



Audit and Procurement Committee

Time and Date

3.30 pm on Monday, 15th February, 2016

Place

Committee Rooms - Council House

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 8)
To agree the minutes of the meeting held on 14th December 2015
4. **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.
5. **Work Programme 2014/15** (Pages 9 - 10)
Report of the Executive Director of Resources
6. **Certification Work for Coventry City Council for Year Ended 31st March 2015** (Pages 11 - 12)
Letter of the External Auditor, Grant Thornton
7. **The Audit Plan for Coventry City Council** (Pages 13 - 36)
Report of the External Auditor, Grant Thornton
8. **2015/16 Third Quarter Financial Monitoring Report (to December 2015)** (Pages 37 - 56)
Report of the Executive Director of Resources
9. **Quarter Three Internal Audit Progress Report 2015-16** (Pages 57 - 68)
Report of the Executive Director of Resources
10. **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA)** (Pages 69 - 76)
Report of the Executive Director of Place

11. **Cyber Security** (Pages 77 - 80)
Report of the Executive Director of Resources
12. **Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Private business

13. **Procurement Progress report** (Pages 81 - 90)
Report of the Executive Director of Resources

(Listing Officer: M Burn, tel: 024 7683 3757)
14. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Chris West, Executive Director, Resources, Council House Coventry

Friday, 5 February 2016

Note: The person to contact about the agenda and documents for this meeting is Lara Knight Tel: 024 7683 3237 Email: lara.knight@coventry.gov.uk

Membership: Councillors S Bains (Deputy Chair), J Blundell, L Harvard, T Sawdon, B Singh and T Skipper (Chair)

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

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language please contact us.

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Public Document Pack Agenda Item 3

Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.30 pm on Monday, 14 December 2015

Present:

Committee Members: Councillor Bains (Chair)
Councillor Blundell
Councillor Harvard
Councillor Sawdon
Councillor Singh

Employees (by Directorate):

Resources: M Burn, P Jennings, L Knight, S Mangan

Apologies: Councillor Skipper

Public Business

37. Declarations of Interest

There were no disclosable pecuniary interests.

38. Minutes of Previous Meeting

The minutes of the meeting held on 26th October 2015 were agreed and signed as a true record.

Further to Minute 24, in the absence of the Chair, the Committee agreed to progress with the training programme and requested that arrangements be made for a training session to be held during late January 2016.

With regard to Minute 29, the Committee were provided with additional information before the meeting in respect of income for the Performing Arts Service. Members sought clarification on aspects of the information received and this was provided.

39. Exclusion of Press and Public

RESOLVED to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 47 headed "Procurement Progress Report" on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

40. **Work Programme 2015/16**

The Committee considered a report of the Executive Director of Resources, which set out the work programme for the Committee for the coming year.

The Committee agreed that the item on the Risk Register Update be scheduled for April 2016.

RESOLVED that the work programme be approved and updated as indicated.

41. **2015/16 Second Quarter Financial Monitoring Report (to September 2015)**

The Committee considered a report of the Executive Director of Resources, which provided a forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2015.

The headline revenue forecast for 2015/16 was an overspend of £4.7m. This was a significant deterioration from the £1m projected at Quarter 1 and it was noted that at the same point in 2014/15 there was a projected underspend of £0.4m.

The overall revenue position incorporated an overspend of £7.7m within the People Directorate, the majority of which related to Adult Social Care Community Purchasing budgets. These were offset to some degree by underspends within the corporate Asset Management Revenue Account. Members indicated that they were aware that there had recently been some court cases in relation to the Care Act which had impacted on the position of Adult Social Care and agreed to forward information to officers for consideration.

The Committee noted that the projected capital spending was projected to be £118.4m for the year, which represented a decrease of £7m on the £125.4m reported at the first quarter. The Programme comprised £4.4m approved net additions to the programme and £11m rescheduled expenditure into 2016/17.

Section 5 of the report submitted also set out proposed actions by the Strategic Management Board to address the budgetary position for both the revenue and capital positions.

RESOLVED that the Audit and Procurement Committee note the financial position.

42. **City Council Investment Activity**

The Committee considered a briefing note from the Executive Director of Resources which detailed the latest information in respect of the Council's treasury management activity.

The Committee noted the sums of money that the Council currently had invested with various lenders and that the current lending list was maintained in line with advice provided by the Council's Treasury Management advisors (Arlingclose), which based its judgements on information from credit rating agencies.

The Committee also noted that there had been a change to the term limits on the lending list due to improvements in the global economic situation and the receding threat of another Eurozone crisis. In summary, 3 new counterparties had been added to the lending list with a term limit of 35 days, Deutsche Bank, National Westminster Bank & Royal Bank of Scotland and several counterparties had their term limit increased to 6 or 13 months. Full details were provided in Appendix 1.

RESOLVED that the Audit and Procurement Committee note the latest position in relation to the Council's treasury management activity.

43. **Internal Audit Recommendation Tracking Report**

The Committee considered a report of the Executive Director of Resources, which provided an update on the progress made in implementing internal audit recommendations since the last update in December 2014.

Given the number of audits that the Internal Audit Service complete every year, it was critical that a robust procedure was in place to ensure that it obtained appropriate assurance that audit recommendations had been implemented, but 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, along with an agreed date of when this would take place.

There were currently three considerations that determined the follow procedure adopted and these were set out within the report submitted and, in summary, were whether the area audited was of such significance that it was subject to an annual review; the level of assurance provided in the audit; and a 'catch all' process for those reviews where neither of the other criteria applied but a follow up review was necessary. Overall, it was believed that the procedures achieved the right balance between ensuring action was taken in response to risks identified and allowing the service to focus on identification of new risks. The Committee noted that this was of particular importance given the reduction in the size of the Audit Team over the last few years.

The report and appendices set out the results from the latest follow up exercise and, of the 223 actions followed up, 88% had been implemented based on the formal and self-assessment follow up method. When analysed by follow up method there was a 63% implementation rate for the formal follow up method and a 95% implementation rate for the self-assessment method.

The Committee noted that, whilst there was a clear difference in results between the follow up methods, this was likely to be due to one of the following reasons:

- The audit process for the formal follow review was rigorous, consisting of an assessment of the implementation of the action and the outcome achieved.
- The majority of schools audits were followed up through the self-assessment process as the actions identified in such reports were likely to be straightforward, not time consuming to implement, and tended to focus on compliance rather than control issues.

After the follow up had been completed, the results were collated within Internal Audit and if progress was not consistent with expectations, audit management would determine the next course of action based on the reasons for the lack of progress. The report identified the various courses of action available and the appendices to the report highlighted the proposed actions for audits where recommendations remained outstanding.

RESOLVED that the Audit and Procurement Committee note:

- 1. The current procedure for following up audit recommendations.**
- 2. The progress made in implementing audit recommendations and confirmed their satisfaction with the proposed action by the Chief Internal Auditor for audits where actions remain outstanding.**

44. Half Yearly Fraud update 2015-16

The Committee considered a report of the Executive Director of Resources, which provided a summary of the Council's anti-fraud activity during the financial year 2015/16 to date.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and during 2015/16 the work of the team had focussed on the four main areas of Council Tax; National Fraud Initiative; Referrals and Investigations considered through the Council's Fraud and Corruption Strategy; and Proactive Work. The report submitted provided a summary of the work undertaken within each of these areas.

In relation to Council Tax, the Committee noted that when the Benefit Fraud Team moved to the Department for Workforce and Pensions in February 2015, the Council created two posts to respond to the risk of fraud and error in Council Tax. Work undertaken including reviewing Council Tax Exemptions; proactive work in respect of the Council Tax Support Project; and Council Tax Referrals. This had resulted in 90 exemptions being removed from accounts and revised bills issued amounting to approximately £133,000. It was noted that £56,000 of this money had since been paid to the Council.

The Committee asked for clarification in respect of the Council Tax Exemptions and, in particular, how they related to Houses in Multiple Occupation (HiMOs). The Chief Internal Auditor undertook to provide members of the Committee with a note to explain the various exemptions, whether they were statutory or discretionary and, whether they were time limited.

The National Fraud Initiative exercise was led by the Cabinet Office and matched electronic data between bodies. Since the last update in August 2015, work had focussed on Single Person Discounts, Raising 18's and Direct Payments. Whilst work was ongoing with the Direct Payment matches, 13 Single Person Discounts were removed with overpayments of £13,000 identified and 16 Rising 18's discounts were removed, totalling £4,000.

With regard to Referrals and Investigations, the Committee noted that 11 referrals had been received to date, 3 coming from Whistle blowers and 8 from managers. 4 referrals had led to full investigations and 4 were ongoing. In relation to Whistle blowers, the Committee were advised that the number of referrals received through this mechanism was substantially lower than in previous years and that a review of the current arrangements was being planned with HR and legal.

The Council's response to fraud also included an element of proactive work to ensure that all key fraud risks were considered. Whilst the plan was to undertake further proactive work in the second half of 2015/16, work undertaken to date had included updating the Council's fraud risk assessment; and participating in a procurement pilot in conjunction with the Home Office and West Midlands Police.

RESOLVED that the Audit and Procurement Committee note the anti-fraud activity undertaken during the first half of the financial year 2015/16.

45. Capital Receipts & Property Transactions

The Committee considered a briefing note of the Executive Director of Place, which provided an update regarding the realisation of capital receipts from the disposal of Council assets and provided the strategy employed for the selection and disposal of these assets.

The note identified how properties were identified for disposal and how these properties were then marketed for sale. The Committee noted that the method of disposal was selected on a case by case basis and in such a way as to ensure that the Council received best consideration.

The note further set out the approval process, including the levels of delegation for officers and through the political management arrangements and indicated that a Certificate of Value signed by a qualified valuation surveyor accompanied an instruction to Legal Services to complete a disposal to certify that the agreed terms were appropriate.

RESOLVED that the Audit and Procurement Committee note the position in relation to Capital Receipts and Property Transaction.

46. Any other items of public business which the Chair decides to take as a matter of urgency because of the special circumstances involved.

There were no other items of public business.

47. Procurement Progress Report

The Committee considered a report of the Executive Director of Resources which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 26th October 2015. Details of the latest positions in relation to individual matters were set out in an appendix attached to the report.

