



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 11th September, 2017

Place

Committee Room 3 - Council House

Public Business

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes of Previous Meeting** (Pages 3 - 10)

To agree the minutes of the meeting held on 24th July 2017.

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. **Outstanding Issues** (Pages 11 - 16)

Report of the Deputy Chief Executive (Place)

6. **Work Programme 2017/18** (Pages 17 - 18)

Report of the Deputy Chief Executive (Place)

7. **Audit Findings Report 2016/17**

Report of the External Auditor, Grant Thornton (to follow).

8. **Audited 2016/17 Statement of Accounts** (Pages 19 - 22)

Report of the Deputy Chief Executive (Place)

NOTE: Councillor J Mutton, Cabinet Member for Strategic Finance and Resources, has been invited to attend the meeting for the consideration of this item.

9. **2017/18 First Quarter Financial Monitoring Report (to June 2017)** (Pages 23 - 44)

Report of the Deputy Chief Executive (Place)

10. **Fraud Annual Report 2016/17** (Pages 45 - 52)
Report of the Deputy Chief Executive (Place)
11. **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

12. **Procurement and Commissioning Progress Report** (Pages 53 - 62)
Report of the Deputy Chief Executive (People)

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

Martin Yardley, Deputy Chief Executive (Place), Council House Coventry

Friday, 1 September 2017

Note: The person to contact about the agenda and documents for this meeting is Lara Knight

Membership: Councillors S Bains (Chair), R Brown, L Harvard (Deputy Chair), J Mutton (By Invitation), R Singh, H Sweet and K Taylor

By invitation Councillor J Mutton

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

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

Lara Knight

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Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at
3.00 pm on Monday, 24 July 2017

Present:

Members: Councillor S Bains (Chair)
Councillor R Brown
Councillor L Harvard
Councillor P Seaman
Councillor R Singh
Councillor K Taylor

Employees (By Directorate):

People M Burn

Place P Baggott, B Hastie, P Jennings, L Knight, S Lock, H Lynch,
K Tyler

Other Representatives: M Stocks, Grant Thornton
S Turner, Grant Thornton

Apologies: Councillor H Sweet, substitute Councillor P Seaman

Public Business

14. Helen Lynch

The Chair, Councillor Bains reported that Helen Lynch, Legal Services Manager was attending her last meeting of the Committee prior to leaving the City Council to take up a new appointment at Durham County Council. The Committee thanked her for all her work over the past four years and wished her well in her future career.

15. Declarations of Interest

Councillors Harvard and Taylor informed of their appointments as Members of the Board of Whitefriars Housing Group. They remained in the meeting for the consideration of all business.

16. Minutes of Previous Meeting

The minutes of the meeting held on 26th June 2017 were agreed and signed as a true record.

Further to Minute 6 headed 'Internal Audit Annual Report 2016/17' the Committee were informed that a meeting had been arranged to discuss the controls in place regarding the management of vehicles and equipment and the finding would be reported to members in due course.

17. **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 24 below headed 'Procurement and Commissioning 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.

18. **Work Programme 2017/18**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the work programme for the Committee for the coming year.

RESOLVED that:

1. **The work programme for 2017/18 be approved.**
2. **Officers to arrange an additional meeting in January 2018 to consider the Information Management Strategy Update currently scheduled for 13th November and to look at including additional items scheduled for future meetings.**
3. **The Statement of Accounts 2016/17 be submitted to the meeting on 11th September, 2017.**
4. **A full updated Audit Findings Report 2016/17 be submitted to the meeting on 11th September, 2017.**

19. **Outstanding Issues**

The Committee considered a report of the Deputy Chief Executive (Place), which identified those issues on which further reports / information had been requested or were outstanding so that Members were aware of them and could manage their progress.

Appendix 1 to the report outlined where a report back had been requested to a future meeting along with the anticipated date for further consideration of the issue. Where a request had been made to delay the consideration of the report back, the proposed revised date was identified along with the reason for the request. Appendix 2 set out items where additional information was requested outside of the formal meeting along with the date when this had been completed.

RESOLVED that the Audit and Procurement Committee note the outstanding issues report.

20. **Audit Findings Report 2016/17**

The Committee considered a report of the External Auditor, Grant Thornton, on the Audit Findings for the City Council for the year ending 31st March, 2017. Mark Stocks and Simon Turner, of Grant Thornton, attended the meeting to present their report.

The report highlighted the key issues affecting the results of Coventry City Council and the preparation of the group and financial statements for the year ending 31st March 2017. It was also used to report their audit findings to management and those charged with governance in accordance with the requirements of International Standards on Auditing (UK and Ireland) 260, and the Local Audit and Accountability Act 2014.

Under the National Audit Office Code of Audit Practice, the External Auditors were required to report whether, in their opinion, the Council's financial statements gave a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they had been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. They were also required to carry out sufficient work to satisfy themselves on whether the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ("the value for money (VFM) conclusion").

The Committee were advised that the audit was substantially complete, although procedures were being finalised in respect of the testing of leases; review of the final version of the financial statements; obtaining and reviewing the management letter of representation; updating post balance sheet events review, to the date of signing the opinion; and the whole of Government Accounts.

The Committee were also informed that in light of the ongoing work relating to leases, it would be necessary to defer consideration of the 'Audited 2016/17 Statement of Accounts', to the next meeting of the Committee on 11th September. The Committee were assured that this acceptable since the Statement of Accounts was required to be signed off by the statutory deadline of 30th September, 2017.

The Auditor had identified two adjustments affecting the Council's financial position. The draft financial statement for the year recorded total comprehensive income and expenditure of £60,942k, the audited financial statements showed a figure of £57,746k. A number of adjustments were recommended. Reference was made to the fact that the Council had produced draft accounts to a good standard with an overall high level of compliance with disclosure requirements. Identified errors and omissions, which did not impact on the Council's overall financial position, had subsequently been corrected. It was anticipated that an unqualified opinion in respect of the financial statements would be provided.

The report highlighted that the Value for Money work was complete and the External Auditors had concluded that the Council had in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Matters arising from the financial statements audit and the review and the review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources had been discussed with the Director of Finance and Corporate Services. A number of recommendations had been made which were set out in an Action Plan attached at Appendix A to the report. These recommendations had been discussed and agreed with the Director of Finance and Corporate Services and the Finance Team.

RESOLVED that:

- 1. The Audit findings, as presented by the Council's External Auditor, be noted.**
- 2. It be noted that the Audited 2016/17 Statement of Accounts was to be deferred to the next meeting on 11th September, 2017.**
- 3. A full updated Audit Findings Report 2016/17 be submitted to 11th September meeting.**

21. Audited 2016/17 Statement of Accounts

RESOLVED that the 2016/17 Statement of Accounts be deferred to the next meeting on 11th September, 2017.

22. Audit and Procurement Committee Annual Report to Council 2016/17

The Committee considered the Audit and Procurement Committee's Annual Report, which was to be submitted to the City Council at their meeting on 5th September 2017. The report provided an overview of the Committee's activity during 2016/17.

During the previous municipal year, the Committee met on eight occasions. The report detailed all the routine reports considered during this time which were based around the clearly defined expectations of the services and functions that report to the Committee such as internal and external audit and financial functions.

The Committee also considered ad-hoc reports which focused on either a specific concern or developments that impacted directly on the Committee. These included the Information Management Strategy; 2015/16 Annual Freedom of Information / Data Protection Act Report; Regulation of Investigatory Powers Act 2000 Annual Report; Ombudsman Complaints Annual Report; Corporate Risk Register; Code of Corporate Governance; and the Whistleblowing Policy.

In 2017/18, the Committee's initial focus would be ensuring that action was taken in response to disclosures made in the Annual Governance Statement; ensuring that any issues raised by the external auditors in the audit of the Council accounts were addressed on a timely basis, ensuring that Members of the Committee were appropriately supported through training and development; and that any actions arising from the outcome of the annual review of the Council's Code of Corporate Governance were effectively implemented.

