



Audit and Procurement Committee

Time and Date

3.30 pm on Monday, 16th February, 2015

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 meeting of the Audit and Procurement Committee held on 8 December 2014
4. **Work Programme 2014/15** (Pages 7 - 10)
Report of the Executive Director, Resources

Internal Audit

5. **Quarter Three Internal Audit Progress Report 2014-15** (Pages 11 - 22)
Report of the Executive Director, Resources
6. **Treasury Management Update** (Pages 23 - 26)
Report of the Executive Director, Resources
7. **Quarter Three Revenue and Corporate Capital Monitoring Report 2014-15**
(Pages 27 - 44)
Report of the Executive Director, Resources
8. **Update on risks assessments re IT system back-up, recovery and data centre** (Pages 45 - 48)
Report of the Executive Director, Resources
9. **Council Tax Discounts / Exemptions** (Pages 49 - 50)
Report of the Executive Director, 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.

Private Business

Procurement

11. **Procurement Monthly Progress Report** (Pages 51 - 54)

Report of the Executive Director, Resources

Chris West, Executive Director, Resources, Council House Coventry

Friday, 6 February 2015

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), R Brown, D Galliers (Chair), L Harvard, R Sandy, T Sawdon and D Welsh

By invitation Councillors

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.

Hugh Peacocke

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Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.00pm on Monday 1 December 2014 at Council House, Coventry

Present:

Members: Cllr. D Galliers (Chair)
Cllrs. S Bains, L Harvard, R Sandy and T Sawdon

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

External Auditors: J Gregory (Grant Thornton)

Apologies: Cllr. D Welsh

Public Business

37. Minutes of Previous Meeting

The minutes of the meeting held on 20 October were approved by the meeting and signed as a true record.

38. Matters arising on the minutes

- i. A meeting was scheduled with Ernst and Young to discuss their proposals on contract management reviews before requesting other tenders on a complete risk basis. The Committee would receive a further update at the next meeting.
- ii. There were still 2 replies outstanding to the Skills Assessment and these would be followed up.
- iii. The chair attended a meeting of the network of Audit Committees, promoted by Grant Thornton and a briefing note on risk management arrangements was circulated to the Committee members. (A further network meeting is planned for early 2015)
- iv. A letter has been drafted for the Chair to send to the governors of Stoke Heath Primary School.
- v. The Committee received a briefing note on discretionary payments under section 17 of The Children's Act. It was noted that the actions requested were being progressed and there would be a further update to the Committee in March/April 2015.
- vi. Further to the concern raised at the previous meeting regarding checks on agency workers, the Committee noted that while there was a minor level of non-compliance, it was not a significant concern.

- vii. The Committee noted recent developments regarding the Ricoh Arena and were satisfied that following the transfer of the Council's shares in ACL that this did not represent a risk to the Council.
- viii. It was agreed that for future meetings, actions arising would be included in the Work Programme.

39. **Declarations of Interest**

Councillor Galliers declared that his wife is the chair of the City College Trust (referred to in the recommendations from item 8: 2014/15 Second Quarter Financial Monitoring Report (to September 2014)

40. **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.

It was noted that the programme was relatively light for January and agreed that these items could be deferred to February.

41. **Annual Audit Letter 2013-14**

Mr John Gregory, of Grant Thornton (The Council's external auditors), presented the Annual Audit Letter for financial year ended 31 March 2014.

The Letter summarised the key findings arising from the audit work carried out at Coventry City Council ('the Council') for the year ended 31 March 2014. The Letter communicated key messages to the Council and external stakeholders, including members of the public.

It was noted that the Whole of Government accounts were submitted late and plans were in place to ensure that this would not happen next year.

In response to questions, the external auditors were not unduly concerned about the level of reserves held by the Council. The meeting heard that Scrutiny board 1 would be considering this matter and the presentation would be sent to the committee.

RESOLVED that the Coventry City Council Annual Audit Letter 2013/14 be agreed.

42. **Half Yearly Fraud Update**

The Committee received a Report of the Executive Director of Resources providing a summary of the Council's anti-fraud activity during the financial year 2014-15 to date.

Resolved: that the Audit and Procurement Committee 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.**

43. **Internal Audit Recommendation Tracking Report**

The Committee received a report of the Executive Director of Resources updating on the progress made in implementing audit recommendations since the last update in October 2013.

Resolved that the Audit and Procurement Committee:

- 1. Note the current procedure for following up audit recommendations and**
- 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.**

44. **Quarter Two Revenue and Corporate Capital Monitoring Report 2014-15**

The Committee considered a Report of the Executive Director of Resources which advised the Cabinet on the 4th November 2014 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 was an underspend of £0.4m.

The Committee noted:

- the changes to the Council's Financial Management Strategy and credit rating issues, as advised
- the payment holiday on the lease with City College Coventry
- the increase in the estimated capital costs of the Customer Service Centre, from £1m to £3M. The Committee heard that Scrutiny board 1 would be considering how to improve such estimates in the future and that recommendations would be made to the Cabinet Member, Strategic Finance and Resources
- that the Kickstart programme was expected to achieve savings of £5m per annum

Resolved that the Audit and Procurement Committee note the Quarter Two Revenue and Corporate Capital Monitoring Report 2014-15.

45. **Procurement - Contract Monitoring / Social Value**

The Committee received an update from the Executive Director of Resources on the work that had been undertaken since the introduction of Coventry's Social Value Policy adopted by Cabinet on 11th February 2014. It contained highlights of the report that would be taken to Finance and Corporate Services Scrutiny Board on 2 February 2015 and Cabinet Member , Strategic Finance and Resources, on 9 March 2015.

Resolved that the Audit and Procurement Committee endorse the work carried out on delivery and implementation of the Social Value Policy.

46. **Exclusion of Press and Public**

47. **Procurement Monthly Progress Report**

Savings surplus showing 14-15

The Committee considered a report of the Executive Director, Resources, including confidential financial matters in respect of Procurement and Commissioning across the Council for the month of November.

The Committee heard that it was expected that procurement savings would exceed their target in 2014-15 and that some work remained to plan the savings expected in 2015-16.

RESOLVED that the Committee note the monthly progress and savings delivered in respect of Procurement and Commissioning.

(Meeting closed at 4.20pm)



Public Report

Audit and Procurement Committee

16 February 2015

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.

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Audit and Procurement Committee

Work Programme 2014-15

4 February 2015

12th January 2015 - deferred	
For Agenda	Actions from previous meetings
16th February 2015	
<ul style="list-style-type: none"> • Quarter Three Internal Audit Progress Report 2014-15 • Treasury Management Update • Council Tax Discounts / Exemptions • Update on risks assessments re IT system back-up, recovery and data centre • Quarter Three Revenue and Corporate Capital Monitoring Report 2014-15 • Procurement Monthly Progress Report (Private) 	<ul style="list-style-type: none"> • Update on Contract management Review • Members' Skills Assessments • Letter from the Chair to the governors of Stoke heath Primary School
23rd March 2015	
<ul style="list-style-type: none"> • Annual Audit Plan (Grant Thornton) • Grant Certification Report (Grant Thornton) • Ombudsman Complaints Update Report • Procurement Monthly Progress Report (Private) • Update on action arising from the Audit 2013/14 Findings Report • To determine the salary for new appointment - Director of Education 	<ul style="list-style-type: none"> • Update on discretionary payments under section 17 of The Children's Act
20th April 2015	
<ul style="list-style-type: none"> • 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	
<ul style="list-style-type: none"> • Corporate Risk Register Update 	
2015/16	
<ul style="list-style-type: none"> • To receive the Ombudsman Complaints Annual Report 	

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

16th February 2015

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 Plan 2014-15 – Quarter Three Progress 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 internal audit activity for the period April to December 2014, against the agreed Internal Audit Plan for 2014-15.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three against the Internal Audit Plan for 2014-15, including planned changes to the plan.
2. Consider the summary findings of the key audit reviews (attached at Appendix Two), and to decide whether the agreed focus of improvements identified and the timescales agreed for implementation for each review is appropriate.