In considering the report, the Committee discussed the information provided within the report and the way in which it was presented and indicated that it was often difficult to understand. The Head of Procurement and Commissioning undertook to review the information to ensure that it was appropriate and understandable and return to the next meeting of the Committee with an alternative presentation for consideration.

RESOLVED that the Audit and Procurement Committee:

- 1. Note the current position in relation to the Commissioning and Procurement Services.**
 - 2. Do not intend to make recommendations to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**
 - 3. Request that an alternative presentation of the report be prepared for the next meeting.**
48. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

There were no other items of private business.

(Meeting closed at 4.40 pm)

Audit and Procurement Committee

Work Programme 2015-16

3rd August 2015

Audit Findings Report 2014-15 (Grant Thornton)
Statement of Accounts 2014-15
Quarter One Revenue and Corporate Capital Monitoring Report 2015-16
Treasury Management Update
Review of the Effectiveness of the System of Internal Audit
Fraud Annual Report 2014-15
Audit Committee Annual Report 2014-15
Procurement Progress Report (Private)

26th October 2015

Annual Audit Letter 2014-15 (Grant Thornton)
Internal Audit Plan 2015-16
Half Year Internal Audit Progress Report 2015-16
FOI / DPA Annual Report 2014-15
Ombudsman Complaints Annual Report 2014-15
European Funding
Procurement Progress Report (Private)

14th December 2015

Quarter Two Revenue and Corporate Capital Monitoring Report 2015-16
Treasury Management Update
Internal Audit Recommendation Tracking Report
Half Yearly Fraud Update 2015-16
Procurement Progress Report (Private)
Property Review / Disposal

15th February 2016

Grant Certification Report (Grant Thornton)
Annual Audit Plan (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2015-16
Quarter Three Internal Audit Progress Report 2015-16
Procurement Progress Report (Private)
RIPA (Regulation of Investigatory Powers Act) Annual Report 2014-15
Cyber Security Review

11th April 2016

Internal Audit Plan 2016-17
Procurement Progress Report (Private)
Corporate Risk Register Update
Contract Management Review

Dates to be confirmed

Chris West
Executive Director, Resources
Council House
Earl Street
Coventry
CV1 5RR

26 November 2015

Dear Chris

Certification work for Coventry City Council for year ended 31 March 2015

We are required to certify certain claims and returns submitted by Coventry City Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification were prescribed by the Audit Commission and Public Service Audit Appointments for 2014/15, who agree the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim for the financial year 2014/15 relating to expenditure of £131 million. Further details of the claim certified is set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £20,930 and we are not proposing to vary this as the amount of work required was similar to that in the base year. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2014/15

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£131,002,505	Yes	£5,303	Yes	The housing and council tax benefit claim was qualified because of errors found in the classification of housing benefit overpayments on the claim form. The Council has estimated that this should not have a significant impact on the total amount of subsidy due but this will not be confirmed until the Department for Work and Pensions considers the qualifications on the Council's claim and determines the total amount of subsidy to be paid for 2014/15.

Appendix B: Fees for 2014/15 certification work

Claim or return	2013/14 fee (£)	2014/15 indicative fee (£)	2014/15 actual fee (£)	Variance between actual and indicative fee (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	18,031	20,930	20,930	0	n/a

The Audit Plan for Coventry City Council

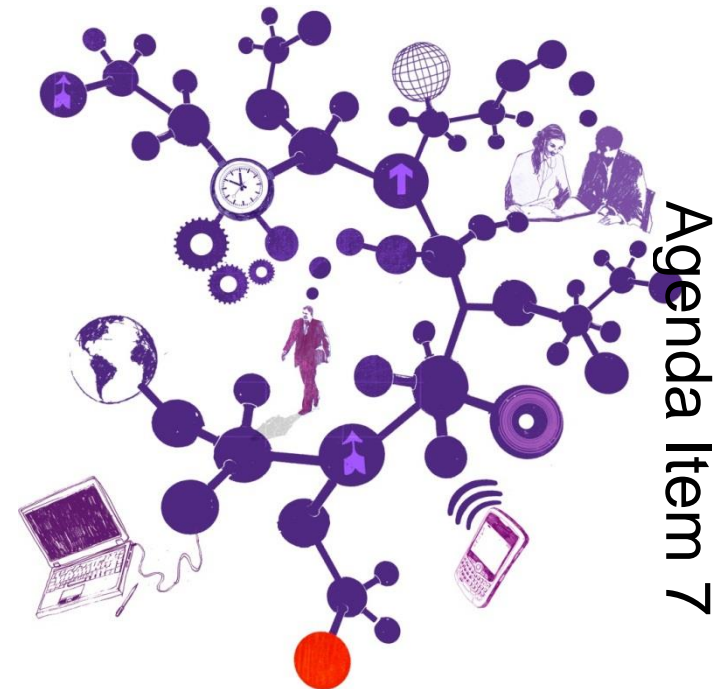
Year ending 31 March 2016

15 February 2016

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Agenda Item 7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Coventry City Council
Council House
Earl Street,
Coventry,
CV1 5RR

15 February 2016

Dear Members of the Audit and Procurement Committee

Audit Plan for Coventry City Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Coventry City Council, the Audit and Procurement Committee, an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

John Gregory

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Fees and independence

Communication of audit matters with those charged with governance

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.
- In line with the sector, the Council faces an uphill task to balance its finances over the medium term. The gap between income and spending plans is estimated at £2m for 2016/17, rising to £27m for 2018/19.

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The Council is a constituent member of the West Midlands Combined Authority, which is due to be operational from April 2016.

3. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.
- Coventry's Better Care Fund Programme is Better Care Coventry. It totals £52m for 2015/16 and has four key areas of work (urgent care, short term support to maximise independence, long term care and dementia) as well as other shared priorities such as support for the implementation of the Care Act 2014 and protecting adult social care services.

4. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.



Our response

- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

- We will consider your local devolution plans as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our Vfm conclusion.
- We will review the Council's treatment of entries relating to the Better Care Fund in its financial statements

- The Council has made good progress towards achieving this objective, producing its draft financial statements for 2014/15 by mid-June.
- The Council plans to make its draft 2015/16 financial statements available for audit by 31 May. We aim to complete our audit of these financial statements by 31 July.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Highways Network Assets

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.

4. Whole of Government accounts

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion



Our response

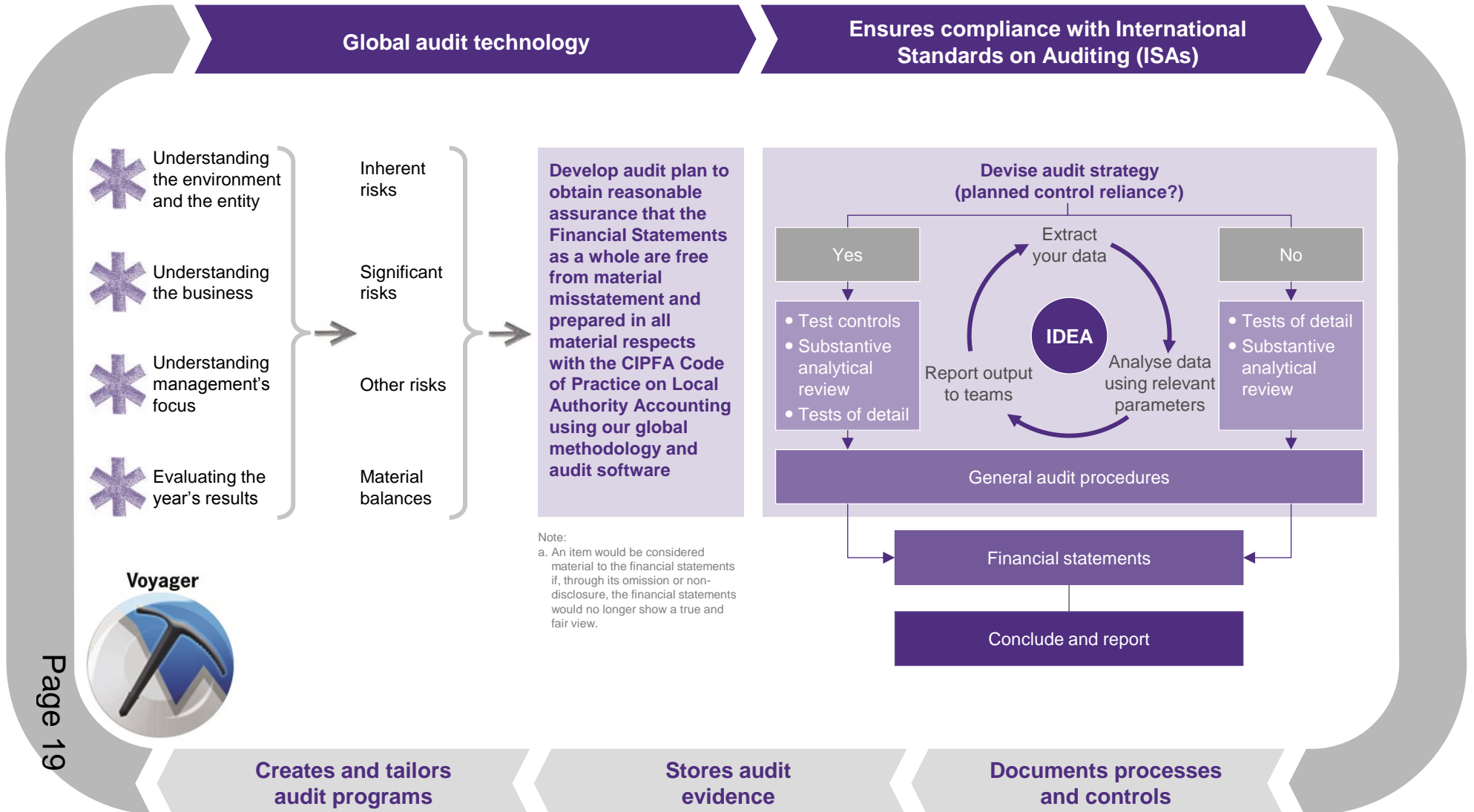
- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

- We will discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will carry out work on the WGA pack in accordance with requirements

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £14,352k (being 1.75% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £717k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration and salary bandings in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Related party transactions	Related party transactions have to be disclosed if they are material to the CCG or to the related party	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error, its potential impact on users of the financial statements and its materiality for the related party

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Coventry City Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Coventry City Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions.
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures" (ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Walkthrough of the key controls for this system <p>Further work planned:</p> <ul style="list-style-type: none"> Performance of key controls testing and substantive testing on material expenditure streams and creditors Review of accounting estimates, judgments and decisions made by management
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Walkthrough of the key controls for this system <p>Further work planned:</p> <ul style="list-style-type: none"> Performance of key controls testing and substantive testing on material expenditure streams
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none"> Walkthrough of the key controls for this system <p>Further work planned:</p> <ul style="list-style-type: none"> Testing of the final Housing Benefit claim will be completed using the HB COUNT methodology, with assurance for the financial statements taken from the testing of the initial sample of 20 rent allowance cases and other modules of the HB COUNT approach.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Heritage assets
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Coventry and Solihull Waste Disposal Company Limited	Yes	Targeted	Investments carrying value	Review and testing of arrangements in place to produce group accounts.
Coventry North Regeneration Limited	No	Analytical	None	Analytical procedures at the Group level
North Coventry Holdings Limited	No	Analytical	None	Analytical procedures at the Group level

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

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

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including Ofsted.
- illustrative significant risks identified and communicated by the NAO.

