



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 19th February, 2018

Place

Diamond Room 2 - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 5 - 12)
To agree the minutes of the meeting held on 22nd January 2018
4. **Exclusion of Press and Public**
To consider whether to exclude the press and public for the item(s) of business for the reasons shown in the report.
5. **Work Programme 2017/18** (Pages 13 - 14)
Report of the Deputy Chief Executive (Place)
6. **Outstanding Issues Report** (Pages 15 - 22)
Report of the Deputy Chief Executive (Place)
7. **Certification Work for Coventry City Council for Year Ended 31st March 2017** (Pages 23 - 24)
Report of the External Auditors, Grant Thornton
8. **2017/18 Third Quarter Financial Monitoring Report (to December 2017)** (Pages 25 - 48)
Report of the Deputy Chief Executive (Place)
9. **Quarter Three Internal Audit Progress Report 2017-2018** (Pages 49 - 60)
Report of the Deputy Chief Executive (Place)

10. **Information Commissioner's Office - Data Protection Audit November 2017** (Pages 61 - 76)
Report of the Deputy Chief Executive (People)
11. **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA)** (Pages 77 - 84)
Report of the Deputy Chief Executive (Place)
12. **Customer Services Update** (Pages 85 - 88)
Briefing Note of the Deputy Chief Executive (People)
13. **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

14. **Procurement and Commissioning Progress Report** (Pages 89 - 96)
Report of the Deputy Chief Executive (People)

(Listing Officer: M Burn, tel: 024 7683 3757)
15. **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, 9 February 2018

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

Membership: Councillors S Bains (Chair), R Brown, L Harvard (Deputy Chair), T Sawdon, R Singh, H Sweet and K Taylor

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 / Michelle Salmon

Governance Services

Telephone: (024) 7683 3237 / (024) 7683 3065

e-mail: lara.knight@coventry.gov.uk / michelle.salmon@coventry.gov.uk

Public Document Pack Agenda Item 3

Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 22 January 2018

Present:

Members: Councillor S Bains (Chair)
Councillor R Brown
Councillor T Sawdon
Councillor H Sweet
Councillor K Taylor

Employees (by Directorate):

People D Ashmore, M Burn, S Lam
Place P Jennings, L Knight, K Tyler

Apologies: Councillor L Harvard

Public Business

63. Declarations of Interest

There were no declarations of interest.

64. Minutes of Previous Meeting

The minutes of the meeting held on 19th December 2017 were agreed and signed as a true record. There were no matters arising.

65. 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 72 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.

66. Outstanding Issues

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

Appendix 1 to the report provided details of an issue where a report back had been requested to a future meeting, along with the anticipated date for further consideration of the matter. Appendix 2 provided details of items where additional information had been requested outside of the formal meeting along with the date when this had been completed.

In considering Appendix 2 of the report, the Committee indicated that they were concerned about the number of outstanding issues that had not been completed and requested an update from officers present on the current position. It was reported that, in respect of item 2 on timescales for the City's 50m swimming pool, an update had been provided as part of the Procurement and Commissioning Progress Report on 24th July 2017 and it was agreed that the report should be updated to reflect this. In relation to item 3 regarding Data Protection training for all Members, the Committee were advised that an update report could be provided at their next meeting on the General Data Protection Regulations that would shortly be coming into effect.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the outstanding issues report.**
- 2. Note the update provided by officers on Appendix 2 of the report.**
- 3. Request that a report be presented at the next scheduled meeting in relation to the incoming General Data Protection Regulations.**

67. Work Programme 2017/18

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme of scheduled issues for consideration by the Committee for the year 2017/2018.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2017/18.

68. Half Yearly Fraud Update 2017- 2018

The Committee considered a report of the Deputy Chief Executive (Place) which provided a summary of the Council's anti-fraud activity during the financial year 2017/18 to date.

The Committee noted that 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 the Council does not have responsibility for, such as social housing, and the levels of identified / reported fraud against the Council are at relatively low levels, in terms of both numbers and values.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud. The work of the team focussed on three main areas during 2017/18, namely council tax; National Fraud Initiative; referrals and investigations considered through the Council's Fraud and Corruption Strategy. An element of proactive work was also included in the work of the Service, though it was noted that, due to the focus on the National Fraud Initiative during 2017/18, the ability to undertake this work had been limited. However, it was acknowledged that planned proactive work would be prioritised during 2018/19.