List of Appendices included:

Appendix One - Audit Reviews Completed between April and December 2014

Appendix Two - Summary Findings from Key Audit Reports Completed between April and December 2014

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 Plan 2014-15 – Half Year Progress Report

1. Context (or background)

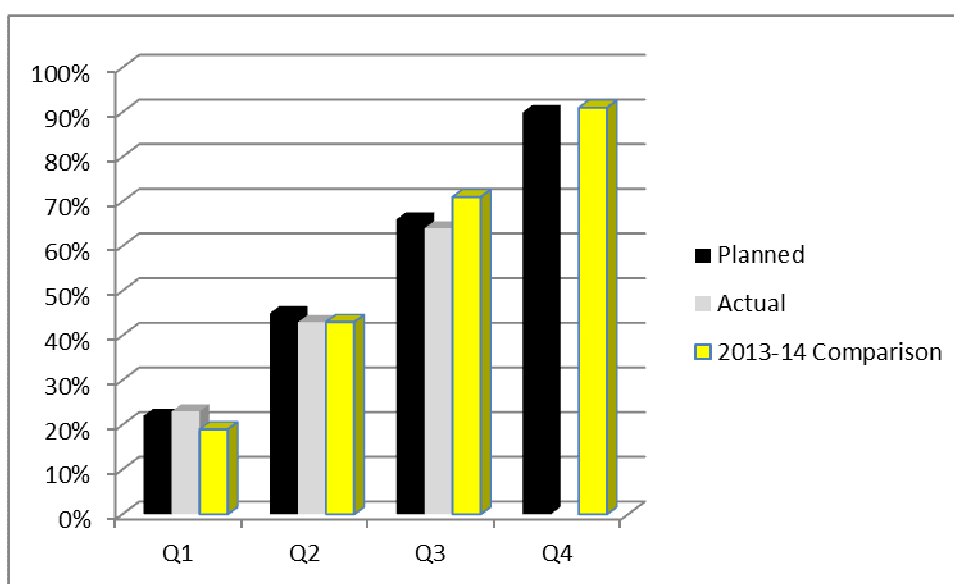
1.1 At its meeting in August 2014, the Audit and Procurement Committee formally approved the Council's Internal Audit Plan for the financial year 2014-15. This report is the second monitoring report for 2014-15, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

2. Options considered and recommended proposal

2.1 Delivering the Audit Plan

The key target facing the Internal Audit and Risk Service is to complete 90% of its work plan by the 31st March 2015. The chart below provides analysis of progress against planned work for the period April to December 2014.

Chart One: Progress against delivery of Internal Audit Plan 2014-15



As at the end of December 2014, the Service has completed 64% of the Audit Plan against a planned target of 66%. Whilst the performance is only slightly behind target, the Service ability to deliver the plan has been impacted by the fact that two members of the team left the Council in November / December 2014. In response to this, we plan to amend the Internal Audit Plan for 2014-15 given the view that the impact of the officer's leaving can be offset by changes in the audit plan either as a result of:

- Audits being delayed, deferred or postponed, and
- Where days allocated in the plan are not reflective of need.

These are detailed in the table overleaf:

Table One: Planned Changes in 2014-15 Audit Plan

Audit Area	Planned Days	Revised Days	Reason
Financial Management	20	0	Assurance provided through External Auditors in the Annual Audit Letter considered by Audit and Procurement Committee in December 2014.
Adult Social Care (meeting need with resources available)	20	0	Planned reviews of developments (i.e. FACE – Resource Allocation System, Electronic Call Monitoring) have been deferred to 2015-16 as a result of delays in implementation or to allow time for the systems to embed.
Welfare Reform	20	0	Planned review of a single point of access around accessing discretionary support deferred due to operational delays.
Paper Rationalisation	100	75	Allocation of days not reflective of need.
Audit and Procurement Committee Concerns	25	0	No reviews identified in year.
Schools	210	180	Anticipated planned coverage reduced.

2.2 Other Key Performance Indicators (KPIs)

The table below shows a summary of the performance of Internal Audit for 2014-15 to date against five KPIs, with comparative figures for 2013-14. Whilst performance is consistent with that achieved in 2013-14, two indicators remain (i.e. draft report to deadline and audit delivered within budget days) where management continue to focus attention as part of a drive for greater efficiency within the Service.

Table Two: Internal Audit Key Performance Indicators 2014-15

Performance Measure	Target	Performance Q3 2014-15	Performance 2013-14
Planned Days Delivered (Pro rota against agreed plan)	100%	99%	96%
Productive Time of Team (% of work time spent on audit work)	90%	88%	87.5%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	76%	75%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	92%	92%
Audit Delivered within Budget Days	80%	77%	75%

2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between October and December 2014, along with the level of assurance provided. The list includes a relatively high number of non-assurance based reviews where the focus has been either on (a) providing advice / guidance on controls given the reducing staffing levels across the Council and (b) validating grants (e.g. troubled families funding) or payments (duplicate payment exercise).

The following audits are currently in progress:

- **Audits at Draft Report Stage** – Cardinal Newman Catholic Secondary School, Payroll, Payment System Control Review
- **Audits On-going** – St Annes Primary School, Schools Appeals, Care Director IT Application Review, Highways Procurement, Accounts Receivable, Cash Collections Review, Business Rates, Housing Benefits Overpayments, Business Continuity,

Details of a selection of key reviews completed in this period are provided at Appendix Two. In all cases, the relevant managers have agreed to address the issues raised in line with the timescale stated. These reviews will be followed up in due course and the outcomes reported to the Audit and Procurement Committee.

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.

6.2 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:

Stephen Mangan - Internal Audit and Risk Manager

Directorate:

Resources

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Sallie Davis	Group Auditor	Resources	03/02/2015/	04/02/2015
Hugh Peacocke	Governance Services Manager	Resources	03/02/2015/	04/02/2015
Neelesh Sutaria	Human Resources Business Partner	Resources	03/02/2015	04/02/2015
Names of approvers: (officers and members)				
Finance: Paul Jennings	Finance Manager Corporate Finance	Resources	03/02/2015	03/02/2015
Legal: Gill Carter	Senior Solicitor	Resources	03/02/2015	05/02/2015

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Appendix One – Audit Reviews Completed between October and December 2014

Audit Area	Audit Title	Assurance	
Schools	Pearl Hyde Primary School	Significant	
	St Augustines Catholic Primary School	Moderate	
	St John Vianney Catholic Primary School	Moderate	
	Woodfield Primary School	Moderate	
	John Shelton Primary School	Moderate	
	Stivichall Primary School	Moderate	
	Henley Green Primary School	Moderate	
	Stoke Primary School	Moderate	
	Templars Primary School	Moderate	
	Whitmore Park Primary School	Moderate	
	St Elizabeths Primary School	Moderate	
	Corporate Risk	Major Projects – Coventry Investment Fund	Moderate
		Major Projects – Agresso Post Implementation Review	N/A – Lessons Learnt
Safeguarding Adults		Moderate	
Safeguarding Training		N/A – Support and Advice	
Key / Audit Priorities	Talent Link	Moderate	
	Direct Payments	N/A – Support and Advice	
Financial Systems	CareDirector Income	Moderate	
	Duplicate Payment Exercise	N/A - Validation	
Regularity	Trouble Families Grant	N/A – Validation	
Contingency	Information Governance	N/A – Fact Finding	
	Recovery of Legal Costs	N/A – Support and Advice	
Follow Up	Little Heath Primary School	Significant	

