign up as part of the deal'

Carol Appleton - Client Recruitment & Trainee Development Manager. **Thomas Vale Construction**

Operational Structure:



Achievements to date:

The Scheme won the **Apprenticeship Scheme of the Year** at the National Federation of Builders Awards 2013

The Scheme was also nominated and became a highly commended **shortlisted finalist** in the National **Local Government Chronicle Awards 2013** for Public/Private Partnerships.

We nominated one of our apprentices for the Youth Build award of '**Young Builder of the Year**'. Our apprentice Elliot Seenan was commended for his determination and efforts to further his career in construction.

Coventry City Council are the accountable body for the Scheme and provide programme and financial management. Via their ambitious three year Jobs & Growth Strategy for the city and the commitment via the Social Value Policy they ensure local people and businesses benefit from the work that it procures. Wherever possible either contractually or voluntarily, the shared apprenticeship scheme is promoted providing a steady supply of placements.

BAM provide the Scheme Manager who has the responsibility of securing new placement providers and ensuring that the Apprentices are linked up to appropriate initial/carousel placements. The Scheme Manager, with BAM HR, carry out interviewing of prospective apprentices and makes the final offers for a place on the Scheme. They then deliver pre start and day one on-site induction. Together BAM's Workforce Manager and Scheme Manager deal with any issues Apprentices have on site regarding appropriateness of work available and when a 'carousel' would be advantageous to the Apprentice and benefit the Employers.

Local Colleges provide the academic training needed for the young people to achieve their Apprenticeship Framework, co-ordinate site visits for NVQ Assessors and monitor the progress towards framework completion.

BAM, as Host Employers to the Apprentices, carry out the full Human Resource (HR) function. Their Workforce Manager has responsibility for ensuring that they are supported through their Apprenticeship and has regular one to one sessions with each of them to ascertain progress. He works very closely with the Scheme Manager and the College to ensure that attendance and attitude is good and supports wherever necessary. BAM also provide further additional training on Safety, Environment etc.

A steering group consisting of representatives from BAM, The Colleges, and Coventry City Council meet regularly to discuss progress of the Scheme.



Outcomes:

- 34 young people have started on the Scheme
- 17 have achieved their Full Apprenticeship Framework to date
- 17 have secured full time employment, self employment or further training
- 16 out of the 34 have 'carouselled' to 1 or more companies while on the Scheme
- 11 young people are currently on the scheme working towards their framework completion.

For More Information
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 Pete Brady 07768776771

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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