In relation to Council Tax, work had focussed on reviewing Council Tax Exemptions and Discounts. This work had resulted in 80 exemptions being removed as the customer had failed to report a change in circumstances. These had been treated as an error rather than a fraudulent application to obtain an exemption they were not entitled to. Revised bills amounting to £94,000 had been issued of which £30,000 had been repaid to the Council to date. The outstanding balances were being recovered through agreed payment instalment arrangements or the Council's standard recovery arrangements.

In addition, the Council received referrals from both internal and external sources linked to concerns around the payment of Council Tax Support or Council Tax Exemptions / Discounts. In total, 15 referrals had been received. The report indicated that, whilst most of these were passed to the Department of Work and Pensions to investigate under agreed arrangements, 3 concerns had been validated in relation to the payment of Council Tax. This had resulted in revised bills / overpayments of around £16,500 being issued, of which £9,000 had been received to date.

With regards to the National Fraud Initiative (NFI), the exercise was led by the Cabinet Office and took place every two years, matching electronic data within and between public bodies with the aim of detecting fraud and error. The results of the last exercise were released in January 2017 and identified approximately 3,000 high quality matches for the Council to consider. Given the high number of matches, priority had been given to known problem areas and key matches as judged by the Cabinet Office. In summary, around 600 matches had been reviewed and processed and the report provided a breakdown of the areas where errors had been identified, including housing benefit claimants to student loans; Council Tax Support to Council Tax Support; Council Tax Support to DWP deceased; and Residents Parking Permits to deceased. The report also provided details of the action taken.

In addition, whilst the NFI exercise takes place every two years, council tax matches relating to the award of single person discounts were received on an annual basis as they were matched to the new electoral register which was published each December. In 2017-18, the work had focused on those matches relating to council tax bands E and above. In total, 113 matches were reviewed, which resulted in 6 discounts being cancelled. Revised bills / overpayments of around £7,100 were issued and processes were in place to recover the overpayments identified.

From time to time, the Internal Audit Service received referrals or were asked to assist with investigations relating to employment misconduct and other fraud against the Council involving external individuals. During 2017/18, 13 referrals had been received to date, 2 which had led to full investigations. It was noted that there were various reasons for referrals not leading to investigations including, for example where it was a 'one off' situation and there was no information available to indicate who was involved, or where initial fact finding review does not substantiate the concern raised.

In addition to the 2 investigations for 2017/18, a further 3 investigations were carried forward from 2016/17. Of these 5 investigations, four related to fraud / theft and one related to Code of Conduct issues. Investigations were ongoing in relation to 2 of the referrals. 1 investigation saw the officer involved receiving final / verbal warnings; in one case the officer left their post during the disciplinary process. In one case, linked to the award of a Council Tax single person discount, the discount was removed and a revised bill issued amounting to £4,800.

In considering the work undertaken, the Committee were of the view that there should be a press release highlighting the work that is undertaken, particularly data matching through NFI, to identify attempts to commit fraud.

RESOLVED that the Audit and Procurement Committee note the anti-fraud activity undertaken during the first half of the financial year 2017/18 and request that a press release be made in relation to the work undertaken to identify instances of fraud.

69. **Complaints to the Local Government and Social Care Ombudsman 2016/17**

The Committee considered a report of the Deputy Chief Executive (People) which set out the number, trends and outcomes of complaints to the Local Government and Social Care Ombudsman (LGO) relating to the Council during 2016/17.

It was noted that the Cabinet Member for Policy and Leadership had also considered the report at his meeting held on 8th November 2017.

The LGO was the final stage for complaints about councils, all adult social care providers (including care homes and home care agencies) and some other organisations providing local public services. It was a free service that investigated complaints in a fair and independent way and provided a means of redress to individuals for injustice caused by unfair treatment or service failure.

The Council's complaints policy set out how individuals could complain to the Council, as well as how the Council handled compliments, comments and complaints. The Council also informed individuals of their rights to contact the LGO if they were not happy with the Council's decision after they had exhausted the Council's own complaints process.

Every year, the LGO issued an annual letter to every Council, summarising the number and trends of the complaints dealt with in each local authority. The latest letter, issued in July 2017, covered complaints relating to the Council between April 2016 and March 2017 (2016/17).

The report indicated that, nationally, the LGO received 16,863 complaints and enquiries during 2016/17, with the greatest proportion relating to education and children's services (2,983), followed by adult social care (2,555) and planning and development (2,336).