Appendix Two – Summary Findings from Key Audit Reports Completed between October and December 2014

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Agresso Post Implementation Review</p>	<p>Overall Objective: To evaluate key aspects around the implementation of the Agresso System.</p> <p>The Council went live with a new finance system, Agresso, in December 2013. The approach to delivering this project was different to other major IT system implementations that have been undertaken in recent years, in that the Council led on the implementation with support from the software supplier. The implementation has clearly been successful in delivering a new system on time and which was operational from the outset. A number of critical factors were identified which, in our opinion, were fundamental to the success of the project, including:</p> <ul style="list-style-type: none"> • There was a clear rationale for change in that it was clearly understood that the Council needed a new finance system. • The decision from the outset that the system would not be customised unless viewed as business critical and as an alternative, working practices were re-designed instead. • Management’s selection of the project team and allocation of dedicated resources to fulfill the roles required, led to effective team working and strong relationships. <p>Surveys undertaken by the Project Team with key users of the system also indicate that the implementation has been successful, especially in terms of improvements in the accessibility and format of financial information when compared with the previous system.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Ensuring clarity around key roles and responsibilities in the project, especially given the critical relationship between the business area, the ICT service and the implementation partner. This clarity also extends to the role of the Steering Group. • The need for project to be formally closed so that all stakeholders are clear that the project has been completed and to understand how issues that arise will be taken forward. • The need for on-going proactive support for users to improve / refresh system knowledge and ensure that the benefits from system functionality are maximised. <p>There are no specific recommendations from this report but it has been agreed that the findings will be considered in future IT projects.</p>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Safeguarding Adults</p> <p>Head of Safeguarding</p> <p>September 2015</p>	<p>Overall Objective: To ensure that the Council has robust controls in place for safeguarding adults, specifically in relation to the referral process and conversion of 'alerts' to 'referrals'.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • The central Safeguarding Team is playing a pivotal role in supporting the Safeguarding Adults Board, co-ordinating safeguarding adult matters, providing performance information to assist operational teams manage cases, identifying gaps in current practices and disseminating any lessons learned / areas for improvement to operational teams and external partners. • In consultation with the Safeguarding Adults Coordinator, testing has highlighted that appropriate decisions had been made in relation to the cases we reviewed. <p>The level of assurance in part reflects the fact that a key action relating to the CareDirector System upgrade, agreed and reported in the previous two audit reports, has not yet been implemented although we acknowledge that this is not within the control of the Safeguarding Team. Further, there is a wider corporate issue around the recording of safeguarding training to enable the monitoring of attendance and, if necessary, intervention to ensure take up. The Head of Safeguarding should now progress this with the Head of Business Services since he has agreed, in principle, for cluster administration to provide the support for recording training and professional development in the children's social care service.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Ensuring safeguarding actions and decisions are recorded electronically on CareDirector as soon as the safeguarding aspects of Version 4 have been configured and implemented. • Assisting the regionally appointed working group to establish the reasons for the significant variances in the rate of conversion of 'alerts' to 'referrals' and align local practices to those subsequently agreed regionally. • Ensure that the new in-house peer review plans for increasing quality checks are progressed and monitored.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>CareDirector Income</p> <p>Financial Assessment</p> <p>Manager</p> <p>May 2015</p>	<p>Overall Objective: To ensure that the Council has effective systems in place to ensure that income due to the Council from social care charges is identified on a timely basis, accurately raised and collected.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>The review identified the following area of good practice in that a thorough validation of the CareDirector extract report is undertaken by the Financial Assessment Manager, where any anomalies [and known system created issues] are identified to ensure the accuracy of client invoices raised in Agresso.</p> <p>The level of assurance is reflective of our view that improvements are required to ensure financial assessments are undertaken prior to a service provision commencing, barring where exceptional circumstances preclude.</p> <p>The following areas for improvement have been identified:</p> <ul style="list-style-type: none"> • Implement the proposed pooling of Financial Assessment and Operations workforce, to enable case management of the end to end process for both payment and charging information, to reduce the transfer of tasks between teams and improve the timeliness of recording within CareDirector. • Utilise the corporate data dashboard functionality and performance reports, to ensure referrals are made and service provisions are authorised within CareDirector on a timely basis. • Introduce a targeted approach to the completion and review of financial assessments based on financial risk. • Establish processes to ensure a reconciliation of interface reports from CareDirector Finance into the Agresso Accounts Receivable system is undertaken.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Talent Link</p> <p>Human Resources Business Manager, Recruitment</p> <p>April 2015</p>	<p>Overall Objective: To ensure that the Council has effective systems for processing any changes to the establishment headcount, including recruitment to posts and variations to salary payments, so that salary budgets are managed.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • System reporting provides directorates with improved senior management visibility, and therefore challenge, of the level of recruitment and salary enhancement requests. • With teams now centralised, Finance provides more focused and consistent oversight at a time when the Council is facing increasingly challenging budgetary constraints. • Planned management payroll reports on establishment and salary information, in conjunction with setting headcount targets, will provide greater corporate oversight and opportunity for robust senior management challenge and performance management. <p>The level of assurance reflects the fact that this on-line system approval process is still being embedded and, while the system enables users to track the progress of their requests, our testing was not able to validate that this is happening, resulting in delays and additional work to process through the payroll.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Establishing a process to amend the approval chain when employees leave or transfer. • As part of a system review, considering exception reporting from Talent Link to identify any bottlenecks” causing process delays and any improvements needed to address issues.



Coventry City Council

Briefing Note

To **Audit Committee**

Date **16th February 2015**

Subject **City Council Investment Activity**

1 Background and Purpose of the Note

This note provides an update on the Council's Treasury Management activity.

2 Treasury Management Activity

- 2.1 Appendix 1 in this report shows the Council's Lending List – a list of those banking and government institutions that the Council's Investment Strategy allows us to invest cash balances with. Appendix 2 shows the most recent list of investments that the Council holds.
- 2.2 The current lending list is maintained in line with advice provided by our Treasury Management advisors (Arlingclose) which bases its judgement on information from credit rating agencies.
- 2.3 Since the last report in October, there have been two main changes to the lending list. The first is the maturity limit for all institutions has been reduced. Institutions where the limit was 13 months has been reduced to 6 months and institutions where the limit was 6 months has been reduced to 100 days. This is due to deteriorating global growth prospects, especially in the Eurozone to counter the risk of another Eurozone crisis. Secondly, Coventry Building Society has raised additional capital and as such has been added to our counterparty lending list.
- 2.4 The total level of investment balances held by the Council stood at £98.4m as at 30th January 2015 compared with £110.0m as at 31st January 2014 and £118.7m reported to Audit and Procurement Committee as at 3rd October 2014. The breakdown of these balances is shown below.

	31/01/2014	03/10/2014	30/01/2015
	£m	£m	£m
Bank Deposits	41.7	60.0	62.0
Local Authority Deposits	37.8	13.0	18.0
Money Market Funds	13.4	28.5	2.5
Long Term Investments	17.1	17.2	15.9
Total	110.0	118.7	98.4


- 2.5 It is expected that some significant amounts of cash will be paid out in this financial year as part of the Friargate development.

2.6 Since the last report, £5m of short term borrowing has been undertaken partly to cover temporary troughs in short term cash-flows and partly to ensure that lines of credit remain open in the future should the need for more borrowing arise because counterparties are more likely to lend to us, and at better rates of interest, if we enter the borrowing market reasonably regularly.