We have identified the following significant risks which we are required to communicate to you. Our definition of significant risks, based on the definition in the NAO's Code of Audit Practice, is:

The Code defines 'significant' as follows: *A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out below the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks..

Significant risk	Link to sub-criteria	Work proposed to address
<p>The Council faces an uphill task to balance its finances over the medium term. The gap between income and spending plans is estimated at £2m for 2016/17, rising to £27m for 2018/19.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> • planning finances effectively to support its strategic functions • making informed decisions. 	<p>We will assess whether the Council is:</p> <ul style="list-style-type: none"> • producing and using appropriate and reliable financial information to support informed decision making and performance management • producing reliable and timely financial reporting that supports the delivery of strategic priorities • planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.
<p>An Ofsted inspection of children's services in March 2014 judged the services provided by the Council to be inadequate. The Council have been working hard to address the issues raised but further improvements are still required and a re-inspection by Ofsted is also awaited.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> • ensuring high quality and effective children's social care services • working effectively with third parties to improve services. 	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the Council's arrangements for responding to the issues raised by the Ofsted inspection and consider their adequacy • consider whether the Council has arrangements in place to work effectively with third parties to improve services.
<p>The Council's 'Kickstart' programme aims to deliver savings, make the Council more efficient and customer focused and support regeneration across the city.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> • deploying resources effectively • making informed decisions • working effectively with third parties. 	<p>We will assess whether the Council is:</p> <ul style="list-style-type: none"> • using appropriate performance information to monitor the delivery of the project • managing risks in respect of the project effectively • managing and utilising assets effectively • working with third parties effectively.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter. We will include our conclusion as part of our report on your financial statements which we aim to give by 31 July 2016.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We continue to review internal audit's work on the Council's key financial systems.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit work completed to date has not identified any weaknesses which impact on our audit approach .</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

Results of interim audit work (continued)

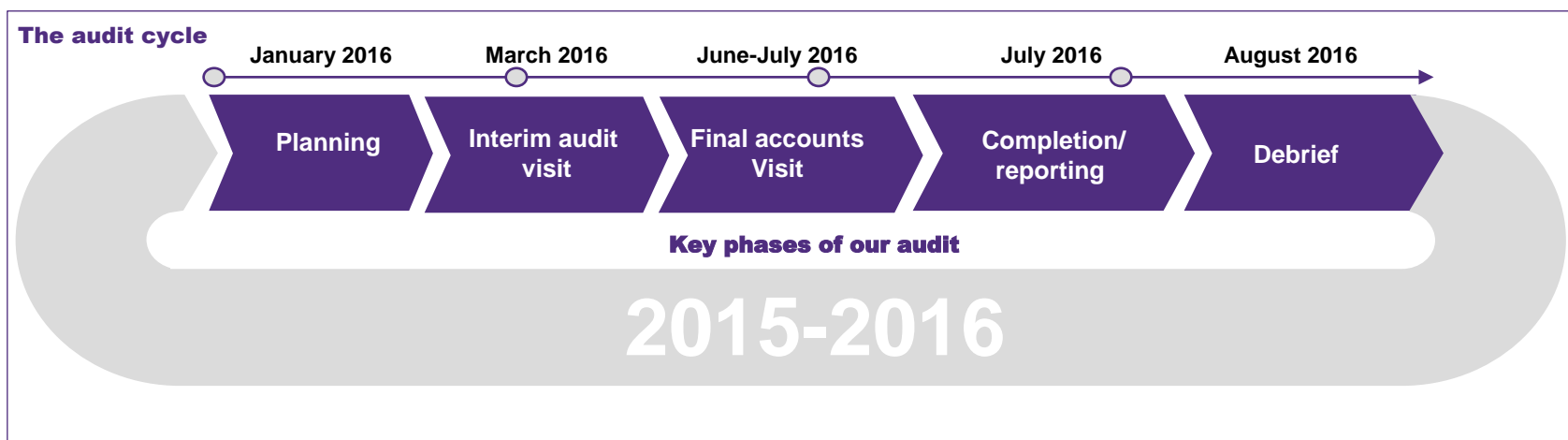
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	Work performed	Conclusion
Review of information technology controls	Our information systems specialist will be performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. This work will also inform the controls testing detailed below.	We will report the results of this work in our Audit Findings report.
Walkthrough testing	We are currently undertaking walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.	We will report the results of this work in our Audit Findings report.
Controls testing	We plan to perform testing of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements. We plan to test controls in respect of the following information systems: <ul style="list-style-type: none"> • Operating expenses • Employee remuneration. 	We will report the results of this work in our Audit Findings report.

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	We will undertake detailed testing on journal transactions as part of our final accounts visit in June and July 2015.
Early substantive testing	We are currently undertaking a detailed programme of early substantive testing. This covers the following areas: <ul style="list-style-type: none"> • Operating expenses • Other revenues • Employee remuneration • Revenue grants • Property, plant and equipment. 	We will report the results of this work in our Audit Findings report.

Key dates



Date	Activity
January 2016	Planning
February 2016	Presentation of audit plan to Audit and Procurement Committee
March 2016	Interim site visit (key controls testing and early substantive testing)
June/July 2016	Year end fieldwork
July 2016	Audit findings clearance meeting with Executive Director of Resources
July 2016	Report audit findings to those charged with governance (Audit and Procurement Committee)
July 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	173,460
Grant certification	13,523
Total audit fees (excluding VAT)	186,983

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will continue to make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services: <ul style="list-style-type: none">• Certification of teachers pension return for 2015/16	4,200

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Page 3 Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

Communication of audit matters with those charged with governance (cont.)

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Procurement Committee)

Area of consideration	Current understanding based on planning and interim work to date
Awareness of fraud or suspected fraud	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Procurement Committee on a regular basis.
Views about the risks of fraud	Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Council.
Awareness of whistleblower tips or complaints	The Council has a Confidential Reporting (whistleblowing) Policy in place which outlines the responsibilities and channels for raising concerns and issues, and also the approach to be taken. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
How the Audit and Procurement Committee provide oversight of management's fraud risk assessment process	<p>The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Procurement Committee on an annual basis.</p> <p>The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.</p>



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Public report Cabinet Report

Cabinet
Audit and Procurement Committee

9th February 2016
15th February 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor Gannon

Director approving submission of the report:

Executive Director of Resources

Ward(s) affected:

City Wide

Title:

2015/16 Third Quarter Financial Monitoring Report (to December 2015)

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 2015. The headline revenue forecast for 2015/16 is an overspend of £3.3m. At the same point in 2014/15 there was a projected underspend of £0.6m.

The overall revenue position incorporates a headline overspend of £8.5m within the People Directorate, the majority of which relates to Adult Social Care Community Purchasing budgets. These are offset to some degree by underspends within the corporate Asset Management Revenue Account.

Capital spending is projected to be £114.6m for the year. This represents a net decrease of £3.8m on the £118.4m reported at the second quarter. The Programme comprises £2.5m approved net additions to the programme and £6.3m rescheduling of expenditure into 2016/17.

Recommendations:

Cabinet is recommended to:

1. Approve the forecast revenue overspend at Quarter 3.
2. Approve the revised capital estimated outturn position for the year of £114.6m incorporating: £2.5m net increase in spending relating to approved/technical changes (Appendix 2), £6.3m net rescheduling of expenditure into 2016/17 (Appendix 4) and £0.2m net overspend (Appendix 5).

Audit and Procurement Committee is recommended to:

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

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 2015/16
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 2015/16 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, 15th February 2016

Will this report go to Council?

No

Report Title:

2015/16 Third Quarter Financial Monitoring Report (to December 2015)

1. Context (or Background)

- 1.1 Cabinet approved the City Council's revenue budget of £238.3m on the 24th February 2015 and a Directorate Capital Programme of £124m. This is the third quarterly monitoring report for 2015/16 to the end of December 2015, 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 2015/16 revenue forecast is an overspend of £3.3m, a decrease of £1.4m on the quarter 2 position of £4.7m. The reported forecast at the same point in 2014/15 was an underspend of £0.6m.
- 1.3 Capital spend is projected to be £114.6m, a decrease of £3.8 m since the quarter 2 report. 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 overspend of £3.3m. 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	1.6	1.6	0.0
People	161.8	170.3	8.5
Place	29.2	29.9	0.7
Resources	11.6	11.6	0.0
	204.2	213.4	9.2
Contingency & Central Budgets	34.1	28.2	(5.9)
Total	238.3	241.6	3.3

The key reasons for the predicted directorate overspends are set out below. A set of specific actions to be taken by Strategic Management Board to address this position are set out in section 5.

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

The People Directorate is reporting a forecast net overspend of £8.5m. This is made up of a significant overspend on Community Purchasing of £7.1m, an overspend on Children's Placements of £0.9m (made up from non-delivery of internal fostering target £0.4m, Staying Put £0.2m, and a worsening forecast position since Quarter 2 of £0.3m), and an overspend on supported accommodation for 17 and 18 years olds of £0.6m. This is offset by some other underspends across the directorate.