RESOLVED that the Audit and Procurement Committee recommends that the Council considers the Annual Report 2016/17 at their meeting on 5th September, 2017.

23. Information Governance Annual Report 2016/17

The Committee considered a report of the Director of Finance and Corporate Services, which set out the Council's performance in relation to handling requests for information, managing data protection security incidents and completing data protection training demonstrating the Council's commitment to the strategy and compliance with relevant legislation.

Data Protection and transparency legislation were identified as important factors in the Council's Information Management Strategy. Compliance and performance had improved from the previous year's position, following the Information Commissioner's Office (ICO) audit report received in 2016. Recommendations from that audit report had been implemented. However, the Committee noted that there was still work to be done to embed these actions within the Council in order to gain full compliance. The General Data Protection Regulation (GDPR) would come into force on 25th May 2018 and would introduce major changes to the Data Protection Act 1998 (DPA). This would be an additional challenge that would introduce stricter rules around the way the Council captured, used and retained personal information and would attract higher financial penalties for non-compliance.

Under the Freedom of Information Act 2000 (FOIA) the Council were required to respond to requests from members of the public for information it holds, subject to any exemptions that may apply. The Environmental Information Regulations 2004 (EIR), require Public Authorities to consider disclosure of environmental information under EIR rather than FOIA. Both FOIA and EIR encourage proactive publication of information, however, the EIR provides fewer grounds for public authorities to withhold information.

The DPA required the authority to process personal data in accordance with the principles of the Act, which included providing access to information the Council processed about them, subject to any exemptions. These were also known as Subject Access Requests (SARs). DPA security breaches occur when there is unlawful or unauthorised processing of personal data, or where there is accidental loss, damage or destruction to personal data. The Council was required to report serious breaches to the ICO. It was also required to have in place technical and organisational measures to minimise occurrence of such incidents. DPA training was one of the organisational measures the Council was required to have in place.

The Information Commissioner's Office (ICO) oversees FOIA, EIR and DPA compliance, promotes good practice and deals with complaints from members of the public who are not satisfied with the response they receive. The ICO also investigates data protection breaches reported to them and can exercise enforcement powers that include civil monetary penalties.

During 2016/17, 1,374 FOI/EIR requests were received. The Council responded to 68% of requests within 20 working days. There were 15 requests for internal review and 3 complaints were referred to the ICO. The Council also received 144

SARs during 2016/17, with 68% completed within 40 calendar days. There were 3 requests for internal review and 3 complaints were referred to the ICO. The report provided details on the outcome of these reviews and complaints and also provided comparative data over a 3 year period.

There were 138 information security incidents reported during 2016/17, with most as a result of information disclosed in error or lost as a result of stolen hardware. Whilst it was not a requirement under the current legislation to report breaches to the ICO, this was recommended where there was a likelihood of significant harm to the individuals or a large number of individuals were affected. Under the GDPR the Council were required to report breaches to the ICO with 72 hours from the time the Council was made aware of the incident. 2 incidents were reported to the ICO during the period, with both being concluded with no enforcement action due to sufficient remedial measures taken by the Council.

The Committee were also advised that DPA mandatory e-learning training was launched on 4th November 2016, with all staff with access to computers expected to completed it on an annual basis. By the end of 2016/17, 57% of the Council's employees had completed the training. It was acknowledged that a number of staff did not have access to computers as part of their work role and alternative training was being considered for those employees. The Committee were informed that these staff had also been including in the training figures and it was the intention to bring a revised updated figure to the next meeting. To support the training, there had also been a "Data-Day" event and a communications campaign held to raise Data Protection awareness. Completion of Data Protection training had also now been included in the appraisal document.

The Committee asked about the actions which could be taken to reduce the number of FOI requests; enquired about the Data Protection training and asked for further information on the information security incidents. The Committee also asked about the current Data Protection training for Members and recommended that annual mandatory training be introduced for all members.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the Council's performance on Freedom of Information, Subject Access and other Data Protection Act requests, covering the number of responses within statutory time limits, outcome of internal reviews and number and outcome of complaints made to the Information Commissioner's Office.**
- 2. Note the data security incidents reported, including the number, nature and risk level.**
- 3. Note the Data Protection Act training completed, including the number of employees that have completed the training.**
- 4. Request that arrangements be made for annual mandatory training on Data Protection for all members.**

24. **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.

Private business

25. **Procurement and Commissioning Progress Report**

The Committee considered a report of the Deputy Chief Executive (People) which provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 3rd April 2017. Details of the latest positions in relation to individual matters were set out in an appendix to the report.

RESOLVED that:

1. **The current position in relation to the Commissioning and Procurement Services be noted.**
2. **No recommendations be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

26. **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 4.35 pm)

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Audit and Procurement Committee

11th September 2017

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

N/A

Title:

Outstanding Issues

Is this a key decision?

No

Executive summary:

This report is to identify those issues on which further reports / information has been requested or are outstanding so that Members are aware of them and can monitor their progress.

Recommendations:

The Committee is recommended to:-

1. Consider the list of outstanding items as set out in the Appendices, and to ask the Deputy Chief Executive concerned to explain the current position on those items which should have been discharged.
2. Agree that those items identified as completed within the Appendices be confirmed as discharged and removed from the outstanding issues list.

List of Appendices included:

Appendix 1 - Further Report Requested to Future Meeting
Appendix 2 - Additional Information Requested Outside of Meeting

Other useful background papers:

None

Has it or will it be considered by scrutiny?

N/A

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:
Outstanding Issues**

1. Context (or background)

- 1.1 In May 2004, the City Council adopted an Outstanding Minutes system, linked to the Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.
- 1.2 At their meeting on 25th January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, that a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside of the formal meeting.
- 1.3 Appendix 1 to the report outlines items where a report back has been requested to a future Committee meeting, along with the anticipated date for further consideration of the issue.
- 1.4 In addition, Appendix 2 sets out items where additional information was requested outside of the formal meeting along with the date when this was completed.
- 1.5 Where a request has been made to delay the consideration of the report back, the proposed revised date is identified, along with the reason for the request.

2. Options considered and recommended proposal

- 2.1 N/A

3. Results of consultation undertaken

- 3.1 N/A

4. Timetable for implementing this decision

- 4.1 N/A

5. Comments from Executive Director of Resources

- 5.1 Financial implications

N/A

- 5.2 Legal implications

N/A

6. Other implications

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

N/A

- 6.2 How is risk being managed?**

This report will be considered and monitored at each meeting of the Cabinet

6.3 What is the impact on the organisation?

N/A

6.4 Equalities / EIA

N/A

6.5 Implications for (or impact on) the environment

N/A

6.6 Implications for partner organisations?

N/A

Report author(s):

Name and job title:

Lara Knight
Governance Services Co-ordinator

Directorate:

Place

Tel and email contact:

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Tel: 024 7683 3237

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Names of approvers: (officers and Members)				

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Appendix 1

Further Report Requested to Future Meeting

	Subject	Minute Reference and Date Originally Considered	Date For Further Consideration	Responsible Officer	Proposed Amendment To Date For Consideration	Reason For Request To Delay Submission Of Report
1.	Information Management Strategy Update Report back of the outcome of the follow up audit by the Information Commissioner	36/16 24 th October 2016	February 2018	Helen Lynch / Joe Sansom		
* 2.	Audit Findings Report 2016/17 A full updated Audit Findings Report 2016/17 to be considered alongside the Audited 2016/17 Statement of Accounts	20/27 24 th July 2017	11 th September 2017	External Auditors, Grant Thornton		
* 3.	Audited 2016/17 Statement of Accounts Consideration of Audited Statement of Accounts following deferral from meeting on 24 th July 2017	21/17 24 th July 2017	11 th September 2017	Paul Jennings		

* identifies items where a report is on the agenda for your meeting.