Author: Paul Hammond - Accountant

Resources Directorate

2nd February 2015

 COVENTRY CITY COUNCIL LENDING LIST 26 January 2015		Long Term Rating			Limit £m	Term Limit	Position number in 'Investment Grade'			
		Country	Fitch	Moody's			S & P	Fitch	Moody's	S&P
USING MINIMUM ACCEPTABLE CREDIT QUALITY										
Institution										
Debt Management Office		UK	AA+	Aa1	AAA			2	2	1
Local Authorities		UK	AA+	Aa1	AAA	£8m	3 years	2	2	1
HSBC Bank plc (* See note below)		UK	AA-	Aa3	AA-	£7.2m	6 Mths	4	4	4
Lloyds Bank Group										
Bank of Scotland plc (** See note below)		UK	A	A1	A	£4.4m	6 Mths	6	5	6
Barclays Bank plc		UK	A	A2	A	£8m	100 Days	6	6	6
Coventry BS		UK	A	A3		£8m	100 Days	6	7	
Close Brothers Ltd		UK	A	A3		£8m	100 Days	6	7	
Lloyds Bank Group										
Lloyds Bank plc (** See note below)		UK	A	A1	A	£4.4m	6 Mths	6	5	6
Nationwide BS		UK	A	A2	A	£8m	6 Mths	6	6	6
Santander UK Plc (Abbey)		UK	A	A2	A	£8m	6 Mths	6	6	6
Standard Chartered Bank		UK	AA-	A1	A+	£8m	6 Mths	4	5	5
Goldman Sachs International Bank		UK	A	A2	A	£8m	100 Days	6	6	6
Leeds Building Society		UK	A-	A3		£8m	100 Days	7	7	
CUMBERLAND BUILDING SOCIETY		UK				£1m	100 Days			
DARLINGTON BUILDING SOCIETY		UK				£1m	100 Days			
FURNESS BUILDING SOCIETY		UK				£1m	100 Days			
HARPENDEN BUILDING SOCIETY		UK				£1m	100 Days			
HINCKLEY & RUGBY BUILDING SOCIETY		UK				£1m	100 Days			
LEEK UNITED BUILDING SOCIETY		UK				£1m	100 Days			
LOUGHBOROUGH BUILDING SOCIETY		UK				£1m	100 Days			
MANSFIELD BUILDING SOCIETY		UK				£1m	100 Days			
MARKET HARBOUROUGH BUILDING SOCIETY		UK				£1m	100 Days			
MARSDEN BUILDING SOCIETY		UK				£1m	100 Days			
MELTON MOWBRAY BUILDING SOCIETY		UK				£1m	100 Days			
NATIONAL COUNTIES BUILDING SOCIETY		UK				£1m	100 Days			
NEWBURY BUILDING SOCIETY		UK				£1m	100 Days			
SCOTTISH BUILDING SOCIETY		UK				£1m	100 Days			
TIPTON & COSELEY BUILDING SOCIETY		UK				£1m	100 Days			
VERNON BUILDING SOCIETY		UK				£1m	100 Days			
Australia and New Zealand Banking Group Ltd		AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Commonwealth Bank of Australia		AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Westpac Banking Corporation		AU	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Bank of Montreal		CA	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Bank of Nova Scotia		CA	AA-	Aa2	AA-	£8m	6 Mths	4	3	4
Canadian Imperial Bank of Commerce		CA	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Royal Bank of Canada		CA	AA	Aa3	AA	£8m	6 Mths	3	4	3
Toronto Dominion Bank		CA	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
Pohjola Bank PLC-A Shs		FI	A+	Aa3	A+	£8m	6 Mths	5	4	5
Deutsche Bank AG - Registered		GE	A+	A3	A	£8m	100 Days	5	7	6
LANDESBANK HESSEN-THURINGEN		GE	A+	A2	A	£8m	100 Days	5	6	6
Bank Nederlandse Gemeenten		NE	AAA	Aaa	AA+	£8m	6 Mths	1	1	2
Cooperative Centrale Raiffe (Rabobank)		NE	AA-	Aa2	A+	£8m	6 Mths	4	3	5
ING Bank NV		NE	A+	A2	A	£8m	100 Days	5	6	6
DBS Bank Ltd		SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
Oversea-Chinese Banking Corp		SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
United Overseas Bank Ltd		SI	AA-	Aa1	AA-	£8m	6 Mths	4	2	4
Nordea Bank AB		SW	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Svenska Handelsbanken AB		SW	AA-	Aa3	AA-	£8m	6 Mths	4	4	4
Credit Suisse		SZ	A	A1	A	£8m	100 Days	6	5	6
JP Morgan Chase Bank		US	A+	Aa3	A+	£8m	6 Mths	5	4	5
MONEY MARKET FUNDS (MMFs)										
Deutsche Bank Advisors		Ireland		Aaa	AAA	£8m			1	1
Federated Investors		UK	AAA	Aaa	AAA	£8m		1		1
HSBC Asset Management		Ireland		Aaa	AAA	£8m			1	1
Ignis Asset Management		Ireland	AAA		AAA	£8m		1		1
HSBC Bank plc * - (Reduced limit)		UK	£0.5m School balances at HSBC					7 = Borderline rating		
Lloyds Banking Group										
Bank of Scotland plc ** - (Reduced limit)		UK	£3.5m School balances at Lloyds TSB							
Lloyds Banking Group										
Lloyds Bank plc ** - (Reduced limit)		UK	£3.5m School balances at Lloyds TSB							

Appendix 2

TEMPORARY LOANS BOOK

Balances as at the 30/01/15

<u>LOAN REF.</u>	<u>LENDER NAME</u>	<u>BROKER</u>	<u>PRINCIPAL</u>	<u>START DATE</u>	<u>MATURITY DATE</u>	<u>INITIAL INT RATE</u>	<u>DAYS</u>	<u>INT DUE</u>
TEMPORARY LOAN OUT (DEPOSIT)								
200004026	POLICE & CRIME COMMISSIONER	BT	5,000,000.00	30/01/15	06/02/15	0.510000	7	489.04
200003987	NATIONWIDE B/SOCIETY	LCB	3,000,000.00	11/09/14	11/03/15	0.650000	181	9,669.86
200003989	LANDESBANK HESSEN-	MARB	6,000,000.00	15/09/14	16/03/15	0.690000	182	20,643.29
200004022	NATIONWIDE B/SOCIETY	LCB	5,000,000.00	16/01/15	16/03/15	0.460000	59	3,717.81
200003991	NATIONAL COUNTIES B SOC	FP	1,000,000.00	17/09/14	17/03/15	0.650000	181	3,223.29
200003941	GREATER LONDON AUTHORITY	FP	8,000,000.00	01/04/14	01/04/15	0.700000	365	56,000.00
200004024	CUMBERLAND BUILDING SOC	MARB	1,000,000.00	22/01/15	22/04/15	0.520000	90	1,282.19
200004025	LEEDS BUILDING SOCIETY	CDB	5,000,000.00	23/01/15	01/05/15	0.510000	98	6,846.58
200004007	LANCASHIRE COUNTY COUNCIL	MARB	5,000,000.00	05/11/14	05/05/15	0.600000	181	14,876.71
200004018	LLOYDS TSB BANK	N/A	4,000,000.00	09/12/14	09/06/15	0.700000	182	13,961.64
200004021	SANTANDER UK PLC	FP	8,000,000.00	15/01/15	15/07/15	0.700000	181	27,769.86
			<u>51,000,000.00</u>					<u>158,480.27</u>
TEMPORARY LOAN OUT (CALL DEPOSITS)								
200003868	BARCLAYS	N/A	8,000,000.00	08/07/13		0.606940	35 Day Notice	
200003948	SVENSKA HANDELSBANKEN	N/A	8,000,000.00	14/04/14		0.450000	Call Money	
			<u>16,000,000.00</u>					
COVERED FLOATING RATE NOTE								
	COVENTRY BUILDING SOCIETY	KS	5,005,062.00	19/01/15	10/02/15	0.475000	22	1,432.96
			<u>5,005,062.00</u>					<u>1,432.96</u>
TEMPORARY INVESTMENT (CERTIFICATE OF DEPOSIT)								
1600000006	CDS STANDARD CHARTERED	KS	8,001,192.85	12/01/15	13/07/15	0.650000	182	25,932.63
			<u>8,001,192.85</u>					<u>25,932.63</u>
MMF DEPOSITS								
2400000002	IGNIS STERLING LIQUIDITY	N/A	2,450,000.00	04/09/12		0.424276		
2400000003	HSBC STERLING LIQUIDITY	N/A	0.00	04/09/12		0.413500		
2400000004	FEDERATED PRIME RATE	N/A	0.00	17/09/12		0.404091		
2400000005	DEUTSCHE MANAGED STERLING	N/A	0.00	19/07/13		0.404858		
			<u>2,450,000.00</u>					
COLLECTIVE INVESTMENT FUNDS								
2600000004	PAYDEN & RYGEL	N/A	7,730,360.71	01/02/12				
2600000005	FEDERATED PRIME RATE C+	N/A	5,044,629.56	27/03/13				
2600000006	CCLA INVESTMENT MGT LTD	N/A	3,000,000.00	28/11/13				
			<u>15,917,341.05</u>					
TEMPORARY LOAN IN (BORROWING)								
100001884	POLICE & CRIME COMMISSIONER	CDB	5,000,000.00	31/10/14	08/04/15	0.500000	159	10,890.41
			<u>5,000,000.00</u>					<u>10,890.41</u>