Within Adult Social Care Community Purchasing budgets, an increase in demand for externally commissioned packages of care as well as increasing needs of existing service users is both adding to the existing underlying overspend as well as preventing the savings expected from managing cost and activity.

The position includes the additional £10m of resource for Children's Services as approved in the budget report; and £2m of the £3m reserve which is for 2015/16 only. The reserve is being used to offset further overspend in Children's Placements and a £1.2m pressure across children's permanency allowances.

A fundamental review of all People Directorate Budgets and activity is being carried out to ensure this significant variance can be mitigated both within this financial year and into the future. This is being supported by additional regional challenge activity on the use of resource in adult social care.

Place

The delivery of the Streetpride & Greenspace structural review, required to deliver the approved MTFs saving in Parks (£1m) and Street Cleaning (£0.5m) will be delivered in full but only implemented part way through the year. This will result in a one off £0.7m pressure in 2015/16.

Additionally, growth in waste disposal tonnages has occurred in 15/16, resulting in a pressure of £0.7m. This is caused by both existing household 'normal' growth, and also the expected additional new households that will come into being as a result of the successful growth of the city. Currently tonnage growth is not budgeted for in advance, but will be from 2016/17.

A number of other smaller pressures exist, the main ones being Monitoring & Response services income, Commercial catering Income, and traveller incursion costs. These are being offset by overachievement in income in other areas together with management actions, the two key actions being in firstly, Fleet which relates to the refinancing of some vehicles which are now being used for longer periods of time, and secondly, a managed reduction in reactive repairs to corporate property. The effect of all these variations is a net credit of £0.7m

Resources

Resources is showing a balanced position. This is largely a result of some non-delivery of staff turnover targets, offset against an overachievement of income on the agency workers contract rebate, and underspend on the external; advisor budget within Transformation. There are a number of volatile areas that can impact upon the Resources Directorate position largely within Revenues and Benefits, such as Housing Benefit Subsidy, Community Support payments, and level of court fees income.

Contingency & Central

Corporate budgets include underspends within the Asset Management Revenue Account (AMRA, £4.4m), inflation contingencies (£1.5m) and Magistrates Court building debt repayments (£0.9m), this relating to a refund following a long-running legal dispute. The position has improved by £0.9m from quarter 2 as a result largely of a review of the pattern of past service pension costs which it is now anticipated will underspend by £0.8m. There is a projected overspend of £0.5m on the City Centre First Project and a £0.7m shortfall in the achievement of Commissioning and Procurement savings target. Both the AMRA and contingency budgets are being rebased as part of 2016/17 Budget Setting.

2.4 Capital Programme

Table 2 below updates the budget to take account of £3.8m decrease in the programme, £0.2m net overspends and an additional £6.3m which is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2015/16 of £114.6m. 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 2015/16. It shows that 69% of the programme is funded by external grant monies and 26% is funded from borrowing. The Programme also includes funding from capital receipts of £1.1m

Overall the capital programme and associated resourcing reflects a forecast balanced position in 2015/16.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2015-16 MOVEMENT	£m
Estimated Outturn Quarter 2	118.4
Approved / Technical Changes (see Appendix 2)	2.2
"Net" Overspending (see Appendix 5)	0.2
"Net" Rescheduling into future years (see Appendix 4)	(6.3)
Revised Estimated Outturn 2015-16	114.6
<hr/>	
RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific Approvals)	17.0
Prudential Borrowing (Gap Funding)	12.6
Grants and Contributions	79.4
Capital Receipts	1.1
Revenue Contributions	4.4
Leasing	0.1
Total Resources Available	114.6

2.5 Treasury Management Activity in 2015/16

Interest Rates

The global economy is facing a period of slower growth, mainly caused by recent problems experienced in China. It is expected that the UK will be able to weather a temporary global slowdown due to lower commodity prices. UK economic growth has remained robust in Q3 at 2.3% as household spending has remained high, being supported by real wage & disposable income growth due in part to very low inflation figures as a result of falling commodity prices. However, it is expected that inflation will begin to rise towards the end of 2016. All of this means that there is no prospect of an immediate rise in interest, with predictions still estimating that the first rise will be in Q3 of 2016 but the rise is more likely to be later than this rather than earlier and the new normal rate of interest will be somewhere between 2 and 3%.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2015/16 capital programme is £17.8m, taking into account borrowing set out in Section 2.4 above (total £29.6m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£11.8m). 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 2015/16 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 2015/16 to P9	Maximum 2015/16 to P9	As at the End of P9
5 year	2.02%	2.55%	2.38%
50 year	3.21%	3.78%	3.53%

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 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 up to the end of 2015/16, at 0.4% below the standard rate for £31m of borrowing required for delivery of the Friargate Project. Given current interest rates and the level of investment balances held by the Council, it is likely that the Council will not use the “project rate” facility.

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 cash-flow of the authority, short term borrowing or investments are undertaken with financial institutions and other public bodies. The City Council currently hold no short term borrowing.

Short term investments were made at an average interest rate of 0.64%. 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 and companies in the form of corporate bonds.

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 31st December 2014	As at 30th September 2015	As at 31st December 2015
	£m	£m	£m
Banks and Building Societies	51.0	69.3	63.0
Money Market Funds	4.8	6.9	10.6
Local Authorities	18.0	0.0	0.0
Corporate Bonds	0.0	15.6	8.4
Total	73.8	91.8	82.0

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 non-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. 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 2015 the pooled funds were valued at £28.7m, spread across the following funds: Payden & Rygel; Federated Prime Rate, CCLA and Standard Life Investments.

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 2015 are included in Appendix 6. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2015/16. Specific points to note on the ratios are:

- The Ratio of Financing Costs to Net Revenue Stream (indicator 1) is 14.42% compared to 14.83% within the Treasury Management Strategy, in part due to lower levels of Prudential Borrowing resourced capital spend in 2015/16;

- 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. At 31st December the value is -£48.7m (minus) compared to +£83.9m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 31st December the value is £217.0m compared to £419.3 within the Treasury Management Strategy, reflecting that a significant proportion of the Councils investment balance is at a fixed interest rate.

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 quarter 3 position has slightly improved with Adult Social Care (ASC) position remaining high but stabilising. As reported at quarter 2 work is under way to fully understand this ASC movement including the underlying position in service user numbers. The recently announced provisional 2016/17 Local Government Finance Settlement incorporates different elements of social care funding and these will need to be considered as part of a medium term financial position for the service going forward. The challenges faced within Adult Social Care have been built into the forthcoming Budget Report.

Further positive action is necessary in order for the Council to balance its budgetary control position by year-end and notwithstanding the improvement in quarter 3 the Council's Senior Management Board will continue to pursue the actions approved by Cabinet previously incorporating: fundamental review of People Directorate budgets, Place and Resources Directorates seeking to identify compensating underspends, continued control of vacancies and recruitment activity and exploring technical solutions, that might be available to manage the year-end position.

5.2 Capital

The Capital Programme shows a projected balanced position for 2015/16. The borrowing requirement in 2015/16 has fallen to £29.5m (Budget Setting report £45.6m) and the overall level of borrowing continues to be contained within previously approved parameters. Of this, £16.9m relates to spending on specific schemes approved by Cabinet. The remaining £12.5m predominantly relates to borrowing that has previously been approved but not undertaken. Cabinet is reminded that at the end of 2014/15 available external grant funding of £3.4m along with similar amounts in previous years was used to fund spending which had been forecast to be funded from prudential borrowing. This report incorporates the need now to call on the associated level of Prudential Borrowing approvals not previously utilised. Similarly, there will be a need to incorporate this approach in future years as capital spending is incurred.

The Executive Director, Resources will review the overall level of prudential borrowing undertaken in 2015/16 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. Due to the revenue position outlined in this report, it is now less likely than previously that tactical use of revenue resources will be deployed as a mechanism to delay borrowing.

Jaguar Land Rover (JLR) Infrastructure

A planning application is imminent for the new bridge across the A45 to assist in JLR expansion. This could bring in additional grant in the region of £35m, the application for which will be reviewed on 12th February. If the LEP bid for this Government Grant is successful this might give the City Council the opportunity to apply this new resource in 2015/16 and reduce its Prudential Borrowing requirements until future years. Only when the funding application is known will it be confirmed whether the funding can be applied as part of the 2015/16 outturn process, delaying the current £29.5m Prudential Borrowing requirement to future years. This may result in a short to medium term revenue benefit.

Works for Friargate Bridge, Whitley and South West Junction Improvements

Council officers are currently in the process of agreeing the final accounts for contracts for the Friargate Bridge, Whitley, and South West Coventry Junction Improvement projects incorporating a robust audit of costs and processes on each project. The completion of the audit exercise will help to quantify the final accounts, but it is expected that the costs could increase overall against approved budget and the final outcome of this audit work will be reported within the Highways and Transportation Budget Report in March 2016. Any cost pressures will be met from within existing approved transformation programmes.

5.3 Legal implications

None

6. Other implications

6.1 How will this contribute to achievement of the Council's Plan?

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. 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 overspend. The Council will continue to ensure that strict budget management continues to the year-end as described elsewhere within the report.

6.4 Equalities / EIA

No impact.

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

No impact.