Appendix 2

Additional Information Requested Outside of Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Internal Audit Annual Report 2016/17	Minute 6/17 26 th June 2017	That information be forwarded to the Committee in relation to the checks and balances undertaken regarding maintenance of vehicles and fuel consumption.	Karen Tyler	
2.	Procurement and Commissioning Progress Report	Minute 12/17 26 th June 2017	The Committee requested information on timescales for the City's 50m swimming pool.	Mick Burn	
3.	Information Governance Annual Report 2016/17	Minute 23/17 24 th July 2017	The Committee requested that arrangements be made for annual mandatory training on Data Protection for all members.	Sharon Lock	

Audit and Procurement Committee

Work Programme 2017-18

26th June 2017

Revenue and Capital Out-turn 2016-17
Draft Statement of Accounts 2016-17
Annual Governance Statement 2016-17
Internal Audit Annual Report 2016-17
Internal Audit Plan 2017-18
Procurement Progress Report (Private)

24th July 2017

Audit Findings Report 2016-17 (Grant Thornton)
Statement of Accounts 2016-17
Audit Committee Annual Report 2016-17
Information Governance Annual Report 2016/17
Procurement Progress Report (Private)

11th September 2017

Audit Findings Report 2016-17 (Grant Thornton)
Statement of Accounts 2016-17
Quarter One Revenue and Corporate Capital Monitoring Report 2017-18
Fraud Annual Report 2016-17
Procurement Progress Report (Private)

13th November 2017

Annual Audit Letter 2016-17 (Grant Thornton)
Half Year Internal Audit Progress Report 2017-18
Treasury Management Update
Procurement Progress Report (Private)

18th December 2017

Quarter Two Revenue and Corporate Capital Monitoring Report 2017-18
Corporate Risk Register Update
Annual Audit Letter 2016/17 - Progress Report on Actions
Procurement Progress Report (Private)

22nd January 2018

Half Yearly Fraud Update 2017-18
Ombudsman Complaints Annual Report 2016-17
RIPA (Regulation of Investigatory Powers Act) Annual Report 2016-17
Contract Management Review

19th February 2018

Grant Certification Report (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2017-19
Quarter Three Internal Audit Progress Report 2017-18
Information Management Strategy Update including result of follow up audit by ICO
Procurement Progress Report (Private)

26th March 2018

Annual Audit Plan (Grant Thornton)
Internal Audit Recommendation Tracking Report
Internal Audit Plan 2018-19
Procurement Progress Report (Private)
Code of Corporate Governance (Adrian West)

Dates to be confirmed



Public report Audit & Procurement Committee

Audit and Procurement Committee

11th September 2017

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

All

Title:

Audited 2016/17 Statement of Accounts

Is this a key decision?

No

Executive Summary:

The purpose of this report is to gain Audit & Procurement Committee's approval for the audited 2016/17 Statement of Accounts and Annual Governance Statement. The Audit & Procurement Committee is approving these accounts on the Council's behalf.

This follows the Committee's decision at its meeting on 24th July to defer approval of the Accounts to this meeting pending further work to audit the accounts.

Recommendations:

Audit & Procurement Committee is recommended to approve the final 2016/17 Statement of Accounts and the Annual Governance Statement.

List of Appendices included:

The final Statement of Accounts incorporating the agreed changes will be available prior to or at the meeting.

This report is presented alongside the External Auditor's Audit Findings Report which details the key changes to the draft Statement of Accounts considered by the Audit and Procurement Committee in June. The changes have been agreed between Grant Thornton and the Director of Finance and Corporate Services

Other useful background papers:

None.

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?

No

Will this report go to Council?

No. The Audit & Procurement Committee is approving the City Council's Statement of Accounts and Annual Governance Statement on the Council's behalf.

Report title:

Audited 2016/17 Statement of Accounts

1. Context (or background)

- 1.1 The Accounts and Audit Regulations 2011 require the Council to have its audited statements approved by 30th September. The Council has previously approved the delegation of responsibility for approving the statements to the Audit & Procurement Committee, which has become the key body in respect of understanding, analysing and discussing the content of these statements.
- 1.2 The Audit & Procurement Committee reviewed and commented upon the draft 2016/17 Statement of Accounts and Annual Governance Statement at its meeting on 26th June 2017. The Committee had been due to approve the audited accounts at its meeting on 24th July 2017 but further audit work was identified which prevented this. The Committee's decided therefore to defer approval to the 11th September 2017 meeting pending this further work. This report now seeks approval of the final audited statements.
- 1.3 It is worth noting that an update to the current regulations means that the 2017/18 and subsequent accounts will need to be prepared to an earlier timescale requiring publication of the draft accounts by 31st May and approval of the final accounts by 31st July. It will be important that the Council and its auditors agree an appropriate process and governance timetable to enable the Council to comply with these revised provisions.

2. Options considered and recommended proposal

- 2.1 This report is presented alongside the Audit Findings Report of the Council's external auditors Grant Thornton which details all the significant changes to the draft accounts and Annual Governance Statement which the Audit & Procurement Committee considered in June. These changes have been agreed between the Grant Thornton and the Director of Finance and Corporate Services. The majority of the Audit Findings Report was considered by Committee at its 24th July meeting.
- 2.2 The revised Statement of Accounts and Annual Governance Statement will be made available prior to or at the meeting and the key changes from the draft accounts are explained clearly within the Grant Thornton Audit Findings report elsewhere on today's agenda.

Report author(s):

Name and job title: Paul Jennings, Finance Manager (Corporate Finance)

Directorate: Place Directorate

Tel and email contact: 02476833753 paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or
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				approved
Contributors:				
Lara Knight	Governance Services Co-Ordinator	Place	18/8/17	18/8/17
Names of approvers for submission: (officers and members)				
Legal: Carol Bradford	Corporate Governance Lawyer – Legal Services	Place	18/8/17	18/8/17
Finance: Barry Hastie	Director of Finance and Corporate Services	Place	29/8/17	29/8/17

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Public report Cabinet Report

Cabinet
Council
Audit and Procurement Committee

29th August 2017
5th September 2017
11th September 2017

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

2017/18 First Quarter Financial Monitoring Report (to June 2017)

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 June 2017.

The headline revenue forecast for 2017/18 is an over spend of £4.6m. At the same point in 2016/17 there was a projected overspend of £6.4m.

This position reflects areas that have reported overspends in recent previous years and ones where new budgetary issues are emerging. Although the initially reported overspend position is not as large as this time last year, the Senior Management Board is aware of the need to address the range of budgetary issues facing the Council. This includes continued challenges in delivering savings targets set in previous Budgets and some local demand pressures, in particular in relation to looked after children and housing related costs. Even at this early stage it is likely that some of these pressures will need to be considered as part of the Council's Budget Setting process for the 2018/19 Budget although further work will continue to keep these to a minimum.

The Council's Capital spending is projected to be £128m for the year, a net increase of £5m on the programme planned at the start of the year.

The report also recommends a change to the Council's Investment Strategy and Policy to enable the council to continue its current level of investment in Property based Collective Investment Schemes

Recommendations:

Cabinet is recommended to:

- 1) Note the forecast revenue overspend at Quarter 1.
- 2) Approve the revised capital estimated outturn position for the year of £128m incorporating: £2.5m net increase in spending relating to approved/technical changes (Appendix 2 of the report), £12.6m of expenditure rescheduled from 2016/17 into 2017/18 and £10.3m net rescheduling of expenditure into 2018/19 (Appendix 4 of the report).
- 3) Request that Council approves an adjustment to the Council's Investment Strategy and Policy to increase the maximum investment limit with property based Collective Investment Schemes to £10m, up from £8m.

Council is recommended to:

- 1) Approve a change to Council's Investment Strategy and Policy increasing the maximum investment limit with property based Collective Investment Schemes to £10m, up from £8m.

Audit and Procurement Committee is recommended to:

- 1) Consider whether there are any comments they wish to be passed onto 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 2017/18
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

Background Papers

None

Other useful documents:

None

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?