Public report Cabinet Report

Cabinet
Audit and Procurement Committee

10th February 2015
16th February 2015

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor D Gannon

Director approving submission of the report:

Executive Director of Resources

Ward(s) affected:

City Wide

Title:

2014/15 Third Quarter Financial Monitoring Report (to December 2014)

Is this a key decision?

No

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 December 2014. The headline revenue forecast for 2014/15 is an underspend of £0.6m. This reflects an improved underlying position that has enabled funding to be identified for the £2m expenditure commitment Customer Service Centre in line with the approach recommended at quarter 2.

The overall £0.6m 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 balanced position.

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. This issue is addressed within the forthcoming 2015/16 Budget Setting Report.

Capital spending is projected to be £124m for the year. This represents a net decrease of £24.0m compared to the £148m reported at the second quarter but nevertheless represents one of the Council's biggest ever expenditure Programmes. This decrease in the Capital Programme comprises £24.5m rescheduling of expenditure into 2015/16 and £0.6m new spending approvals. Spending at this revised level will be met by resources identified previously.

Recommendations:

Cabinet is recommended to:

1. Approve the forecast position at Quarter 3 including the projected revenue underspend and the use of Public Health grant to support £0.8m of public health related children's activity set out in Section 2.2.
2. Approve the revised capital estimated outturn position for the year of £124m incorporating: £0.6m net increase in spending relating to approved/technical changes (Appendix 2) and £24.5m net rescheduling of expenditure into 2015/16 (Appendix 4).

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, 16th February 2015

Will this report go to Council?

No

Report Title:

2014/15 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2014/15 to the end of December 2014 (period 9) 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 £0.6m. The reported forecast at the same point in 2013/14 was a balanced position. 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. This is one of the key issues that is addressed within the 2015/16 Budget Setting Report.

1.3 Capital spend is projected to be £124m, a decrease of £24m since the Quarter 2 report. This is due in large part to Coventry Investment Fund investment being re-profiled into future years and a delay to the Friargate building and Bridge together with some technical changes that have arisen since Quarter 2 and other expenditure rescheduled into 2015/16. This spend will all be met by resources identified previously.

2. Options considered and recommended proposal

2.1 **Revenue Forecast** - The Quarter 3 revenue budget monitoring exercise has identified an overall underspend of £0.6 m. 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	161.2	164.7	3.5
Place	27.5	27.4	(0.1)
Resources	13.4	12.4	(1.0)
	204.0	206.4	2.4
Contingency & Central Budgets	54.5	51.5	(3.0)
Total	258.5	257.9	(0.6)

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 £3.5m

The People Directorate is reporting a net overspend of £3.5M. 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 Children's Social care. Community Purchasing, and LAC Placements forecast a total overspend of £2.6M for the 2014/15 financial year. The net overspend has reduced since quarter 2 largely as a result of Public Health supporting £0.8M of activity within Children's Services. This includes public health related activity in the areas of early and targeted intervention within Children's Centres.

A further £1.8M 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 3 are £6.9M 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 the OFSTED Action Plan).

Place Underspend £0.1m

Place Directorate is reporting a net £0.1m surplus, largely due to a c£0.5m income benefit, which from 15/16 is built into corporate income budgets. The underlying position is a £0.4m deficit which is primarily due to the following factors:

Firstly, the projected cost of waste disposal and collection is significantly in excess of available budget (£0.9m), the main cause being an increase in the expected level of disposal tonnages.

Additionally, other variations exist which relate to achievement of income targets for Commercial Property, R&M, project management and Bereavement Services. Commercial property rental yields are the most significant of these, which whilst good in the context of the economic climate, will not achieve rental levels budgeted for which were set prior to the downturn in the economy (£0.4m).

These income deficits are however being offset by a variety of smaller one off underspends and management actions.

Public Health Nil variation

A non-recurrent saving of c£800,000 is being forecast for 2014/15 within Public Health as a result of rigorously managed smoking cessation and drugs and alcohol contracts. These contracts are based on payments by results and have been established to ensure that the Council does not fund reduced activity and that high quality services are rewarded financially. The report recommends that this underspend is used to support public health related children's activity in the areas of early and targeted intervention within Children's Centres and this proposed adjustment, which reduces the People Directorate overspend, is reflected in the table above.

Resources Underspend £1.0m

The Resources Directorate is reporting a net underspend of £1m at quarter 3. Although 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, underpinned by vacancy levels following reviews across the Directorate and the ER/VR programme. These underspend will be used to deliver savings in 2015/16 and beyond as part of the budget setting process.

Contingency & Central Budgets Underspend £3.0m

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. 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 overall financial position has improved sufficiently to allow £2m funding to be identified also for the Customer Services Centre in line with the recommended way forward at Quarter 2. 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 £0.6m new approved/technical changes that have arisen since Quarter 2 and £24.5m net expenditure rescheduled into 2015/16. This gives a revised projected level of expenditure for 2014/15 of £124m. Appendix 3 provides an analysis by directorate of the movement since Quarter 2. 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 (70%), whilst (30%) is funded from borrowing and other sources. 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 (SMB / CAB Report)

CAPITAL BUDGET 2014-15 MOVEMENT	£m
Estimated Outturn Quarter 2	148.2
Approved / Technical Changes (see Appendix 2)	0.6
"Net" Underspending (see Appendix 5)	(0.0)
"Net" Rescheduling into future years (see Appendix 4)	(24.6)
Revised Estimated Outturn 2014-15	124.2
RESOURCES AVAILABLE:	
Unsupported (Prudential) Borrowing	25.3
Grants and Contributions	87.6
Capital Receipts	1.1
Revenue Contributions	9.9
Leasing	0.3
Total Resources Available	124.2

2.4 Treasury Management Activity in 2014/15

Interest Rates

National economic recovery is continuing although the current reported pace of recovery has slowed somewhat in recent months whilst inflation is at a 12 year low. As a result of this there has been a slight shift signalling that the expected rise in interest rates may now slip to the first quarter of 2016. When they occur, any rises in interest rates are likely to be at a relatively slow, incremental level and they will settle 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 £13.1m, taking into account borrowing set out in Section 2.3 above (total £25.3m), 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 P9	Maximum 2014/15 to P9	As at the End of P9
5 year	2.14%	2.76%	2.19%
50 year	3.42%	4.04%	3.49%

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. In addition the Council has previously received approval to take advantage of a “project rate” as part of the Coventry and Warwickshire Local Enterprise Partnership (LEP), enabling it to access PWLB borrowing at 0.4% below the standard rate for £31m of borrowing required for delivery of the Friargate Project.