Report author(s):

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Martin Yardley	Executive Director	Place	28/01/16	28/01/16
Names of approvers: (officers and members)				
Chris West	Executive Director	Resources	27/01/16	27/01/16
Councillor D Gannon	Cabinet Member of Strategic Finance and Resources		25/01/16	25/01/16

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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:		
Mental Health, Learning Disabilities & Physical Impairment	Increasing activity across Adult Social Care is adding to the continuing significant (£3.8m) underlying pressure which existed at the end of the last financial year. Budgetary savings linked to reducing demand are also being impacted by these increased demand levels. Additional approval processes have been implemented to ensure high cost packages receive increased scrutiny and monitoring.	4.2
Older People	Increasing activity across Adult Social Care is adding to the continuing significant (£3.8m) underlying pressure which existed at the end of the last financial year. Budgetary savings linked to reducing demand are also being impacted by these increased demand levels. Additional approval processes have been implemented to ensure high cost packages receive increased scrutiny and monitoring.	2.7
LAC Services	The main source of overspend is Children's Placements £0.9M (including the Staying Put Scheme). A pressure of £1.4M in Children's permanency allowances is being offset by 1-off reserve. Changes in policy, and high activity within adoption and special guardianship orders has resulted in unit cost and activity increase. The placements pressure is a result of continuing high numbers of LAC, and placement mix with too high a proportion of LAC in external fostering and residential provision. £0.8M of the £3M 1-off reserve for Children's Services has been applied to the Placements budget to reduce the overspend in line with agreed usage. We are looking to refresh the LAC Strategy alongside additional approval processes to ensure high cost placements are subject to further scrutiny and increased monitoring of activity and decision making at all levels is taking place.	1.4
Child Protection	This relates to an activity overspend in discretionary and Section 17 payments to prevent children from becoming looked after (£0.7M). There is also an overspend on Legal (£0.3M) as a result of high activity and the use of agency staff plus an overspend in social worker caseholding (£0.3m) as the planned reduction in agency staff did not happen. These overspends are partly offset by underspends in the Children & Families First teams, largely as a result of staffing vacancies. There is a refreshed children's workforce strategy in place with a new social worker recruitment drive due to commence in Q4 .	1.2
Strategy & Commissioning (CLYP)	The key issue contributing to the variance is the £0.7m forecasted overspend in Supported Accommodation, caused by the loss of one provider and 81 beds from current contracts and subsequent use of spot purchasing. Additional beds are being procured and in the interim there is some offsetting of the overspend by underspends in the areas of CAMHS and Advice and Guidance to Young People (Connexions/Rightstep).	0.5
Inclusion & Participation	This overspend mainly relates to transport costs (£521K offset by a number of underspends in other areas), and are attributable to an increase in volume. All travel assistance policies will be reviewed through the formal consultation processes during the Autumn/Spring terms 2015/16. Reduction in expenditure is wholly dependent upon the agreement and implementation of new policies that secure the Council's statutory obligations.	0.4
Safeguarding	This is largely a result of an overspend within Children's Safeguarding due to high levels of activity and difficulties in recruiting to some permanent posts. As a consequence of this it was necessary to use agency staff. However, the reliance on agency staff has reduced significantly since the start of the year. There is also an overspend on the Children and Adults safeguarding boards as a result of additional expenditure on external chairs and high levels of activity in Children's Social Care.	0.3
Other Variations less than 100k		0.2

REPORTING AREA	EXPLANATION	£m
PEOPLE DIRECTORATE (Continued)		
Underspends:		
SCTEI Strategic Management	This is the financial strategy deployed to balance the directorate's bottom line including Education Services Grant income, and utilisation of non-ring-fenced grant funding for existing expenditure. This cost centre offsets against other pressures within the directorate, and the budget will be allocated across these pressures in 16/17.	-1.3
Strategic Commissioning (Adults)	This underspend is the effect of early delivery of future budget reductions across a number of contracts	-0.5
Early Years, Parenting & Childcare	Underspend as a result of staffing vacancies and over-achievement of nursery income for 2,3 and 4 year olds.	-0.4
ASC Provider Services	This underspend relates to a number of vacancies across internally provided services	-0.1
Learning & Achievement	This underspend primarily relates to the failure to appoint to a senior level post. Revision of staffing/consultant expectations as well as non-essential spend has generated a further in-year saving	-0.1
Forecast Overspend/(Underspend)		8.5

REPORTING AREA	EXPLANATION	£m
PLACE DIRECTORATE		
Overspends:		
Streetpride & Greenspace	Overspend primarily due to the delay in the implementation of the restructure of Streetpride and Parks, together with the cost of traveller encampment/intervention costs, and underachievement of bereavement services fees	1.0
Waste & Fleet Services	Overspend mainly due to the additional costs of waste disposal. These are partly offset by reductions in Fleet financing costs achievable due to the delayed replacement of some vehicles beyond their normal useful economic life.	0.3
Traffic & Transportation	Primarily due to a medium term income pressure within Monitoring & Response (MRS). This is likely to be addressed by growth in Telecare income over the next two years.	0.2
Corporate & Commercial Catering	£90k down on income target in line with 14/15 activity levels. £50k Godiva's saving target not yet achieved.	0.1
Other Variations less than 100k		0.1
Underspends:		
Corporate Property	Managed reduction in expenditure for reactive property repairs following more investment in planned works.	-0.4
Directorate & Support	Management actions to offset current and future targets and pressures	-0.3
Building Works- Planning, Technical & Maintenance	Trading with schools for property related maintenance (R&M) and small projects/internal work (OST) is the main reason for the expected surplus.	-0.2
Highways	Forecast trading surplus projected due to the higher volume of capital programme works expected in 15/16.	-0.1
Forecast Overspend/(Underspend)		0.7

REPORTING AREA	EXPLANATION	£m
RESOURCES DIRECTORATE		
Overspends:		
ICT Operations	ICT operations turnover target not achieved by £120k due to restructures to deliver other headcount savings and lower turnover than expected. Microsoft Dynamics price increase by £220K on renewal.	0.4
Business Services	This is a result of an under-achievement of turnover target due to deletion of vacancies and ERVR to meet workforce strategy targets. Business Services has over-delivered on its saving target in 2015/16.	0.3
Financial Mgt	Overspend as a result of non-delivery of turnover target. Excluding turnover target an underspend of £60K is forecast.	0.2
Employment Services	Under-achievement of the turnover target. Also £25K impact from salary costs associated with implementation of Agresso HR system	0.1
Procurement	The forecast overspend relates to under-achievement of £150K of the Procure to Pay savings target, some under-achievement of rebate income and other small overspends partially offset by £85K of vacancies. At Quarter 2, higher levels of vacancies were forecast via Budget Buddy and income shortfall and other small overspends had not been identified	0.1
Other Variations less than 100k		0.2
Underspends:		
Transformation Programme Office	£465k underspend on transformation advisor budget - £400k saving included in 2016/17 MTFS going forward.	-0.5
Talent & Skills Team	Underspend arises from vacancies in the earlier part of the year and delays in implementing some training due to changes in People Directorate.	-0.3
HR Recruitment	Mainly over-achievement of Agency rebate offset by advertising costs. Also some over-achievement of income.	-0.3
Post and Print	Reductions in the cost of postage (£100k reduction) due to tighter controls in place plus an increase in income.	-0.1
Legal Services	Underspend is due to an overachievement of income (including a Government imbursement) within Land Charges and offset against an increase in Professional Fees within Legal Services – due to outsourcing work whilst vacancies are being filled.	-0.1
	Forecast Overspend/(Underspend)	(0.0)

Contingency & Central Budgets		
Overspends:		
Commissioning and Procurement Savings Target	The Commissioning and Procurement abc review is on course to deliver £7.3m of its £8m target but it is becoming increasingly difficult to deliver the final element of this as contracts start coming round for renewal for the second time in the project's lifetime. Procurement Board and Panel activity will continue to push hard to deliver these savings plus an additional planned £1m target into 2016/17.	0.7
Catering	The School Catering service ceased at 31st August 2015. The overspend represents non - delivery of the income target set by the Fundamental Service Review (384k), and reduced income and contributions towards centralised charges and overheads due to the closure of the service.	0.6
City Centre First Project	The savings target attributed to City Centre First will not be delivered in the current year and has been re-designated to the Connecting Communities project going forward. A recent consultation has been carried out on proposals to deliver the 2016/17 target.	0.5
Underspends:		
Asset Management Revenue Account	The AMRA position reflects further rescheduling of capital spend at 2014/15 outturn, reducing the Council's planned borrowing needs and debt costs. The AMRA budget is being reviewed currently to ensure that it is soundly based for	(4.4)
Inflation Contingencies	The underspends across inflation contingency budgets includes £0.5m in relation to energy and an underspend on past service pension costs of £0.8 which is additional to the position reported at quarter 2. The inflation contingencies budget is being reviewed currently to ensure that it is soundly based for 2016/17 Budget Setting.	(2.2)
Legal Refund	Refund following a long-running legal dispute over debt repayments on the Magistrates Court building.	(0.9)
Policy Contingency	Unspent balance on budget of Cabinet Member for Strategic Finance and	(0.2)
Forecast Overspend/(Underspend)		(5.9)

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
Place (CLYP) DIRECTORATE		
Basic Need	This an addiitonal funding from S106	0.1
Condition	This an addiitonal funding from S106	0.1
SUB TOTAL - People		0.2
PLACE DIRECTORATE		
C&W Enterprise and Business Growth Package	Secured extra funding for Capital expenditure. This has been secured via Project Change Request we submitted to DCLG. The additional funding was used for capital grants to businesses.	0.9
Major Projects (Friargate Bridgedeck, Whitley Junction, Public Realm & CSMP)	Loss of ERDF grant on the Minor Civils contract as ERDF deemed that the procurement of this contract did not satisfy their rules.	(0.3)
Public Realm	Re-alignment of budget due to element paid over to HMRC for Public Realm works done on behalf of Coventry University.	(0.1)
Coventry Investment Fund (CIF) - Fargo Court	This is the net movement on the CIF programme covering the recycling of Fargo Court Grant received for reinvestment into the Site and net change to the CIF overall programme	1.2
Freehold purchase of Hornchurch close ind. Estate	An opportunity has arisen to make an investment purchase of the freehold of an industrial estate let to small businesses where the Council is currently the long leaseholder. In doing so it will convert the Councils current depreciating asset into an appreciating one, on a self funding basis that avoids future rent increases to the Council and removes dilapidations claims against the Council at the end of the lease.	0.5
SUB TOTAL - Place Directorate		2.2
RESOURCES DIRECTORATE		
Social Services IT System: Connecting Care	Council at the end of the lease.	(0.2)
SUB TOTAL - Resources Directorate		(0.2)
TOTAL APPROVED / TECHNICAL CHANGES		2.2

Capital Programme: Estimated Outturn 2015/16

The table below presents the revised estimated outturn for 2015-16:

DIRECTORATE	ESTIMATED OUTTURN QTR 2	APPROVED / TECHNICAL CHANGES	OVER / UNDER SPEND NOW REPORTED	RESCHEDULED EXPENDITURE NOW REPORTED	REVISED ESTIMATED OUTTURN 15-16
PEOPLE	2.7	0.0	0.0	0.0	2.7
PLACE	111.1	2.4	0.0	(4.7)	108.8
RESOURCES	4.7	(0.2)	0.2	(1.6)	3.1
TOTAL	118.4	2.2	0.2	(6.3)	114.6

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
PLACE (CLYP) DIRECTORATE		
Basic Need	Due to satisfactory resolution of completed 2012 projects where retentions had been held back; no further calls on budgets set aside to deal with potential ongoing issues and improved efficiency in project delivery which has meant tighter cost control and improved vfm.	1.1
Basic Need - Early Years	There have been no significant calls upon this budget for additional early years places this year. In 2016/17 we are anticipating that the full allocation will be used to deliver Hollyfast nursery provision.	-0.2
Condition	Further rescheduling the result of lower than expected calls to fund S278 works associated with PSBP and Early Years condition projects. Delivery of planned M&E Projects (boilers, electrical installations) has slipped due to programming issues but will be undertaken and completed next year.	-1.0
Broad Park House (Breaks for Disabled)	Unfortunately review of provision still has not been completed by People Directorate and there remains uncertainty over the timescale when decisions will be made around Broad Park and other potential locations.	-0.3
SUB TOTAL - PLACE		-0.4
PLACE DIRECTORATE		
Kickstart - Friargate Building	The works to excavate the foundations, basement and sub-basement have taken longer than anticipated and works on site have had to be re-scheduled to suit. Also, the construction of the adjacent public realm, which impacts on our ability to expedite the building progress, required more extensive ground treatment than originally expected and so the current construction phase is not as intensive as the expenditure profile allowed for.	-3.8
Nuckle 1.2	Network Rail timescales for reviewing design information have been delayed from those originally programmed and some minor design changes we had hoped to make as amendments at GRIP 4 stage have had to be undertaken now at the end of GRIP3 on the advice of Network Rail. Works are still due to start in autumn 2017.	-1.2
Warwick Road Station Access	In order to maximise Growth funding this year £0.9m of the overall rescheduling in Q3 is amending previous quarters rescheduling to reflect changes in resourcing. The actual rescheduling is £0.2m reflecting delayed start on site to March 2016	1.1
Coventry Station Masterplan	Footbridge and Canopies – we have revisited the design and requested an alternative higher quality specification be produced to meet our aspirations to create an appropriate gateway to the railway station and city. The additional design work and approvals process have delayed us entering into GRIP4 with Network Rail as we need to ensure design amendments are made at GRIP3 stage to avoid abortive costs at the next design stage. We are still on track to start on site in 2017.	0.6
CIF	Lythalls Lane & Fargo Court - Sunny H Funds rescheduled forward from unallocated pot to be spent in 2015/16	-0.3
City Centre Destination Leisure Facility	The reduction to the quarter three forecast of £229k is as result of the re-profiling of key sub-contractor packages. A number of the packages commence from April 2016 and are not one off payments as detailed in previous cash flow forecasts. The project managers are currently working on a revised overall cashflow including a re-profiling of the design team fees, which we will be in a position to share in the coming weeks.	-0.2
Canely Cemetery - New Burial Graves	The Cabinet Member (Public Services) Petition Report – “Save the Charter Avenue Cemetery / Crematorium Hedgerow.” presented at the meeting held in September 2015 and the Cabinet Member (Public Services) report on creating additional Burial Space at Canley Garden Cemetery adjacent to Charter Avenue presented at the meeting held in July 2014 highlighted that no work to remove the existing border planting enabling the creation of new burial space would be undertaken until a new border was created and established along the boundary with Charter Avenue. Initial planting on the new border was undertaken last planting season during October 14 – Feb 15 and further planting has been undertaken during the most recent planting season during October – December 15. It is anticipated that early next financial year work will begin the remove the existing fence and the removal the existing border will start during the Autumn 2016	-0.1
Vehicle & Plant Replacement	9 vehicles were ordered to be replaced, however had 10 in replacement plan. As this one vehicle is not required to be replaced this year it was moved into next year. The vehicles is still operational sound and ok to be replaced next year	-0.1
Technical Adjustments	Reversing out previous rescheduling	-0.3
SUB TOTAL - Place Directorate		-4.3
RESOURCES DIRECTORATE		
Kickstart - ICT & Customer Journey	Rescheduling Mainly relates to customer journey. The focus for this year has been the build of the Customer Service Centre and significant enabling technology which was complete on schedule during Qtr 3 of this year. The focus is now being given to implementation of the Customer Portal and resource required to do that at pace. It is planned for significant spend next year on resource to support the further implementation hence the re-scheduling. It is planned that we will need to work at pace next year on the implementation of EDMS solutions - hence the re-scheduling in this area.	-1.2
Strategic ICT Projects	There has been a significant amount of work in looking at revenue spend within ICT to deliver savings targets and planning the work to support the ICT strategy. This has meant re-profiling some of our strategic plans. We have also had some delays from third parties - such as upgrading our internet connection. This has a knock on effect for programmes such as our Cloud Technology programme. We have been working through some complexities with contracts for our systems estate which needed to be completed before we finalised plans for our Systems Consolidation project. During FY 2016/17 we will be in a position to deliver our Cloud Technology and Systems Consolidation projects - there will be significant spend in these areas and therefore this re-scheduling is required.	-0.4
SUB TOTAL - Resources Directorate		-1.6
TOTAL RESCHEDULING		-6.3

Capital Programme: Analysis Of Over / Under Spend

SCHEME	EXPLANATION	£m
RESOURCES DIRECTORATE		
ICT Infrastructure Operations	Quarter one underspend reversed as no longer expected	0.2
SUB TOTAL - Resources Directorate		0.2
TOTAL RESCHEDULING		0.2

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st December 2015
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).	14.83%	14.42%
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 £495.2m	£368.6m 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.	£494.3m	£368.6m 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.	£454.3m	£368.6m 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.	£419.3m	£217.0m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£88.9mm	-£48.7m
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 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	20% 3% 5% 6% 66%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£10m	£5.4m

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

15th February 2016

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor Gannon

Director approving submission of the report:

Executive Director of Resources

Ward(s) affected:

City Wide

Title:

Quarter Three Internal Audit Progress Report 2015-16

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 2015, against the Internal Audit Plan for 2015-16.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three against the Internal Audit Plan for 2015-16.
2. Consider the summary findings of the key audit reviews (attached at Appendix One).

List of Appendices included:

Appendix One - Summary Findings from Key Audit Reports Completed between October and December 2015

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:

Quarter Three Internal Audit Progress Report 2015-16

1. Context (or background)

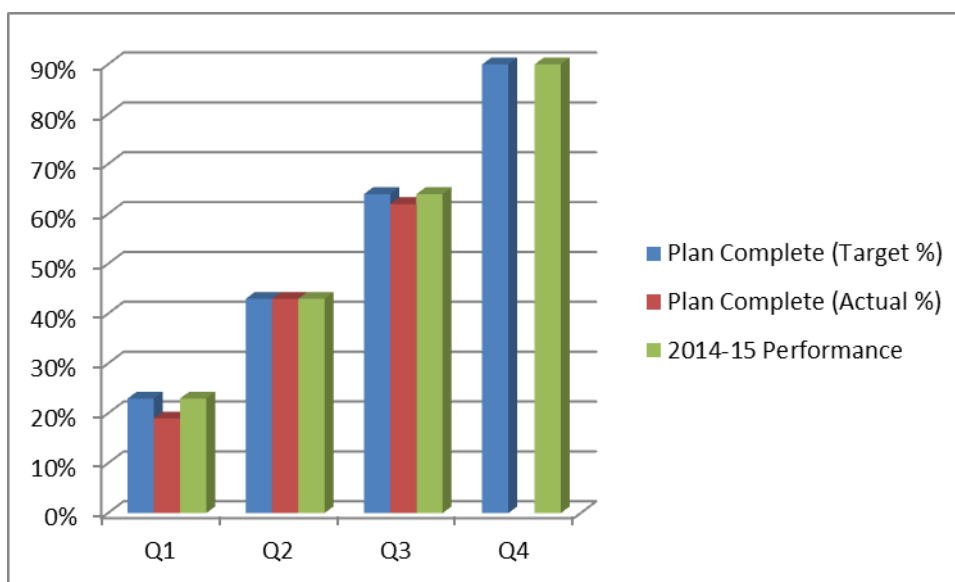
1.1 This report is the second monitoring report for 2015-16, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

2. Options considered and recommended proposal

2.1 Delivering the Audit Plan

The key target facing the Internal Audit Service is to complete 90% of its work plan by the 31st March 2016. The chart below provides analysis of progress against planned work for the period April to December 2015.

Chart One: Progress against delivery of Internal Audit Plan 2015-16



As at the end of December 2015, the Service has completed 62% of the Audit Plan against a planned target of 64%. Whilst the performance at the end of quarter three is only slightly behind target, the Service's ability to complete delivery of the plan has now been impacted by unplanned absences in the team since December 2015. In response to this, we plan to amend the Internal Audit Plan for 2015-16, given the view that the impact of these absences 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.

2.2 Other Key Performance Indicators (KPIs)

The table overleaf shows a summary of the performance of Internal Audit for 2015-16 to date against five KPIs, with comparative figures for the financial year 2014-15. There are two indicators (i.e. draft report to deadline and audit delivered within budget days) where

the Service's current performance is still below expectations and targeted actions are on-going to make improvements as part of a continual focus to deliver greater efficiency in the Service.

Table One: Internal Audit Key Performance Indicators 2015-16

Performance Measure	Target	Performance Q3 2015-16	Performance 2014-15
Planned Days Delivered (Pro rota against agreed plan)	100%	70%	100%
Productive Time of Team (% of work time spent on audit work)	90%	89%	89%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	75%	79%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	86%	88%
Audit Delivered within Budget Days	80%	73%	74%

2.3 Audits Completed to Date

2.3.1 Attached at Table Two below is a list of the audits finalised between October and December 2015, along with the level of assurance provided.