Yes - Audit and Procurement Committee - 11th September 2017

Will this report go to Council?

Yes – Council - 5th September 2017

Report Title:

2017/18 First Quarter Financial Monitoring Report (to June 2017)

1. Context (or Background)

- 1.1 Cabinet approved the City Council's revenue budget of £232.5m on the 21st February 2017 and a Directorate Capital Programme of £123.2m. This is the first quarterly monitoring report for 2017/18 to the end of June 2017. The purpose 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 2017/18 revenue forecast is an overspend of £4.6m. The reported forecast at the same point in 2016/17 was an overspend of £6.4m. Capital spend is projected to be £128.0m, an increase of £4.8m on the original Capital Programme.

2. Options considered and recommended proposal

- 2.1 **Revenue Forecast** - The forecast revenue overspend £4.6m is analysed by service area below.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Forecast Variation £m
People Directorate			
Public Health	0.5	0.2	(0.3)
Directorate Management	1.5	1.5	0.0
Education & Inclusion	12.4	12.5	0.1
Children & Young People	71.5	75.1	3.6
Adult Social Care	82.0	81.8	(0.2)
Customer Services & Transformation	2.8	4.7	1.9
Total People Directorate	170.7	175.8	5.1
Place Directorate			
Directorate Management	4.0	3.9	(0.1)
City Centre & Major Projects	7.2	7.3	0.1
Transportation & Highways	3.9	4.3	0.4
Streetscene and Regulatory	26.9	27.3	0.4
Project Management & Property	(7.5)	(7.6)	(0.1)
Finance & Corporate Services	6.9	8.3	1.4
Total Place Directorate	41.4	43.5	2.1

Contingency & Central Budgets	20.4	17.8	(2.6)
Total Spend	232.5	237.1	4.6

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 of the report.

People

The People Directorate continues to face significant financial challenges, and a large underspend on centralised salaries (£3.2m) masks a significant overspend across other areas (£8.3m), including undelivered savings targets and budgetary control pressure.

The net forecast position of a £5.1m overspend includes undelivered savings targets of £3.1m. This is largely as a result of delays in delivery within Children's Services and Customer Services & Transformation divisions. Both divisions have saving and delivery plans in place to manage the saving targets, but they are not forecast to be fully delivered within the 2017/18 financial year.

All budgetary control variances over £0.1m are detailed in Appendix 1 of the report. The most significant pressure in addition to undelivered savings targets is Looked After Children Placements, and supported accommodation provision for care leavers and homeless 18-24 year olds (£1.8m). Children's Services Management Team are reviewing placements within these areas to identify actions to reduce the pressure in-year.

The Directorate's centralised salary underspend against its salary budgets and turnover target is partly as a result of high levels of vacancies in Children's Social Care, which account for £2.6m of the underspend. This is partly offset by non-salary overspend as a result of agency staff in Children's Social Care, although as recruitment continues this cost reduces. Agency numbers across Children's Social Care have reduced from 75 (June 2016) to 44 (June 2017). Internally provided services in Adult Social Care contribute a further £0.6m towards the forecast underspend as a result of planned vacancies and efficiencies. The Children's Services restructure is currently out to consultation, and if implemented will change the salary position.

Place

Place Directorate is forecasting an overall net deficit of £2.1m at Quarter 1. The most significant variation of £2.1m relates to the cost of Housing Benefit (HB) paid in respect of homeless people emergency Bed and Breakfast accommodation, which cannot be claimed from the government. There is also a £1.0m pressure due to the element of HB paid out for clients in supported accommodation which can also only be partially reclaimed. These pressures are offset by a surplus recovery of £1.6m HB overpayments.

In addition, some areas of the directorate are experiencing income generation pressures, the key ones being as follows. In parking enforcement, temporary vacancy issues are resulting in fewer Parking Charge Notices (PCNs) being issued. This together with under performance on collection of PCN income is causing a £0.4m pressure. The Monitoring & Response service has not as yet been able to achieve £0.3m commercialisation and cost reduction targets. City centre commercial rental income is falling short of targets by almost £0.2m due to the disposal and demolition of some large property assets. Schools Cleaning income pressures of £0.1m still exist until the management of the service transfers to

schools from September 2017, and Commercial Catering continues to experience event and café trading deficits of £0.1m.

Pressures are being offset by a £0.2m negotiated saving in relation to an external property lease termination cost, and the recovery of £0.3m of officer costs from a combination of grant and asset disposal proceeds.

Contingency & Central

Expenditure is expected to be less than anticipated across inflation contingencies, the Asset Management Revenue Account (AMRA) and the Apprenticeship Levy. The AMRA has been an area that has consistently underspent in recent years but the current forecast is an underspend of £0.3m. There is no expectation of further variations on the scale that has been experienced previously in this area.

2.3 Capital Programme

The 2017/18 Budget Setting report (Cabinet 21st February 2017) approved a total Directorate Capital programme for 2017/18 of £123.2m. Table 2 below updates the budget to take account of a £2.5m increase in the programme from approved/technical changes. £12.6m of expenditure has been brought forward from 2016/17 and £10.3m is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2017/18 of £128.0m. Appendix 3 of the report provides an analysis by directorate of the movement since February.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2017/18. It shows 54% of the programme is funded by external grant monies, whilst 43% is funded from borrowing. The programme also includes funding from capital receipts of £0.5m. Overall the Capital Programme and associated resourcing reflects a forecast balanced position in 2017/18.

Table 2 – Movement in the Capital Budget

CAPITAL BUDGET 2017-18 MOVEMENT	£m
February 2017 Approved Directorate Programme	123.2
Net rescheduling of expenditure from 2016/17 into 2017/18	12.6
Updated Programme	135.8
Approved / Technical Changes (see Appendix 2)	2.5
"Net" Rescheduling into future years (see Appendix 4)	(10.3)
Revised Estimated Outturn 2017-18	128.0
<hr/>	
RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific & Gap Funding)	54.4
Grants and Contributions	69.6
Capital Receipts	0.5
Revenue Contributions	3.0
Leasing	0.5
Total Resources Available	128.0

Final decisions on the funding of the programme will be made at year-end, based on the final level of spend and the level of resources available. These decisions will pay due regard to the need to earmark resources to fund future spending commitments. In recent years the Council has delayed prudential borrowing as a means of funding capital spend but it is important to be aware that significant amounts of borrowing have been approved to fund the 2017/18 and future programmes and this will come on-stream over the next few years. The revenue funding costs of this have been built into the Council's forward financial plans.

2.4 Treasury Management Activity in 2017/18

Interest Rates

The economic outlook for the UK is challenging with economic growth slowing as higher inflation and lower confidence weigh on activity. The uncertainty that the current Brexit negotiations have caused is highlighted by the recent mixed messages released by the Bank of England talking up the potential of both a rate rise and a rate cut in the near future. However, the most likely scenario is for the interest rate to stay at 0.25% for the short to medium term with a rate rise more likely than a cut thereafter. However, any rate changes will be minimal and gradual in nature.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2017/18 capital programme is £46.6m, taking into account borrowing set out in Section 2.4 above (total £54.4m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£7.8). 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 2017/18 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 2017/18 to P3	Maximum 2017/18 to P3	As at the End of P3
5 year	1.34%	1.64%	1.63%
50 year	2.47%	2.68%	2.66%

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 2017/18, 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 replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings. However, the Council and its Treasury Management advisors are exploring currently one opportunity in relation to part of the Council's debt portfolio which, if successful, may deliver a small revenue saving.

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 holds no short term borrowing.

Short term investments were made at an average interest rate of 0.68%. 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, Registered Providers 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 30th June 2016	As at 31st March 2017	As at 30th June 2017
	£m	£m	£m
Banks and Building Societies	54.0	14.0	23.4
Money Market Funds	15.8	6.5	26.9
Local Authorities	0.0	45.0	0.0
Corporate Bonds	23.2	13.6	10.4
Registered Providers	5.0	10.0	8.0
Total	98.0	89.1	68.7

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 30th June 2017 the pooled funds were valued at £39.8m, spread across the following funds: Payden and Rygel; Federated Prime Rate, CCLA, Standard Life Investments, Royal London Asset Management and Deutsche Bank.