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. In November, £5m of temporary borrowing from another public sector body was taken out to meet short term fluctuations in cash available. This borrowing is due to be repaid in April 2015.

Short term investments were made at an average interest rate of 0.54%. 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).

Any breaches of the Council’s Treasury Management Strategy are required to be reported to members. During the Christmas closure, there was a marginal breach of the Treasury Management Strategy. From 02/01/2015 to 05/01/2015 the Council exceeded the counterparty limit with its own bank, HSBC, by £0.3m. This was an excess of cash due to higher than expected income over the Christmas period. This did not result in any cost to the Council and represents no additional risk to the Council.

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	As at 30th Sept 2014	As at 31st Dec 2014
	£m	£m	£m
Banks and Building Societies	59.8	47.8	51.0
Money Market Funds	7.2	24.3	6.8
Government Debt Management Office	0	0	0
Local Authorities	29.0	13.0	18.0
Total	96.0	85.1	75.8

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 investments. The 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 31st December 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 31st December 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 13.04% 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 9 value is -£60.3m (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 of Resources

5.1 Revenue

The current revenue forecast for 2014/15 is a projected underspend of £0.6m.

The Council has faced a challenging financial position in 2014/15 with continued implementation of unprecedented cuts funding and large savings targets. Indications are now that this challenge has been met. Nevertheless some specific areas of challenging budget pressure remain and further funding cuts are being implemented for 2015/16 and this is being addressed within 2015/16 Budget proposals.

The most challenging areas are children's social care services, which continue to face very significant service and financial challenges. 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

(£4m) and 2014/15 Budget Setting Report (£3.4m), there are further pressures of £4.9m forecast within this report. The significant medium term expenditure pressure that has emerged in this area has been addressed specifically within the 2015/16 Budget Setting process.

Significant savings are forecast within the Asset Management Revenue Account due in large part to reductions in the level of borrowing required by the Council. Significant savings have now been 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 £12.6m (£37.9m at quarter 2). Of the £25.3m total borrowing now forecast, £10.9m relates to spending on specific schemes approved by Cabinet. This figure has decreased by £13.4m since Quarter 2 as a result of Re-profiling of CIF investment programme and a re-profiling of expenditure on the Friargate Building with no planned delay to the completion date. Borrowing which has previously been approved but not undertaken has increased from Quarter 2 by £0.8m. Potential issues have been identified within the Whitley Junction scheme, which are being reviewed at a strategic level. Any programme overspend will be managed by prioritisation of the Place Capital Programme and there will be no corporate impact. Once this review work is complete the issues and proposals to manage this will be reported to Cabinet in March.

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 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 it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage 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 3 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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Carol Bradford	Solicitor, Place and Regulatory Team	Resources	02/02/15	02/02/15
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Appendix 1 Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Appendix 1 details directorates forecasted variances.

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE		
Overspends:		
Child Protection	This overspend is made up of: a) £1.6m overspend due to high levels of social care activity (overall caseloads still above 2000 in Neighbourhoods), resulting in additional staffing and significant use of agency staff, and the implementation of the Multi-agency Safeguarding Hub and Child Sexual Exploitation team b) £0.4M overspend in legal costs driven by high activity levels c) £0.5M overspend in 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. This overspend is after contribution from reserves of £5M.	2.5
LAC Services	There are 3 main areas of overspend: a) Placements pressure of £1.3m due to high numbers of looked after Children (LAC) - quarter 3 financials are based on 617 LAC. The overspend has risen by £0.3M since quarter 2 due to higher fostering and external residential numbers. Special Guardianship payments are over budget by £0.6M - this is due to higher SGO numbers (2013/14 - 152, 2014/15 -171). The Family Placement Service overspend is £0.2M, largely due to high agency costs.	2.4
Mental Health & Learning Disabilities	MH Community Purchasing is forecasting an overspend position of £0.9m with significant budget pressure against residential placements in particular. LD Community Purchasing is overspent £0.7m mainly as a result of transitions and on-going out of city placements. Packages continue to be reviewed to ensure all funding options are identified and to reduce existing costs.	1.6
Strategy & Commissioning (CLYP)	Contract efficiencies & vacant post savings off-set by supported accommodation & 'staying put' contract which is a pilot scheme for young adults to remain living with their foster carers.	0.9
Catering	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. However 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.	0.6
ASC Provider Services	Housing with Care & Older People Day Opps over-spend of £366k arising from salary related pressure and short-fall of income against budget. This is partly offset by an underspend of £117k within Older People Residential Services. Mental Health & Learning Difficulties services are showing a forecast over-spend of £215k arising from salary related pressure & a short-	0.5
Safeguarding	The Safeguarding overspend is as a result of high levels of activity and difficulties in recruiting permanently to some posts. We are still therefore incurring costs for agency staff. Whilst we have recruited 5 new Independent Review Officers only 2 are currently in post, as there have been delays in progressing their DBS checks.	0.2
Head of Group - Strategy, Commissioning & Transformation	This overspend relates to project delivery costs to deliver the A Bolder Community Services savings targets	0.1

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE (Continued)		
Underspends:		
Social Care Targeted Early Intervention Strategic Management	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.	(2.1)
Early Years, Parenting & Childcare	An additional £0.1M 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. In Quarter 3 Public Health have supported £0.8M of activity.	(1.4)
Strategic Commissioning (Adults)	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.	(1.0)
Older People & Physical Impairment	Older People Community Purchasing is overspent by £1m. There has been a positive impact resulting from Electronic Call Monitoring with package costs reducing, however numbers of packages have increased. Residential placement costs have increased; this is attributable to a slight increase in number of admissions. Management actions associated with further benefits from ECM & health funding will improve the position. Alongside this overspend is a continuing underspend within PI of (£1.3m) as well as a (£0.2m) salary saving across social work teams arising from vacant posts.	(0.5)
Business Performance (Safeguarding Performance Quality)	A significant part of this under spend is caused by predicted savings on the pension enhancement budget and the school staff redundancy budget. Expenditure on these codes is demand led by schools or the pension agency. Forecasts have been based on current spend and previous trends.	(0.2)
Integrated Youth Support Service	This underspend is made up of staffing vacancies in Youth Services and a restructure in the Youth Offending Service.	(0.1)
Forecast Overspend/(Underspend)		3.5

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Waste & Fleet Services	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. 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. 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.	1.0
Streetpride & Greenspace	This overspend is due partly to income pressures, in particular Crematorium income & the need to maintain service continuity for the Streetpride team	0.4
Underspends:		
Directorate & Support	Management action planned to offset wider directorate pressures	(0.8)
Building Sustainable Communities	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.	(0.2)
Highways	The forecast over-recovery is based on: additional income from Whitefriars and a small trading surplus for the Highways DLO.	(0.1)
Building Control	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.	(0.1)
Traffic & Transportation	Variation primarily due to an over-recovery of income within parking services and traffic management.	(0.1)
Other Variations less than 100k		(0.1)
Forecast Overspend/(Underspend)		(0.1)