Audit Area	Audit Title	Assurance
Corporate Risk	ICT Change	Moderate
	ICT Major Incident Review	Limited
	ICT Protocol Application Review	Moderate
	Electronic Call Monitoring	Moderate
Council / Audit Priorities	Sickness Absence	N/A – Compliance Focused
Finance	Payroll	Significant
	Housing Benefit Quality Assurance	Moderate
Regularity	Section 256 Funding	N/A – Verification
	Grant: Schools Direct	N/A - Verification
Follow Up	Section 17	Moderate
	Per Temp Master Vendor	Moderate

2.3.2 The following audits are currently in progress:

- **Audits at Draft Report Stage** – Pay and Display Machines Security Review
- **Audits On-going** – Payment Audit, Troubled Families, Accounts Receivable, Accounts Payable, Council Tax, Business Rates, Minor Civil Engineering Contract, Long Service Award, Keresley Grange Primary School

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 of 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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Resources

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Neelesh Sutaria	Human Resources Business Partner	Resources	2/2/16	2/2/16

Names of approvers: (officers and members)				
Finance: Paul Jennings	Finance Manager Corporate Finance	Resources	2/2/16	2/2/16
Legal: Helen Lynch	Legal Services Manager (Place and Regulatory)	Resources	2/2/16	4/2/16

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Appendix Two – Summary Findings from Key Audit Reports Completed between October and December 2015

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>ICT Major Incident Reviews</p> <p>February 2016</p> <p>Head of ICT Infrastructure and Operations</p>	<p>Overall Objective: To ensure that arrangements in place to manage ICT major incidents are fully effective.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>Whilst the review found that major ICT incidents were being resolved on a timely basis, the conclusion we have reached is that the new review procedure is not currently seen as a key process in the ICT Service. It is acknowledged that the process has only been in place since May 2015 but the results indicate that this is more than just initial problems typically associated with introducing new working practices, given that:</p> <ul style="list-style-type: none"> • Major Incident Reviews (MIR's) have only been carried out for 41% of Priority one (P1) and Priority two (P2) incidents received. • Where MIR's have been completed, there are significant gaps in the information recorded despite the fact that all MIR's should be signed off by a Team Leader. • Arrangements to support management oversight of the process have yet to become fully operational and as result issues are not being dealt with. <p>Key areas for improvement that have been identified include:</p> <ul style="list-style-type: none"> • Ensuring that MIR's are carried out for all P1 and P2 incidents unless otherwise approved by management. • Ensuring that comprehensive information is captured in regard to how major incidents are managed and that sufficient rigor is applied to identifying follow up actions. • Putting in place a mechanism for management to gain assurance that where identified, action to prevent future incidents is implemented on a timely basis. <p>A self-assessment follow up of this area has recently been completed which indicates that four out of the five agreed actions are now in place (one is on-going). A formal follow up exercise will be undertaken in July 2016 to provide assurance that arrangements are working effectively.</p>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
Sickness Absence Compliance Review	<p>Overall Objective: To ensure that the Council's Promoting Health at Work (PH@W) Procedure is being complied with by managers across the Council.</p> <p>Opinion: N/A – Compliance Focused Summary / Actions Identified:</p> <p>The audit focused on compliance testing (sample of 145 absences selected during 2015-16) against five key areas. These are outlined below along with the results of testing undertaken.</p> <p>(1) <u>A return to work (RtW) meeting form has taken place for all absences reviewed and if not there is a reasonable explanation for this not happening</u> - In 93% of absences, either evidence that a RtW meeting took place was found or the employee had left the Council before the meeting could take place.</p> <p>(2) <u>The RtW meeting occurred on a timely basis and in line with the requirements documented in the Council's PH@W Procedure</u> - Testing indicated that 35% of return to work meetings did not take place within three working days (requirement of the Council's procedure) of the absence ending. To provide some context to these results, it is unclear how the number of working days was determined in the first place and what the risk / impact are if meetings take place more than three days after the absence ended. Furthermore, the changing nature of the Council (i.e. impact of management layering, flexible working) may mean that a manager may not be routinely based in the same location of the employee who was absent.</p> <p>(3) <u>Paperwork to support the RtW meeting demonstrates that a thorough discussion has taken place between manager and employee</u> - In assessing the return to work forms for completeness and detail, we found that in the majority of cases, appropriate details were recorded around (a) the reasons for the absence, (b) determining whether additional support is provided to the employee and (c) agreeing outcomes.</p> <p>(4) <u>Where required, a fit note (formally a sick note) has been received in respect of an absence</u> - In absences that required a fit note to be provided, we found notes in 91% of cases.</p> <p>(5) <u>Where absences have resulted in a trigger being hit, a PH@W meeting has taken place</u> - In 95% of absences which resulted in a trigger being hit, we found evidence that a meeting had either taken place, been arranged or established that the employee had left the Council before the meeting could take place.</p> <p>Despite instances where we have found non-compliance in the above tests, our overall conclusion is that the Council's Promoting Health at Work Procedure is being complied with across the Council.</p>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p>Pertemps Master Vendor Follow up</p> <p>April 2016</p> <p>Human Resources Advisor – Corporate Support</p>	<p>Overall Objective: To provide assurance that agreed actions have been implemented to ensure that the Council has effective systems in place to manage the completion of pre-employment checks in appointing agency staff, including where this is done through second tier agencies.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>A total of four actions were originally identified and agreed in the original audit. A summary of progress made against the agreed actions is shown below:</p> <table border="1" data-bbox="651 608 1854 778"> <thead> <tr> <th>Number of Actions</th> <th>Implemented</th> <th>No Progress</th> <th>On-going</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>2</td> <td>0</td> <td>2</td> </tr> </tbody> </table> <p>Actions that have been implemented since the last review include:</p> <ul style="list-style-type: none"> Supporting documentation which was required to be uploaded from previous sample tests has now been uploaded onto PAWS and procedures have been introduced by both Pertemps and the Council to monitor the pre-employment check process. The flowchart detailing the process for investigating safeguarding incidents involving agency workers has been disseminated both within the Council and Pertemps, which details the responsibilities of managers and pertemps where a safeguarding issue has been identified. <p>For the remaining agreed actions, progress has been made although, the action taken to date has not yet fully addressed the audit concerns, including:</p> <ul style="list-style-type: none"> Whilst arrangements are in now in place to provide assurance that pre-employment checks are completed, examples still exist, due mainly to timing issues, where some information has not been provided by the planned start date. Guidance will be developed for Council managers around the options available when information is not available in advance of the planned start date. Job profiles have been reviewed and updated with the appropriate level of pre-employment check, however, due to a mis-communication these have not been uploaded onto PAWS at the time of the audit. 	Number of Actions	Implemented	No Progress	On-going	4	2	0	2
Number of Actions	Implemented	No Progress	On-going						
4	2	0	2						

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Electronic Call Monitoring</p> <p>July 2016</p> <p>Head of Business Systems (People Directorate)</p>	<p>Overall Objective: To ensure that effective systems are in place to administer payments to home support providers generated by the CM200 Electronic Call Monitoring System.</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"> • Effective processes are in place to administer the interface between CM2000 and Agresso with appropriate checks and balances to ensure the integrity of payment data. • Appropriate controls are in place to manage the risk of duplicate payments both in respect of individual clients and invoices generated through CM2000. <p>The assurance level reflects two concerns, namely:</p> <ul style="list-style-type: none"> • Audit testing identified overpayments being made through the system. These were low in value but we were not in a position as part of the review to assess the potential scale of this issue across all activity. • As part of the audit, we encountered a number of issues where there was a lack of system audit trail to support transactions within CM2000. <p>Key areas for improvement that have been identified include:</p> <ul style="list-style-type: none"> • Ensuring that workaround arrangements for identifying and recovering overpayments to providers are implemented as soon as possible. • To issue a reminder to all providers to ensure that they remove private visits prior to invoicing the Council. • Ensuring that there is a clear audit trail to support the justification for authorising payments for over-delivered visits. • To work with CM2000 to consider current system limitations and whether these can be resolved.

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Public Report Cabinet Member

Audit and Procurement Committee

15 February 2016

Cabinet Member for Culture, Leisure, Sports and Parks

25 February 2016

Name of Cabinet Member:

Cabinet Member for Culture, Leisure, Sports and Parks – Councillor A Khan

Director Approving Submission of the report:

Executive Director of Place

Ward(s) affected:

None

Title:

Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA)

Is this a key decision?

No

Executive Summary:

The Regulation of Investigatory Powers Act 2000 (RIPA) Part 1 covers the acquisition and interception of communications data, and Part 2 covers covert surveillance and property interference. Each part of the Act is regulated by separate commissioners.

The Council's use of RIPA is to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more, or are related to the underage sale of alcohol and tobacco. We determine this by reference to the legislation covering the surveillance e.g. The Trade Marks Act relates to counterfeit goods and has a penalty of up to 10 years imprisonment. The three types of technique available to local authorities are: the acquisition and disclosure of communications data (such as telephone billing information or subscriber details); directed surveillance (covert surveillance of individuals in public places); and covert human intelligence sources ("CHIS") (such as the deployment of undercover officers).

The Act sets out a compliance structure within which Coventry City Council can request judicial approval to use directed surveillance techniques or acquire communications data in order to support core function activities (e.g. typically those undertaken by Trading Standards, Environment Health and Benefits). The information obtained as a result of such operations can later be relied upon in court proceedings providing RIPA is complied

with.

The Home Office Code for Covert Surveillance Property Interference recommends that elected members, whilst not involved in making decisions or specific authorisations for the local authority to use its powers under Part II of the Act, should review the Council's use of the legislation and provide approval to its policies for same. The Council adopted this approach for oversight of the authority's use of Part I of the Act.

There has been no material change in the legislation since the September 2014 report.

Recommendations:

The Audit and Procurement Committee are requested to:

1. Consider and note the Council's use and compliance with RIPA.
2. Forward any comments and/or recommendations to the Cabinet Member for Culture, Leisure, Sports and Parks

The Cabinet Member for Culture, Leisure, Sports and Parks is requested to:

1. Consider any comments and recommendations provided by the Audit & Procurement Committee.
2. Approve the report as a formal record of the Council's use and compliance with RIPA.

List of Appendices included:

Nil

Other useful background papers:

Nil

Other useful background information:

Nil

Has it been or will it be considered by Scrutiny?