Prudential Indicators and the Prudential Code

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

The indicators, together with the relevant figures as at 30th June 2017 are included in Appendix 6 of the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2017/18. Specific points to note on the ratios are:

- 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 30th June the value is -£69.7m (minus) compared to +£80.0m 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 30th June the value is £243.9m compared to £400.0m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

CCLA Investment Limit

The Council's Investment Strategy and Policy dictates which organisations the Council is able to invest its cash balances with and the financial limits that apply to each counterparty or type of counterparty. Until February the Council's policy allowed up to £10m to be invested with individual Collective Investment Schemes, which are investments that are managed by external fund managers on the Council's behalf. The limit applies at the point that the investment is made and at that point the Council held an investment of £10m in the CCLA (Churches, Charities and Local Authorities), a property based investment fund.

The policy was revised as part of the 2017/18 Budget Report (February 2017), reducing the maximum limit for unsecured investments with individual counterparties from £10m to £8m. This limit was established through advice from the Council's treasury advisors using an estimate of the Council's projected maximum investment balance for 2017/18, and applying a limit of 5% of this total for such investments.

In April 2017 the Council made a payment of £93.3m to the West Midlands Pension Fund. This represented three years' employer superannuation payments in line with the strategy agreed as part of the Budget Report. The Council's cash balances have gone down significantly as a result, a movement anticipated as part of the revised strategy referenced above.

Local Authorities have recently begun to increase direct investments in property as they seek a higher return on their investments and the Council is also seeking to identify any appropriate opportunities to do this. Notwithstanding that the Council is taking care to adopt a modest and balanced approach and to risk assess each individual opportunity to invest in this way direct investment in property can leave authorities open to risks including property voids and falls in property capital values.

Investing in CCLA mitigates these risks to some degree due to the fact that there is a much larger pool of properties in the portfolio, spread geographically and by type. This can help to smooth any future falls in the capital value of properties and void rental income losses. As well as being lower risk than direct property investment, the CCLA has historically generated good returns for the authority. Since the initial investment was made in December 2013, it has generated £917k in interest at a rate of 4.9% and in 2016/17 alone it generated £397k at an interest rate of 4.8%.

Although the CCLA investment is not contrary to the Council's existing strategy (because it complied at the time the investment was made), existing working practice would be to reduce the investment to meet the new limit. However, the relatively strong returns from the fund combined with the relatively high level of security within this investment type have led to a local assessment that the Council should modify its investment strategy to accommodate the existing investment. This has been discussed with our treasury advisors and whilst they continue to maintain their previous advice they are also advising local authorities that investments in CCLA provide greater security than many direct property investments being made across the sector. On balance the Director of Finance and Corporate Services' view is that this the balance of relatively good returns and low risk justify a marginal change in the Council's Investment Strategy and Policy to accommodate this existing investment.

This change is required by the Constitution to be approved by Council. Therefore, it is recommended that the Council's Investment Strategy and Policy is changed so that the maximum investment limit with Property based Collective Investment Schemes is returned to £10m, up from £8m. The Strategy is reviewed every year as part of the Council's Budget Setting process.

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 the Director of Finance and Corporate Resources

5.1 Financial Implications

Revenue

Following the challenging budgetary control position faced by the Council in 2016/17 and further Government grant cuts for 2017/18 the Council continues to face significant revenue pressures. Most service areas are being delivered within budget and the new resources that have been made available to the Council for adult social care should ensure that this area is in a strong position to manage its budgetary position this year. However, some intractable problems remain, in particular from the non-achievement of planned budget savings and due to further increases in children's social care pressures as a result of the number and costs of looked after children.

A further large budget overspend is the result of Housing Benefit paid out for emergency bed and breakfast accommodation for homeless people. This is a problem that is common to a number of local authorities across the country and options are currently being explored to provide more cost effective accommodation options for the Council.

Management focus and activity is continuing in order to achieve existing savings programmes although it is important for Cabinet to be aware that a small number of remaining undelivered savings will prove difficult to deliver. The extent to which these pressures are likely to have an on-going impact will be considered as part of the early work done in preparation for 2018/19 Budget setting.

At this stage of the financial year the overall bottom line position, whilst challenging, is not a cause for undue concern. Work will continue across areas that are reporting overspends

currently to move towards a balanced position and it is anticipated that the financial position for a number of these will improve as the year progresses. Other options for managing any residual overspend will also be kept under review.

Capital

Several schemes are now reflecting the likelihood that expenditure will be rescheduled into 2018/19. Basic Need, A46 link road and Coventry Station Masterplan make up the largest part of this. The Council has received additional grant that it will be able to use to fund capital expenditure on a cash-flow basis within 2017/18 and therefore reduce the amount of Prudential Borrowing that it is required to undertake in the year by £6.3m. Rescheduling from 2016/17 together with additional funds being added to the Capital Programme has led to an overall increase of c£5m to the planned expenditure from the base budget position of £123.2m.

5.2 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 in managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

In Quarter 1 there is a forecast overspend. The Council will continue to ensure that strict budget management continues to the year-end and will also need to manage overall financial resources to accommodate any overall year-end overspend. Any use of one-off resources to balance the final position means that these resources would not be available to use fund future spending priorities.

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.

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Appendix 1

Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Appendix 1 details directorates forecasted variances.

Budget variations have been analysed between those that are subject to a centralised forecast and those that are managed at service level (termed “Budget Holder Forecasts” for the purposes of this report). The Centralised budget areas relate to salary costs – the Council applies strict control over recruitment such that managers are not able to recruit to vacant posts without first going through rigorous processes. In this sense managers have to work within the existing establishment structure and salary budgets are not controlled at this local level. The Centralised salaries and Overheads under-spend shown below is principally the effect of unfilled vacancies.

Directorate	Revised Budget	Forecast Spend After Action/ Use of Reserves	Centralised Forecast Variance	Budget Holder Forecast Variance	Net Forecast Variation
	£m	£m	£m	£m	£m
Public Health	0.5	0.2	(0.2)	(0.1)	(0.3)
People Directorate Management	1.5	1.5	0.0	0.0	0.0
Education and Inclusion	12.4	12.5	(0.2)	0.3	0.1
Children and Young People's Services	71.5	75.1	(2.6)	6.2	3.6
Adult Social Care	82.0	81.8	(0.6)	0.4	(0.2)
Customer Services & Transformation	2.8	4.7	0.3	1.6	1.9
Total People Directorate	170.7	175.8	(3.3)	8.4	5.1
Place Directorate Management	4.0	3.9	0.0	(0.1)	(0.1)
City Centre & Major Projects Development	7.2	7.3	0.1	0.0	0.1
Transportation & Highways	3.9	4.3	(0.4)	0.8	0.4
Streetscene & Regulatory Services	26.9	27.3	(0.5)	0.9	0.4
Project Management and Property Services	(7.5)	(7.5)	(0.1)	0.0	(0.1)
Finance & Corporate Services	6.9	8.3	0.2	1.2	1.4
Total Place Directorate	41.4	43.5	(0.7)	2.8	2.1
Resourcing	20.4	17.8	0.0	(2.6)	(2.6)
Total	232.5	237.1	(4.0)	8.6	4.6

Reporting Area	Explanation	£m
People Directorate	The centralised salary underspend against its salary budgets and turnover target is partly as a result of high levels of vacancies in Childrens Social Care, which account for £2.6m of the underspend. This is partly offset by non-salary overspend as a result of agency staff in Childrens Social Care, although as recruitment continues this cost reduces. Internally provided services in Adult Social Care contribute a further £0.6m towards the forecast underspend as a result of planned vacancies and efficiencies. The Children's Services restructure is currently out to consultation, and if implemented will change the salary position.	(3.3)
Place Directorate	Centralised budgets in Place are more than delivering turnover targets, primarily due to high levels of vacancies in Traffic & Transportation, Streetpride, and Domestic Refuse & Recycling. Some of these underspends are offset by the cost of agency staff where cover is required to maintain service continuity.	(0.7)
Total Non-Controllable Variances		(4.0)