Locally, the LGO recorded 105 complaints and enquiries during 2016/17 relating to Coventry City Council. This was similar to the number recorded in 2015/16, where 109 complaints were received. The 105 complaints were categorised as Adult Care Services (13); Benefits and Tax (11); Corporate and Other Services (10); Education and Children's Services (17); Environment Services, Public Protection and Regulation (17); Highways and Transport (16); Housing (14); and Planning and Development (7).

Of the 105 complaints, 25 were investigated, a 14% increase from 2015, when 22 complaints were investigated. 15 complaints were upheld (60%) compared to a statistical neighbour average of 52% and a national average of 54% of complaints upheld. The LGO recommended a remedy for 9 of the upheld complaints, found that the fault did not cause an injustice in 5 complaints and was satisfied with the Council's remedy in 1 complaint. 6 complaints resulted in some form of financial redress or reimbursement. The Committee noted that the LGO did not issue formal reports of maladministration for any of the 15 complaints upheld.

The report also set out the number of complaints relating to Coventry during 2016/17 by service area and compared this to the complaints received during 2015/16, along with the time it took for the Council to respond to the complaints. Following the investigations, the LGO recommended some changes to the Council's procedures on the upheld complaints in adult social care, children's social care and in the noise team, and these were also set out within the report.

In considering the report, the Committee expressed their concern regarding the length of time taken to get responses to queries / complaints made directly to the Council by both Members and the public, particularly through Coventry Direct. They requested that an interim briefing note be presented at the next scheduled meeting, with a full report submitted in March 2018, on the steps being taken to address this issue.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the Council's performance in relation to complaints to the LGO.**
- 2. Note the Council complaints process and guidance, updated for 2017 in line with recommendations set out in the annual letter.**
- 3. Were assured that the Council takes appropriate actions in response to complaints investigated and where the Council is found to be at fault.**
- 4. Request that a briefing note be presented to the next scheduled meeting and a full report to the meeting scheduled for March 2018, on the steps taken to improve the response time to complaints from Councillors and Members of the public, particularly through Coventry Direct.**

70. **Contract Management Progress Report**

The Committee considered a report of the Deputy Chief Executive (People), which set out progress to date in relation to contract management along with proposals for future actions.

The Committee noted that over the last 4 years, the Council had delivered over £11.5m procurement savings and had covered all areas of Council expenditure at least once, to ensure that appropriate procurement processes are used and contract put in place. This meant that when contracts were retendered, price savings were far less likely, particularly with inflationary pressures starting to feed into the supply chain. Other tools and techniques would need to be used to deliver further savings. Contract management was one of the techniques that ensured that what was tendered and agreed got delivered and that there were no additional costs incurred as the contract was rolled out. Through contract management, it should actually be possible to drive cost out of the contract through improved methods of service delivery or simply stopping doing things that were not adding any value.

The report indicated that, during the last 12 months, Procurement Services had:

- Developed a contract management framework for the council which had been endorsed by Corporate Leadership Team (CLT)
- Identified officers involved in contract management as part of their duties
- Identified a suitable training provider for contract management and negotiation training
- Started to deliver the training to key contract management, commissioning and procurement staff
- Piloted the contract management framework on the Home Care Support contract.

Two options were considered by the CLT for improving contract management and these were set out in the report. Following a SWOT (strengths, weakness, opportunities and threats) analysis of each option, it was proposed that a Centre Led Action Network (CLAN) be implemented. The Procurement Service would act as the centre supporting contract managers in Directorates with skills, tools and techniques to improve delivery. Although this would take longer to implement than the alternative, it did not require additional resource and developed the required skills within services giving more opportunity for benefits to continue to be realised in the longer term.

Following this work, the Procurement Service had:-

- Identified the officers who were involved in contract management
- Researched the market for appropriate contract management and negotiating training
- Held 2 training courses for 30 staff with courses planned for a further 50+ staff, including a shortened version of the training for CLT

- Commenced a pilot implementation of the contract management framework on the Home Care Support contract in conjunction with Commissioning colleagues, with initial feedback that the pilot had been successful so far.

The Committee were advised that the Procurement Service would continue to roll out the contract management training to identified staff, continue with the framework pilot and then conduct a review of outcomes before deciding on future priorities.