No

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

Yes – Audit and Procurement Committee – 15 February 2016

Will this report go to Council?

No

Report title: **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2000**

1. Context (or background)

- 1.1 Part I of RIPA, Acquisition of Communications Data, is regulated by the Interception of Communications Commissioner's Office (IOCCO). Part II of RIPA, Covert Surveillance & Property, is regulated by the Office of Surveillance Commissioners (OSC). The Council is required to submit an annual statement to each Commissioner on the number of applications granted.
- 1.2 Each Commissioner has the authority to undertake an inspection of the Council's records, policies and procedures in order to enable public authorities to improve their understanding and conduct of RIPA activities.
- 1.3 The 2013 OSC and 2014 IOCCO inspections did not raise any significant concerns.
- 1.4 Chapter 2 of Part 2 of The Protection of Freedoms Act 2012 (PFA) amended RIPA in so much that local authorities need to obtain magistrate's approval prior to using any one of the three covert investigatory techniques available to them under RIPA, namely: directed surveillance, the deployment of a covert human intelligence source (CHIS) and accessing communications data. Approval is also required if an authorisation to use such techniques needs to be renewed. In each case, the role of the magistrate is to ensure that the correct procedures have been followed and the appropriate factors have been taken into account. All applications and authorisations detailed in this report were approved by the magistrates.

2. Options considered and recommended proposal

- 2.1 The Audit and Procurement Committee is recommended to consider and note the Annual Compliance Report, which sets out how the Council has used its powers during the reporting periods of the individual Commissioners and that there have been no further changes in the legislation that would require the Council's policy to be amended. In addition, the Committee is recommended to forward any comments or recommendations to the Cabinet Member for Culture, Leisure, Sports and Parks.
- 2.2 The Cabinet Member for Culture, Leisure, Sports and Parks is recommended to consider any comments or recommendations from the Audit and Procurement Committee, approve the report as a formal record of the Council's use and compliance with RIPA and note that the existing policy remains fit for purpose.

2.3 Use of Covert Surveillance or Covert Human Intelligence Sources

For the Period 1 April 2014 – 31 March 2015 – As reported to the OSC in April 2015

No. of Directed Surveillance Applications Rejected	0
No. of Directed Surveillance Applications Granted	6

No. of Authorisations Presented to Magistrates	6
No. of Authorisations Granted by Magistrates	6
No. of Authorisations Rejected by Magistrates	0
No. of Directed Surveillance Operations Remaining Extant	3

- All of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime.
- There were no reported instances of the Council having misused its powers under the Act.

2.4 Use of Acquisition & Disclosure of Communications Data

For the Period 1 January 2014 – 31 December 2014 – As reported to the IOCCO in January 2015.

No. of Notices Requiring Disclosure of Communications Data	0
No. of Authorisations to Acquire Communications Data	7
No. of Applications Submitted to a Designated Person for communications data which were rejected	0
No. of Authorisations and Notices processed by NAFN	7

- All of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime.
- There were no reported instances of the Council having misused its powers under the Act.

For the Period 1 January 2015 – 31 December 2015

No applications for the disclosure of communications data was made during the period 1 January 2015 – 31 December 2015.

2.5 RIPA Training

While no training was provided in 2015, a RIPA awareness session was held in June 2014. Elected members, magistrate's personnel and Council Officers from core function departments, HR, Legal and those who play a key role in implementing and/or managing CCTV systems were invited.

There is no requirement to provide training on an annual basis.

3. Results of consultation undertaken

3.1 Not applicable

4. Timetable for implementing this decision

4.1 Upon approval of the report, statistical information relating to the authority's use of RIPA will be published to the Council's Internet page in order to support its commitment to the openness and transparency agenda.

5. Comments from Executive, Resources

5.1 **Financial implications** – The Council has budget provision to cover the cost of the training, which is delivered by an external trainer who specialises in RIPA legislation. There are no other direct financial implications arising from this report.

5.2 **Legal implications** – There are no new changes to the RIPA provisions introduced by The Protection of Freedoms Act 2012 and The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012, which amended the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010, SI 2010/521.

Consideration and endorsement by Members ensures that appropriate scrutiny is in place. Consideration of RIPA activity as recommended by the OSC guidance ensures that such activity is subject to appropriate scrutiny and control.

6. Other implications

While the changes in law introduced an additional step into the process, given the Council's low use of its powers under RIPA, it has not resulted in any significant delays for planned operations. Routine patrols, observation at trouble 'hot spots', immediate response to events and overt use of CCTV do not require RIPA authorisation.

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

As and when judicial approval is sought to use these powers, it will help support the Council's core aims by preventing and detecting crime associated with enforcement activities such as: investigations relating to counterfeiting and fraudulent trading activity, or underage sales of alcohol or tobacco.

6.2 How is risk being managed?

The requirement for the Council to seek judicial approval for any proposed use of its powers under the Regulation of Investigatory Powers Act 2000, as amended by the Protection of Freedoms Act 2012, reduces the risk of the Council using such powers inappropriately or unlawfully. This will help ensure any evidence gained from such use will be admissible in a court of law.

6.3 What is the impact on the organisation?

There is no additional impact on the Council.

6.4 Equalities / EIA

When submitting a request for authorisation to use RIPA, or the use of a Covert Human Intelligence Source, consideration is given to any impact on equalities.

6.5 Implications for (or impact on) the environment?

There are no implications on the environment.

6.6 Implications for partner organisations?

There are no implications on partner organisations.

Report author(s):

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Directorate: Place

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Director: M Yardley	Executive Director	Place Directorate	1/02/16	2/02/16
Members: Councillor A Khan	Councillor	Coventry City Council		

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Coventry City Council

Briefing note

To Audit and Procurement Committee

Date 15th February 2016

Subject Briefing note on current Cyber Security

1 Purpose of the Note

At the Audit and Procurement Committee meeting on 26 October 2015, it was requested that a briefing note be submitted to the next meeting of the Committee in relation to the Council's approach to cyber security and how risks are being managed.

This note outlines the current measures in place on the Council's ICT services to prevent, manage or minimise the impact of Cyber-attacks.

2. Context

In an increasingly digital world, cyber threats are an issue for governments, companies, public sector organisations and individuals alike. A series of high profile attacks highlights the importance of remaining vigilant to the ever present risks associated with malicious attacks on systems, information and data held by organisations. These can cause not only financial loss, but also reputational risks.

As the Council adopts a more digital approach to service design and delivery, with all the associated advantages, there comes an inherent new set of risks that we need to consider and work to mitigate, particularly so that we can continue to operate robust systems and deliver services that residents and staff feel they can trust.

3. Current provisions

There are a number of different methods that could be employed. The main methods are:-

- Virus or Malware attack
- Denial of Service attacks (DoS)

3.1 Virus or Malware attack

This type of attack is where a piece of malicious computer code or software, which is normally capable of duplicating itself, is introduced into an IT system specifically to have a detrimental effect on that system. The most common method of infection is from an email or an infected file.

This type of risk is mitigated on all Council equipment by the implementation of an Antivirus program (McAfee Antivirus) on the PC or laptop. This is an application which is constantly scanning the PC/laptop and checking files as they are accessed for the presence of viruses or malware. The scanning is based on a virus definition dictionary, which is updated (on at least a daily basis) with any new virus signatures.

As an additional layer of security, all emails received by the authority, are scanned by 2 separate systems (Mimecast and Microsoft Forefront) to ensure they do not contain viruses or malware.

3.2 DoS/DDoS

A Denial of Service (DoS) is when, either accidentally or maliciously, a service is overloaded with requests to the point at which normal operations are affected. It is classed as a Distributed Denial of Service (DDoS) when the traffic causing the disruption has multiple sources. A DDoS is more difficult to stop because it does not come from a single source so cannot be blocked using rules on our firewalls.

These have the potential to affect internet services, external systems we access, external services including the website and indirect services such as those provided to schools.

3.3 Mitigation Measures

The ultimate mitigations for any type of cyber incident against the Council, is vigilance on the part of users and staff. Staff should ensure that they do not share any security details especially passwords, with anyone, including other Council staff and ICT.

Staff should also be vigilant about opening emails and attachments from unknown source. The best rule of thumb is 'if in doubt, do not open it delete it'. If the email or file is from a legitimate source, then you can always ask the user to resend it.

In addition, we look at measures that can be put in place to prevent or mitigate the risks of such attacks. At present the following measures are in place:-

- 1) All PCs, Laptops and Servers on the Councils IT network are protected by McAfee Security suite, which is controlled centrally by ICT and cannot be disabled.

- 2) All incoming email is scanned automatically by 2 separate systems to ensure that it does not contain viruses or malware. In addition, the McAfee Security suite scans the email and attachments at the point it is accessed on a PC or laptop.
- 3) Multiple layers of firewall are in place on all external connections to the Council's network, preventing unauthorised access to data and systems
- 4) All systems that are accessible from outside the Council, such as the Customer portal, are located in a special area of the network that is separated from the main Council network.
- 5) Regular penetration tests are carried out on all external access points to the Council's network to ensure unauthorised access cannot be achieved.
- 6) JANet who provide our internet services has dedicated security and network teams that have expertise in dealing with DoS attacks. As well as investigating incidents targeted at them they assist customers when they are targeted. They have run security seminars in promoting awareness and good practice.

4 Ongoing and Further Work

It is best practice for the Council to consider these risks at a strategic management level and at the Audit and Procurement Committee. Cyber security is a risk that is reflected within our Corporate Risk Register that is considered actively by Strategic Management Board.

As we move more systems and services to the internet, we will develop work streams to review and address our ongoing Cyber security and resilience as part of our Strategic ICT work programme. This will be underpinned by regular programmes of security testing both internally and by specialist 3rd parties.

We will continue to review our approach to Cyber Security by reviewing best practice guideline and utilising specialist toolkits from leading organisations such as Gartner, SOCITM, NCC and others.

The success of these programmes of work will be validated as part of the ongoing ICT Audit programme.

We plan to continue to reinforce the role staff can play in helping to mitigate risks through targeted digital skills training, communication on Beacon and our interactions with customers.

Mark Chester, Head of ICT Infrastructure and Operations

Lisa Commane – Assistant Director ICT Transformation and Customer Services

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