PEOPLE DIRECTORATE			
Service Area	Reporting Area	EXPLANATION	£m
Public Health	Public Health Staffing & Overheads	Underspend on salary costs arising from vacancies.	(0.2)
	Other Variances Less than 100K		0.1
Public Health			(0.1)
Education and Inclusion	School Enrichment Services	Performing Arts Service is forecasting an overspend of £138k mainly due to anticipated shortfalls in income. A service redesign will be implemented in September 2017 which will achieve efficiencies, increase flexibility for customers and assist the service in achieving a break even position. Governor Support is currently forecasting an over spend of £44k due to reduced levels of buyback from schools. A plan is in place to reduce this deficit and the service are currently attending a number of additional meetings as well as actively looking for alternative income streams.	0.2
	Inclusion & Participation	Overspend as a result of a part year delivery of the transport review, against a full year saving.	0.2
	Advice and Health Information Services	Resettlement generates corporate income which will be maximised where possible. Under Spend will be used to support spend in other Council services.	(0.4)
	Adult Education	Target set in corporate plan to switch internal training with ESFA grant funding. To date it has not been possible to identify areas in the Council where this can take place.	0.1

	Libraries	Library Service variance due to current predicted overspend due to purchase of self service machines required as part of the Connecting Communities programme.	0.2
Education and Inclusion			0.3
Children and Young People's Services	Children's Services Management Team	The overspend is as a result of additional staffing capacity working on OFSTED Improvement Plan activities and delivery of the Children's Transformation programme. There is also a small forecast shortfall in delivery of workforce savings reported to the June Children's Transformation Board.	0.3
	Commissioning, QA and Performance	Following the Ofsted monitoring visit (and further backed up in the OFSTED Inspection) and significant concerns about the volume and quality of the work of CP chairs and IRO's, it was agreed that 4 additional posts were required on an interim basis. All 4 posts are currently recruited to on an agency basis, and the re-structure out to consultation proposes that these posts are recruited to on fixed term contracts for 12 months, and beyond that subject to review of workload, areas of responsibility and identified budget. We also currently have some other agency staff filling establishment posts, but will continue to recruit to permanent posts.	0.4
	Help & Protection	Overspend relates to the costs of Agency staff covering posts across the service. This is more than offset by underspends across salary budgets. There is also a pressure as a result of grant fall out for the Family Drug and Alcohol Court. It is proposed that this will be resolved as part of the restructure out to consultation, and we are also exploring the possibility of a Social Impact Bond funding model from 2018/19.	1.8
	LAC & Care Leavers	The overspend is as a result of undelivered savings targets and budgetary control pressure. Approximately £1.7M is a forecast shortfall in delivery of workforce savings reported to the Children's Transformation Board. This is in the area of Looked After Children Placements and is as a result of delays in the delivery of the internal residential provision changes, and slower than forecast increases in internal foster carers. This is being closely monitored by the Children's Transformation Board. In addition there is continued pressure in external residential placements and supported accommodation as a result of high levels of activity. Children's Leadership Team are reviewing all children and young people in placements to identify how costs can be reduced within the financial year.	3.6
Children and Young People's Services			6.2
Adult Social Care	Internally Provided Services	The overspends on other pay, overtime and variable allowances are offset by underspends on centralised salary costs due to a number of vacancies.	0.2
	All Age Disability and Mental Health Operational	The overspends on other pay, overtime and variable allowances are partly offset by underspends on centralised salary costs due to a number of vacancies. An overall overspend on centralised salaries due to management of vacancies targets.	0.1
	Other Variances Less than 100K		0.1

Adult Social Care			0.4
Customer Services & Transformation	HR and Workforce Development Management	<ul style="list-style-type: none"> • Unmet element of savings target as a result of significant HR input to deliver Workforce Strategy programme - £115K • Unbudgeted agency cost in HR Operations covering key vacancies and work to deliver Workforce Strategy. This is offset by salary underspends showing in the Centralised Forecast Variance - £44K • Ongoing pressure relating to shortfall in SLA income from schools which will be the subject of further review and action during Qtr 2 - £130K. • Ongoing pressure relating to cross-Council DBS required for key posts including social care - £60K 	0.4
	Customer and Business Services	<ul style="list-style-type: none"> • Unmet element of £1.8m Business Services savings target - £680K • Ongoing pressure relating to homelessness service mainly comprising B&B rental cost not covered by Housing Benefit, agency cost in Housing Options team as service is redesigned and implications of Homelessness Reduction Act clarified and furniture storage cost - £310K 	1.0
	ICT Operations	<ul style="list-style-type: none"> • Ongoing pressure relating to mobile phones exacerbated by increases in number of devices needed due to changes in ways of working and replacement devices - £290K • Various smaller software related pressures £50K • Part offset by ongoing underspend in Data and Voice Network relating to areas where spending needs have reduced over several years - £116K. Zero base budget work underway. 	0.2
Customer Services & Transformation			1.6
Forecast Overspend/(Underspend)			8.4

PLACE DIRECTORATE			
Service Area	Reporting Area	EXPLANATION	£m
Place Directorate Management	Other Variances Less than 100K		(0.1)
Place Directorate Management			(0.1)
Transportation & Highways	Highways	Anticipated expenditure on agency cover and unfunded surface water management planning checks (for which potential income streams are being investigated). The Highways DLO trading position is balanced but is reliant on a number of assumptions with regards to income streams.	0.1
	Traffic	- Parking services (£370k): primarily due to income pressure within parking enforcement due to reduced recovery rates and fewer number of PCNs issued (due to staff shortages). There are also expenditure and income pressures within car parks. - Network Management (£247k): primarily within UTC due to anticipated expenditure on agency cover, pressures due to unrecoverable road traffic accident damages to assets and the unfunded costs of growth to the asset estate (energy and maintenance). In addition there is a pressure within the shared streetworks area due to the cost of temporary staff to cover vacant posts and the knock-on effect on income performance.	0.6

	Transport & Infrastrucutre	Anticipated expenditure on agency cover due to key vacancy	0.1
	Other Variances Less than 100K		0.0
Transportation & Highways			0.8
Streetscene & Regulatory Services	Streetpride & Parks	Anticipated expenditure on the use of Overtime / Agency to reflect planned works / service requirements due to vacancies, together with increased Traveller Incursion costs	0.5
	Waste & Fleet Services	The overspend primarily relates to Domestic Refuse & Recycling, and is due to the additional costs / salaries for the change of service to fortnightly collections.	0.2
	Environmental Services	Non achievement of Income Targets in relation to CCTV & Community Safety	0.2
	Other Variances Less than 100K		0.0
Streetscene & Regulatory Services			0.9
Project Management and Property Services	Development Services	Management action to offset wider pressures by recovering some of the core funded surveyor cost of disposals from the sales proceeds	(0.2)
	Commercial Property	A decline in City Centre commercial rent is occurring and expected to get worse, this is due to the impact of City Centre South and other major building developments in the City Centre.	0.3
	PAM Management & Support	This underspend reflects the lower cost of the Council's liability for exiting an external lease at Lamb Street	(0.2)
	Other Variances Less than 100K		0.1
Project Management and Property Services			0.0
Finance & Corporate Services	Revenues and Benefits	<p>There is a net pressure within the Housing Benefit (HB) Subsidy account.</p> <p>The largest pressure (circa £2.1m) is due to the element of HB paid out for bed & breakfast (B&B) accommodation for homeless people which cannot be reclaimed from DWP as HB Subsidy.</p> <p>In addition there is a pressure (circa £1.0m) due to the element of HB paid out for mainly clients in supported accommodation which can only be partially reclaimed from DWP as HB Subsidy.</p> <p>The above two pressures are offset by the surplus recovery of HB overpayments (circa £1.6m)</p>	1.4
	Financial Mgt	Accelerated achievement of headcount savings target, temporarily offsetting the delay in achievement elsewhere in the division. In addition, savings have been made on non-staff budgets (circa £30k).	(0.3)
	Legal Services - People	<p>Variation primarily due to the cost of external barrister expenditure. The service is hoping to bring down external costs by greater use of internal resources for court work and the forecast reflects this.</p> <p>In addition there are pressures within Coroners due to increased pathology and venue fees (£60k), offset by increased income from the Registrar's service (£60k).</p>	0.1
Finance & Corporate Services			1.2
Forecast Overspend/(Underspend)			2.8