RESOLVED that the Audit and Procurement Committee note the action on contract management to date and agree the recommendations for future action.

71. **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 item of public business.

72. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (People) that provided an update on the procurement and commissioning undertaken by the Council since the last report submitted to the meeting on 18th December 2017 (minute 61/17 referred). Details of the latest positions in relation to individual matters were set out in an Appendix to the report.

RESOLVED that the Audit and Procurement Committee:

1. **Notes the current position in relation to the Commissioning and Procurement Services.**
2. **Agrees that there are no recommendations to be made to either the Cabinet Member for Strategic Finance and Resources, Cabinet or Council on any of the matters reported.**

73. **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 4.25 pm)

This page is intentionally left blank

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
Payment Audit
Treasury Management Update
Procurement Progress Report (Private)

18th December 2017

Quarter Two Revenue and Corporate Capital Monitoring Report 2017-18
Corporate Risk Register Update
Procurement Progress Report (Private)

22nd January 2018

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



Audit and Procurement Committee

19th February 2018

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:

E-mail: Lara.knight@coventry.gov.uk
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)				

This report is published on the council's website: www.coventry.gov.uk/moderngov

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.	Complaints to the Local Government and Social Care Ombudsman 2016/17 Report on the way in which the authority communicates with the public and Councillors, to include Coventry Direct, and how this may be improved.	69/17 22 nd January 2018	Briefing Note February 2018 Full Report March 2018	David Ashmore		
3.	Information Governance Annual Report 2016/17 Report on the General Data Protection Regulations	23/17 24 th July 2017 (see note 3 in Appendix 2) 66/17 (Outstanding Issues) 22 nd January 2018	March 2018	David Ashmore		

* 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	16 th October 2017
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	24 th July 2017
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	
4.	2017/18 Second Quarter Financial Monitoring Report (to September 2017)	Minute 58/17 18 th December 2017	Details of the Grant Funding provided and the costs to the City Council in supporting the Unaccompanied Asylum Seeking Children National Transfer Scheme to be circulated to Members of the Committee	Paul Jennings	
5.	Procurement and Commissioning Progress Report	Minute 61/17 18 th December 2017	A breakdown of the costs of Window Cleaning Services for Council Buildings to be circulated to Members of the Committee	Mick Burn	

6.	Half Yearly Fraud Update 2017 – 2018	Minute 69/17 22 nd January 2018	A press release be prepared highlighting the work undertaken, particularly data matching through NFI, to identify attempts to commit fraud.	Karen Tyler / Nigel Hart	
----	---	---	---	--------------------------	--

This page is intentionally left blank

Barry Hastie
Director of Finance and Corporate Services
Coventry City Council
One Friargate
Coventry
CV1 2GN

Grant Thornton UK LLP
The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT
T +44 (0)121 212 4000
F +44 (0)121 212 4014

13 December 2017

Dear Barry

Certification work for Coventry City Council for year ended 31 March 2017

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

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £122.7million. Further details are set out in Appendix A.

We identified two issues from our certification work which we wish to highlight for your attention. These are detailed in Appendix A. As a result of the errors identified, the claim was qualified, and we reported our findings to the DWP. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

We have noted that benefit granted on board and lodging, or non self-contained licensed accommodation where the Council is the landlord, increased significantly between 2015/16 and 2016/17, rising from £1,076,336 to £2,724,121. This was an increase of £1,647,785 (153%). It should also be noted that the Council was only able to claim subsidy of 20% of the figure of £2,724,121 reported above.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £15,698. This is set out in more detail in Appendix B.

Yours sincerely



Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Qualified?	Comments
Housing benefits subsidy claim	£122,757,124	No	Yes	See below

Findings from certification of housing benefits subsidy claim

Use of incorrect rent to calculate benefit entitlement

We identified one case (total value £1,266), from a sample of 60 cases, where the incorrect rent had been used to calculate entitlement to rent allowance. This resulted in an extrapolated error of £607,106. The Council provided us with a letter to the DWP setting out why they believed that this error was not representative of the full population of relevant rent allowances cases. We attached the Council's letter to our qualification letter when we sent it to the DWP.

We will have to perform specific testing in respect of this issue as part of our certification work on the 2017/18 housing benefits subsidy claim.

Misclassification of rent allowance overpayments

We identified one case (total value £632), from a sample of 60 cases, where the overpayment had been misclassified as being eligible when it arose from local authority error. This resulted in an extrapolated error of £86,471.