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
Resources Mgt Team & Overheads	Additional costs for the judicial review, and holding code for savings target being met by underspends across the rest of the directorate	1.1
ICT Operations	Temporary dual running costs in relation to mobile and landline phones (£0.2M), some non-delivery of procurement savings targets, and an underrecovery of schools income.	0.4
HR support	Underachievement of Turnover Target within HR.	0.3
Legal Services	Overspend on agency being reviewed as part of restructure of service, partially offset by an overrecovery of income.	0.1
ICT Strategy & Architecture	Some under-delivery of procurement savings targets due to delays and other difficulties.	0.1
Underspends:	Review of staffing arrangements and vacancies has resulted in an underspend. A review of the learning & development strategy has also provided a one-off underspend for 2014/15.	
Talent & Skills Team	Increase in Agency Rebate due to increased use of agency staff in People Directorate.	(0.7)
HR Recruitment	Staff vacancies within ICT Management Team. Management Restructure and Zero Based Budgeting exercise in progress. Overall salaries across ICT show minimal variance.	(0.7)
ICT Mgt	Review of staffing arrangements and vacancies have resulted an underspend. In addition an overrecovery of income in relation to grant funding and schools.	(0.3)
Financial Mgt	Overachievement of Court Fees Income (£0.4M) partially offset by overspends on salaries and running costs	(0.2)
Revenues	Salary underspend and underspend on Transformation Advisors.	(0.2)
Transformation Programme Office	Salary underspend, a restructure is in progress.	(0.2)
Customer Services Centre	Primarily an underspend on council-wide stationery budgets.	(0.2)
Business Services	Salary underspend and one-off overrecovery of income.	(0.2)
Major Projects	One off income overachievement and salary underspend	(0.1)
Other Variations less than 100k		(0.4)
Forecast Overspend/(Underspend)		(1.0)
Contingency & Central Budgets		
Overspends:		
ER/VR Contribution	Recommended contribution to set aside resources to fund future costs arising from redundancy and early retirement decisions	3.0
Customer Service Centre	Funding of capital investment in new Customer Services Centre in line with Quarter 2 proposal managed through under-spending across the remainder of the bottom line	2.0
ABC Savings	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	1.0
Underspends:		
Asset Management Revenue Account	£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	(5.4)
Pay, Price and Energy Contingencies	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	(3.3)
Other Variations less than 100k		(0.3)
Forecast Overspend/(Underspend)		(3.0)

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need - Primary Schools Expansion Programme	Contribution from Alder Moor Farm towards build costs	0.2
Priority School Building Programme 2 (PSPB2)	Additional EFA Grant which is passported to the schools	0.2
SUB TOTAL - People		0.4
PLACE DIRECTORATE		
FGS Phase 2 HLF	Confirmation received of HLF grant award for Far Gosford Street Phase 2 of £977k to be profiled over 2014-15 and 2015-16.	0.5
SUB TOTAL - Place Directorate		0.5
RESOURCES DIRECTORATE		
Social Services IT System: Connecting Care	Switched Resources back to Revenue to fund care director costs	(0.3)
SUB TOTAL - Resources Directorate		(0.3)
TOTAL RESCHEDULING		0.6

Capital Programme: Estimated Outturn 2014/15

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

DIRECTORATE	ESTIMATED OUTTURN QTR 2 £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 14- 15 £M
PEOPLE	37.8	0.4	0.0	(3.5)	34.7
PLACE	103.6	0.5	(0.0)	(18.8)	85.3
RESOURCES	6.8	(0.2)	0.0	(2.3)	4.3
TOTAL	148.2	0.6	(0.0)	(24.6)	124.2

*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	As part of the councils SEN inclusion strategy £3m has been rescheduled into 2015/16. This will be used to deliver a second Broad spectrum school. The remaining amount is due to project delays at Castlewood and lower demand than anticipated for access suitability for those with special needs.	-3.4
Housing Policy (Siskin Drive)	The HCA element has been taken out of the capital programme (see report management of council land - Cabinet on 07/10/2014) and there is no need to spend the remaining funds in this financial year.	-0.1
SUB TOTAL - People		-3.5

PLACE DIRECTORATE		
Property Repairs	£300k of major works to address backlog maintenance was planned to properties that became subject to strategic reviews during 2014. £50k of slippage to proposed mechanical/electrical systems improvements to the Council House. £113k of slippage to the Commercial Property Programme due to delays in tendering for schemes. All works are scheduled for completion by May 2015.	-0.5
Canley Regeneration	The contractor has had to pull off site as the ground conditions are such that the site is unworkable. As a consequence the completion date has been put back for a minimum of 3 months.	-0.2
Far Gosford Street	Grant take up below expectations. Also, reduced ability to deliver grant for the refurbishment of 31-33 Far Gosford Street due to delay on actioning CPO's.	-0.3
Coventry Investment Fund	The original CIF allocation of £5.6m was in the programme to recognise the funds available this year. In addition the Study inn loan (£5.5m) was not required and has been re-scheduled to meet future investment.	-10.1
RGF3 Business Grants	Re-profiling RGF to align with when the activity is now planned to happen	0.2
RGF3 Friargate Bridgedeck	Rescheduling into 15/16 due to delivery approach to works changing, now will be delivered as part of Coventry Station Masterplan and tendered to obtain more competitive price	-1.9
RGF3 M40 Junction 12	Re-profiling RGF to align with when the activity is now planned to happen	-0.1
RGF4	Re-profiling RGF to align with when the activity is now planned to happen	0.4
Kickstart - Friargate Building	Works which the council are responsible for at Friargate have been rescheduled to align with other projects around the train station and so the original programmed spend has been put back accordingly but with no planned delay to the final completion date.	-2.7

Play Areas	The full proposed programme spend has been slipped as this funding and another S106 contribution, which is due to be received shortly, could be matched if a successful external funding bid to the Football Foundation is made. This would generate up to 400k additional funding to improve the pitches and replace the pavilion at Sowe Common.	-0.2
Public Realm 3 - ERDF	The anticipated start date for Canal Basin has slipped due to uncertainties regarding grant funding, this will be resolved within this quarter and an update provided during the next quarter reporting period.	-0.6
Highways S106 - Banner Lane	Slippage is due to the scheme still being in design phase and other Capital schemes have required priority in terms of delivery due to grant conditions.	-0.6
Vehicle & Plant Replacement	Clawback of some of Qtr 2 re-scheduling because of the increased price of Refuse Vehicles due to new legislation changes around emissions	0.1
A4600 Congestion Relief Scheme (LPPF)	Following award of contract and commencement of works on site, the contractor has experienced a significant delay on the delivery of the scheme due to unforeseen issues that have arisen with statutory utilities. A number of utility apparatus have been found to be previously installed incorrectly, not at the correct depth and not as recorded on the C3 utility plans as requested during the scheme conception.	-1.8
Miscellaneous	Net Rescheduling	-0.2
SUB TOTAL - Place Directorate		-18.7

RESOURCES DIRECTORATE		
Strategic ICT Projects	Due to re-organisation & conflicting workloads projects re-profiled to next year	-0.4
Social Services IT System: Connecting Care	Payment profile from the existing Connecting Care project	-0.2
Kickstart - ICT Systems	Original expectation was to procure new software, however, after evaluation the expansion of an existing product was chosen. The capital therefore will be spent more on implementation and development of the product over the two year programme rather than high upfront costs.	-0.3
Kickstart - Customer Journey	Capital was allocated up-front for the entire technical element of the Customer Journey programme. Now that the Customer Portal product has been identified the project is better defined. It is expected that the majority of the cost will be moved into the next financial year and potentially beyond.	-1.3
SUB TOTAL - Resources Directorate		-2.3

TOTAL RESCHEDULING	-24.5
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Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st Dec 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%	13.04%
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	£380.0m 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	£380.0m 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	£380.0m 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	£249.3m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£88.3mm	-£60.3m
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%	16% 0% 8% 6% 70%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£10m	£0



Coventry City Council

Briefing note

To
Audit and Procurement Committee

Date
16th February 2015

Subject
IT Systems Back Up, Recovery and Data Centre Update

1 Background

At the Audit and Procurement Committee on the 20th October 2014, the outcome of the follow up audit review of IT Systems Back Up, Recovery and Data Centre was considered. Despite progress being made, Internal Audit determined that only limited assurance could be provided that effective systems were in place to manage the risks associated with the Council's arrangements for system backup and recovery.