CONTINGENCY AND CENTRAL		
Reporting Area	EXPLANATION	£m
Corporate Finance	Expenditure is expected to be less than anticipated across inflation contingencies, the Asset Management Revenue Account (AMRA) and the Apprenticeship Levy. The AMRA has been an area that has consistently underspent in recent years but the current forecast is an underspend of £0.3m. There is no expectation of further variations on the scale that has been experienced previously in this area.	(2.6)
Forecast Overspend/(Underspend)		(2.6)

Appendix 2

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Disabled Facilities Grant	Increase in Base budget, to reconcile back to 2017/18 new Grant Award	0.3
SUB TOTAL - People		0.3
PLACE DIRECTORATE		
Keeping Coventry Moving - National Productivity Investment Fund (NPIF)	On 12th May 2017, West Midlands Combined Authority (WMCA) approved the National Productivity Investment Fund allocations for Local Authorities. This included £0.7m for Coventry to deliver the Keeping Coventry Moving programme. All grant monies must be spent by 31st March 2018.	0.7
Acquisition of Dutton Road	Bringing the capital programme in line with Cabinet report 24th June for the acquisition of 1 Dutton Road industrial Estate	0.9
Far Gosford Street Regeneration - Liveability	Removing Liveability funding, not required for 2017/18. Will be used as match funding for Burgess and London Road schemes	(0.1)
Far Gosford Street Regeneration - CPO	Technical Adjustment on CPO accelerated spend in Far Gosford Street. Final CPO Payment estimated £98k will be brought back into the programme once compensation is agreed	0.3
Coventry on the Move in Parks Project Phase 1	New Scheme	0.3
London Road Cemetery	Scheme has not been approved yet	(0.2)
Miscellaneous	Net technical changes	0.3
SUB TOTAL - Place Directorate		2.2
TOTAL APPROVED / TECHNICAL CHANGES		2.5

Appendix 3

Capital Programme: Estimated Outturn 2017/18

The table below presents the revised estimated outturn for 2017/18.

DIRECTORATE	ESTIMATED OUTTURN QTR 1 £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 17- 18 £m
PEOPLE	26.8	0.3	0.0	(3.7)	23.4
PLACE	109.0	2.2	0.0	(6.6)	104.6
TOTAL	135.8	2.5	0.0	(10.3)	128.0

Appendix 4

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Basic Need	Basic Need Funding is for additional pupil places. The Education service had anticipated that further growth in population might necessitate expanding one of two Primary Schools but this has not been required. Substantial expansion to Secondary Schools will be required from 2018, this is estimated to cost in the region of £30m and it is unlikely to be covered from DFE Grant. We need to reschedule the £3.5m towards the preparation of the secondary school expansion programme	-3.5
Broad Park House (Breaks for Disabled Grant)	Residual Part of Grant. The use of these resources currently under review, no spend planned this year	-0.1
ICT - Superfast Broadband	This funding relates to a Project Manager post for the Superfast Broadband project being delivered with Solihull and Warwickshire. This post is still out to advert and therefore the monies will not be spent this year, hence the request for the rescheduling into next year.	-0.1
SUB TOTAL - People Directorate		-3.7
PLACE DIRECTORATE		
UK Central & Connectivity - Coventry South Package - A46 Link Road	At the time of setting the Capital Programme in February 2017, it was anticipated that construction would begin in Quarter 4 of 2017-18. A more robust programme has been developed, whereby planning approval is due in Quarter 3 which is then followed by full business case approval in Quarter 4 which will enable all land consents to be put in place, which means that construction will not commence until Quarter 1 of 2018-19.	-2.4
UK Central & Connectivity - City Centre First - City Centre Place Plus	A priority programme for the Place Transportation Major Projects team is currently being finalised, which is resulting in a relatively small slippage of the design stage. There is every possibility that as we get to Quarter 3 we may be in a position to accelerate the programme.	-0.1
UK Central & Connectivity - Very Light Rapid Transit - Coventry Shuttle	Improved understanding of the development stage of the scheme has enabled a far more detailed cashflow. The design of the vehicle and track will commence in Qtr 3 once the feasibility studies have been completed. These works will be alongside the options and design of the desired route for Coventry Shuttle.	0.6
Whitefriars Housing Estates	On the 5th June 2017 at Whitefriars Housing Board, it was agreed between City Council Highways and Whitefriars colleagues that an additional £0.4m of work would be programmed into 2017-18, this is resourced by the right to buy receipts received from Whitefriars.	0.4
Coventry Station Masterplan inc Nuckle 1.2, Station Access & Friargate West	There has been a shift in expenditure profile due to a rethink of the programme procurement strategy. This follows recent experience on NUCKLE 1.2 using Network Rail to deliver part of the programme (doubling proposed development costs and lack of commitment to an overall price or programme for delivery). Instead of Network Rail delivering the CSMP project elements as originally assumed a revised delivery model being proposed to instead go to market. This will provide delivery / cost efficiencies and also introduces a contractor procurement process into the programme. This will result in a delay	-2.5

	in the commencement of detailed design for all schemes to allow for tender timescales, instead of awarding to Network Rail under an Implementation Agreement. This change has reduced 2017/18 spend profile accordingly	
GD06 - R&D Steel	Accelerating – The project has started delivery and updated its forecasts. The project has been able to bring forward the purchase of some large pieces of equipment, allowing for their use within the project ahead of the original schedule. The acceleration of spend has been agreed at CWLEP Programme Delivery Board.	0.4
GD08 - Business Innovation Fund	Rescheduling – This project will provide funding to businesses using a combination of Grant and Loans. This is the first time this approach has been used by CCC. The project is still in its development phase, with a start date now expected in January 2018.	-0.6
GD10 - A5 Corridor Project	This is an package of road improvement that is currently under development. The project team has provide an updated spend schedule based on a revised plan of works with some funding slipping from 16/17 and 17/18 into 18/19, but other spend from 19/20 being accelerated to 18/19.	0.4
ESIF Low Carbon	This is an ERDF business grant programmes. All of the European programmes had a slow start due to contracting with DCLG etc. and uptake has been slower than anticipated.	-0.6
ESIF Innovation	This is an ERDF business grant programmes. All of the European programmes had a slow start due to contracting with DCLG etc. and uptake has been slower than anticipated.	-0.4
Growing Places	The delays in claiming these have been mainly due to two individual projects where the applicant has not been able to claim their grant in line with the original timetable for various reasons. Rescheduling has been used to reflect the new expected profiles.	-0.8
City Centre Destination Leisure Facility	The City Centre Destination Facility has encountered some unexpected archaeological works which were undertaken during April and May that have slightly impacted on the programme. The shift in programme along with a significant element of the children’s play structure (central bowl area) are now scheduled to be spent in 2018/19 and not as originally forecast in 2017/18. We are also not anticipating committing any contingency in 2017/18 resulting in the £0.7m rescheduling.	-0.7
Alan Higgs Centre - 50m Swimming Pool	On the Alan Higgs 50m pool project, we have adjusted the programme slightly so that the current facility (indoor football hall) remains open and operational until the end of March 2018 (instead of the end of February 2018) and therefore the construction works will now start in April 2018.	-0.2
SUB TOTAL - Place Directorate		-6.6
TOTAL RESCHEDULING		-10.3

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th June 2017
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).	13.53%	13.54%
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 £474.2m	£367.7m 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.	£470.4m	£367.7m 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.	£430.4m	£367.7m 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.	£400.0m	£243.9m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£80.0m	-£69.7m
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%	13% 3% 13% 10% 61%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£24m	£0.0m



Coventry City Council

Public report

Report to

Audit and Procurement Committee

11th September 2017

Name of Cabinet Member:

Cabinet Member for Strategic Finance & Resources – Councillor J Mutton

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Annual Fraud Report 2016-17

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud activity for the financial year 2016-17.

Recommendation:

The Audit and Procurement Committee is recommended to note and consider the anti-fraud activity undertaken in the financial year 2016-17.

List of Appendices included:

None

Background papers:

None

Other useful documents:

Half Yearly Fraud Update 2016-17

<http://democraticservices.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11089&Ver=4>

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:

Annual Fraud Report 2016-17

1. Context (or background)

- 1.1 Fraud in the public sector has a national focus through the publication of "Fighting Fraud and Corruption Locally - The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy states that the level of fraud in the public sector is significant, the current trends in fraud activity includes areas which Coventry City Council does not have responsibility for, for example, social housing, and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.
- 1.2 This report documents the Council's response to fraud during 2016-17, and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference '*to monitor Council policies on whistle blowing and the fraud and corruption strategy*'.

2. Options considered and recommended proposal

- 2.1 The Internal Audit Service is responsible for leading on the Council's response to the risk of fraud. The work of the team has focused on four main areas during 2016-17, namely:

- Council Tax
- National Fraud Initiative
- Referrals and investigations considered through the Council's Fraud and Corruption Strategy
- Proactive work

A summary of the key activity that has taken place during 2016-17 is detailed below.

- 2.2 Council Tax – Work undertaken in this area has focused on the following:

- Reviewing Council Tax Exemptions / Discounts – A rolling programme of reviews is undertaken on an annual basis to provide an appropriate response to the inherent risk of fraud / error in this area, as the Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. The work in 2016-17 has resulted in:
 - 136 exemptions / discounts have been removed from customers' accounts. These exemptions / discounts were removed on the basis that the customer failed to report a change in circumstances. As such, they have been treated as an error, rather than a fraudulent application to obtain an exemption they were not entitled to.
 - Revised bills have been issued amounting to approximately £157,000.
 - £134,000 of this money has been paid to the Council to date. The outstanding balances are being recovered through agreed payment instalment arrangements or are subject to the Council's standard recovery arrangements in relation to Council Tax.

- Council Tax Referrals – The Council receives referrals from both internal and external sources linked to concerns around the payment of council tax support or council tax discounts / exemptions. Table one below indicates the number of referrals by source in 2016-17.

Table One – Council Tax Fraud Referrals Received 2016-17

Source	Referrals 2016-17
C/F from 15/16	4
Housing Benefits	25
Council tax	4
Members of the public	11
Other	1
Total	45

Whilst the vast majority of cases are passed to the Department Of Work and Pensions to investigate under agreed arrangements (i.e. where housing benefit is also in payment), we validated six concerns in 2016-17 linked to the payment of council tax. This has resulted in revised bills / overpayments of around £19,000 being issued, of which £13,000 has been paid to date.

2.3 National Fraud Initiative (NFI) – The NFI exercise is led by the Cabinet Office. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. In 2016-17 our work has focused on the following:

- Collating and submitting the data for the next exercise. This involved the submission of 15 datasets from across the Council. The results were released in January 2017, and identified approximately 11,000 matches for the Council to consider. The bulk of this work will commence in April 2017 and the Committee will be advised of the outcomes in future reports.
- Whilst the NFI exercise takes place every two years, Council Tax matches relating to the award of single person discounts are received on an annual basis as they are matched to the new electoral register which is published each December. In 2016-17, we have followed up those matches relating to council tax bands E and above. In total 159 matches were reviewed and as a result ten single person discounts were cancelled. This has resulted in revised bills / overpayments of around £14,000 being issued, of which £7000 has been paid to date.

2.4 Referrals and Investigations – Table two below indicates the number of referrals by source in 2016-17, with figures for the previous three financial years.

Table Two – Fraud Referrals Received between 2013-14 and 2016-17

Source	Referrals 2013-14	Referrals 2014-15	Referrals 2015-16	Referrals 2016-17
Whistle blower	12	12	5	5
Manager	13	13	14	15
External	4	1	2	1
Total	29	26	21	21

In considering this information, we need to be clear that there is no way of determining the number of referrals that the Council should receive on an annual basis and it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. However, the number of referrals received through the Council's Whistleblowing policy in the past two years does potentially indicate the need to refresh employees' awareness in relation to this process. This action was delayed pending the review / update of the Whistleblowing policy which was approved by the Audit and Procurement Committee in April 2017, and consequently is now being pursued with colleagues from Legal Services and Human Resources.

2.4.1 Of the 21 referrals received in 2016-17, eight have led to full investigations. The reasons for referrals not resulting in a full investigation include (a) our initial assessment / fact finding does not find any evidence to support the allegations, (b) appropriate action has already been taken, and (c) the nature of the event means it is impractical to pursue further.

2.4.2 In addition to the eight investigations highlighted in 2.4.1 above, a further five investigations were carried forward from 2015-16. Of the thirteen investigations, seven related to fraud / theft or other activities linked to obtaining a financial benefit, whilst the remaining six cases involved code of conduct issues including un-authorised absence.

Three out of the total 13 investigations are still on-going, whilst of the remaining ten:

- In one case, the officers involved received final / written warnings.
- In two cases linked to Business Rates, revised bills were issued amounting to £10,200.
- In five cases, the officer left their post during the disciplinary process.
- In two cases, the officer was dismissed from the Council's employment.

2.5 Proactive work – The Council's response to fraud also considers an element of proactive work to ensure that all key fraud risks are considered. In 2016-17, this work included consideration of the Organised Crime Procurement Pilot report published by the Home Office in December 2016. As a result, a specific audit review on this issue has been included in the 2017-18 audit plan. In-conjunction with a third party, we have also undertaken a proactive review of payments made to Council suppliers. This work has recovered payments to date totaling £181k, the detail of which will be reported to a future meeting of the Audit and Procurement Committee as a specific item.

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

- A financial impact in excess of £10,000.
- Frauds of under £10,000 can be included if the Acting Chief Internal Auditor considers this justified by the nature of the fraud.
- In terms of establishing when a fraud has occurred, this is normally defined as occurring when the disciplinary process has been concluded, although in cases not involving employees, this will be linked to other management action, such as criminal prosecution.

In the period April 2016 to March 2017, no significant frauds have been identified.

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 Director of Finance and Corporate Services

5.1 Financial Implications

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

5.2 Legal implications

The Council has a duty under S151 of the Local Government Act to make arrangements for the proper administration of their financial affairs. To effectively discharge this duty, these arrangements include Council policies and procedures which protect the public purse through managing the risk of fraud and error.

All cases are conducted in line with the Data Protection Act and if appropriate are referred to the Police for investigation.

5.3 Human Resources Implications

Allegations of fraud made against employees are dealt with through the Council's formal disciplinary procedure. The Internal Audit Service are fully involved in the collation of evidence and undertake, or contribute to, the disciplinary investigation supported by a Human Resources representative. Matters of fraud can be referred to the police concurrent with, or consecutively to, a Council disciplinary investigation.

6. Other implications

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

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

6.2 How is risk being managed?

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

- Through the Internal Audit Service's work on fraud, which is monitored by the Audit and Procurement Committee.

- Through agreed management action taken in response to fraud investigations and / or proactive reviews.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

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

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

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

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

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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Place

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