The level of assurance primarily reflected the fact that whilst the ICT Service had put in place disaster recovery arrangements for certain key systems, this had not been informed by the views of senior management from across the Council as part of business continuity planning. As such, the risk was that current arrangements may not match the needs of the Council.

After considering these findings, the Audit and Procurement Committee requested an update in early 2015 to ensure action has now been taken in response to this report.

2 Current Position on Disaster Recovery

The wide variety of ICT systems and applications used across the Council are provided from a main data centre located in the Council House, containing over 250 servers, network storage devices, data network devices and a myriad of other equipment used to support the infrastructure. Much of the data network and storage where appropriate, has built in resilience to ensure services can continue. This and the other DR provision already in place is similar to the provision that other Local Authorities have made, and is based on the risk assessment that whilst a major incident poses a high risk to the Council, the likelihood of such an event is very low.

Over the past 5 years, a considerable amount of resource has been invested in:

- Moving the Council to a virtual server environment which a high degree of disaster recovery capability,
- A second data centre located in Nuneaton, which holds a second, test and development virtual server environment. In the event of a problem with the main data centre, the virtual environment can be failed over to this second data centre.

Other developments are also taking place including action to mitigate the impact if an individual server fails as part of our service modernisation plans. This will also involve moving servers to the Nuneaton data centre to improve resilience and in the future making greater use of “cloud based” opportunities which are virtual ways of backing up systems rather than physical locations.

Work is also underway to review and consolidate all of the applications and systems in use across the council to reduce cost and reduce the number of systems that require DR capability.

At present ICT can guarantee the recovery of the main ICT back office functions (email, Internet access, data stored on the network and access to the network). These back office functions are essential for the day to day running of the Council and our work. This therefore provides assurance that the Council does have in place arrangements to recover key data and ability to use these systems in the event of an incident. The following 7 key systems also have recovery arrangements in place:

- Agresso (Finance System)
- Resourcelink (HR/Payroll)
- CareDirector (Adult Social Care)
- Protocol (Children’s Social Care)
- CRM (Contact Centre System)
- Academy (Revenue and Benefits)
- Business Objects (Reporting system – necessary for payroll)

These 7 systems cover off the major priorities for ‘life and limb’, paying our staff, paying benefits, paying suppliers and protecting our citizens.

3 Progress since the October Audit and Procurement Committee

After the October Committee, the Internal Audit and Risk Manager met with the Assistant Director, Communities and Health and the Assistant Director, ICT, Transformation and Customer Services to agree how this matter would be progressed. An exercise co-ordinated by the Internal Audit and Risk Service with support from the Council’s Resilience Team was undertaken for all Assistant Directors across the Council to identify their business critical systems. The information from this exercise was then forwarded to ICT for consideration.

The exercise identified a total of 72 systems deemed to be key by the Directorates. Of these systems:

- 8 systems are externally hosted (including the Council’s website), and the hosting organisation provides DR facilities
- 14 systems are outside the control of ICT. For those, it is directorate management responsibility to ensure that appropriate disaster recovery and business continuity plans are in place.
- 7 Systems are identified above as already having DR measures in place
- The remaining 43 systems are covered by daily backups of data and systems as part of normal ICT operations, but recovery of those systems may require additional investment to meet the Recovery Time objectives identified by the Directorates, such as Confirm, Servitor, iLap etc.

4 Next Steps

The following actions (along with timescales) are planned over the coming months in order to ensure that the Council has effective disaster recovery arrangements across its key systems:

- ICT to work with management to ensure that for all the systems identified as business critical, that proportionate disaster recovery requirements are agreed that consider the impact of the loss of systems from an operational perspective and the cost to implement recovery arrangements. (May 2015)
- ICT will develop a full DR testing plan for each critical system, and carry out regular documented tests to recover the system. These tests will be reported back to both the Assistant Director ICT, Transformation and Customer Services and Internal Audit and Risk Manager on a quarterly basis. (June 2015)

A follow up audit to review the revised disaster recovery arrangements will be undertaken in August 2015.

Stephen Mangan, Internal Audit and Risk Manager
Mark Chester, Head of ICT Infrastructure and Operations
5 February 2015

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Coventry City Council

Briefing note

To
Audit and Procurement Committee

Date
16th February 2015

Subject
Internal Audit Report Update – Council Tax Exemptions and Discounts

1 Background

In 2013 an Internal Audit review took place of Council Tax Discounts and Exemptions (excluding single person discounts). The conclusion from the audit was that only '*limited*' assurance could be provided that the Council had effective processes in place to minimise the risk of fraud and error in relation to the award of council tax discounts and exemptions.

In terms of the key issues, these included:

- Instances highlighted where there was evidence that the exemption was no longer valid.
- A lack of dedicated resources in place specifically to monitor the on-going validity of discounts and exemptions that have been granted.
- Procedures were not sufficiently robust to support both the awarding and monitoring of discounts and exemptions.

Whilst updates have been provided to the Committee in 2013 and 2014, it was agreed that a further report would be presented to the Audit and Procurement Committee once the outstanding issues were resolved.

2 Update

A summary of the action taken to date is outlined below.

- 2.1 The findings of this review, along with other fraud and error issues were considered by a working group, made up of officers from relevant areas including Council Tax and Internal Audit. In considering the response to the audit report, the key issue was that whilst the findings of the review were accepted, the scale of the problem was unclear. It was agreed that a project approach was the best way to take this issue forward in that it would assist in establishing the scale of the issue, which in turn would allow management to put in an appropriate solution in the medium to long term.

2.2 The project resulted in revised bills being generated to the value of approximately £117,000. This needs to be considered in the context that:

- When the project finished, there were over 50 further cases awaiting a management decision where there was no evidence to support the exemption currently awarded, and
- Due to resource constraints, the project only considered around 50% of Council Tax discounts / exemptions (excluding single person discounts) that were in place at the time of the review.

2.4 In reviewing this project, the following factors were considered critical to its success:

- Having a dedicated resource to undertake the work with support as requested from officers in both Council Tax and Internal Audit.
- The expectation that the individual claims would be continually pursued until evidence could be found to validate the discount / exemption.
- Focusing the limited project resource on those discounts / exemptions where change was more likely to occur.
- Using a wide range of both internal and external data sources to assist in the process.

3 Approach Going Forward

3.1 To supplement existing processes within Council Tax, an on-going programme of proactive reviews based around the approach highlighted in 2.4 above will be undertaken. Resources have been identified to undertake such work as part of a wider remit looking at fraud and error in the Council. The outcome of such reviews will also be used to identify improvements in processes covering discounts and exemptions.

3.2 Updates on the impact of this approach will be included in routine Internal Audit reports to the Audit and Procurement Committee during 2015-16.

Tim Savill, Head of Revenues and Benefits
Stephen Mangan, Internal Audit and Risk Manager
5 February 2015

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

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