We will have to perform specific testing in respect of this issue as part of our certification work on the 2017/18 housing benefits subsidy claim.

Recommended actions for officers

We recommend that the Council, as part of its internal quality assurance process, increase its focus or level of testing in respect of the areas where we identified errors from our testing.

Appendix B: Fees for 2016/17 certification work

Claim or return	2014/15 fee (£)	2016/17 indicative fee (£)	2016/17 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	£20,930	£15,698	£15,698	£0	n/a
Total	£20,930	£15,698	£15,698	£0	n/a



Public report Cabinet Report

Cabinet
Audit and Procurement Committee
Council

13th February 2018
19th February 2018
20th February 2018

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:

2017/18 Third Quarter Financial Monitoring Report (to December 2017)

Is this a key decision?

Yes – The report is seeking a contribution to reserves in excess of £1m

Executive summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and of the Council's treasury management activity as at the end of December 2017.

The headline revenue forecast for 2017/18 is an overspend of £1.8m. This has decreased since the Quarter 2 position when it stood at £3.1m whilst at the same point in 2016/17 there was a projected overspend of £4.8m. Notwithstanding the relative improvement since Quarter 2 and the equivalent position last year, the reasons for the overspend represent some concerning trends for the Council. At a time of continued tightening of local authority resources the current position still represents one that demands a strong focus on addressing the underlying issues. However, it is still anticipated that tight budgetary control and utilisation of any one-off areas of flexibility will reduce the projected overspend and achieve a near balanced position by year-end.

The current position continues to reflect areas of budgetary overspend reported previously including services for looked after children and the costs of homelessness. In addition, a shortfall exists in delivering savings targets set in previous budgets. Where relevant, the likely anticipated cost of these pressures will be incorporated within the forthcoming 2018/19 Budget Report.

The report seeks approval for the contribution of 2017/18 windfall Coventry and Solihull Waste Disposal Company dividends of £1.8m to be contributed to Council reserves to part meet the Council's commitment to fund UK City of Culture 2021 costs.

The Council's Capital spending is projected to be £121.0m for the year, a net increase of £1.1m on the position reported at Quarter 2.

Recommendations:

Cabinet is recommended to:

1. Note the forecast revenue overspend at Quarter 3.
2. Approve the revised capital estimated outturn position for the year of £121.0m incorporating: £10.7m net increase in spending relating to approved/technical changes (Appendix 2), £10.0m of expenditure rescheduled into 2018/19 (Appendix 4) and an overspend of £0.4m (Appendix 5).

Cabinet is requested to recommend to the Council:

3. Approval of the use of a windfall dividend of £1.8m from the Coventry and Solihull Waste Disposal Company per section 5.1 to fund commitments including those set out in the City of Culture 2021 report to Council on 5th December 2017.

Audit and Procurement Committee is recommended to:

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

Council is recommended to:

1. Approve the use of a windfall dividend of £1.8m from the Coventry and Solihull Waste Disposal Company per section 5.1 to fund commitments including those set out in the City of Culture report to Council on 5th December 2017.

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?

Audit and Procurement Committee, 19th February 2018

Will this report go to Council?

Yes – 20th February 2018

Report Title:

2017/18 Third Quarter Financial Monitoring Report (to December 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 third quarterly monitoring report for 2017/18 to the end of December 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 £1.8m, a decrease of £1.3m on the Quarter 2 position of £3.1m. The reported forecast at the same point in 2016/17 was an overspend of £4.8m. Capital spend is projected to be £121.0m, an increase of £1.1m on the Quarter 2 position.

2. Options considered and recommended proposal

2.1 **Revenue Forecast** - The forecast revenue overspend £1.8m 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	(0.1)	(0.6)
Directorate Management	1.5	1.5	0.0
Education & Inclusion	12.4	12.5	0.1
Children & Young People	71.6	76.2	4.6
Adult Social Care	81.9	81.6	(0.3)
Customer Services & Transformation	2.8	4.4	1.6
Total People Directorate	170.7	176.1	5.4
Place Directorate			
Directorate Management	3.7	3.8	0.1
City Centre & Major Projects	7.2	7.4	0.2
Transportation & Highways	3.9	4.1	0.2
Streetscene and Regulatory	27.4	27.8	0.4
Project Management & Property	(7.5)	(7.9)	(0.4)
Finance & Corporate Services	6.9	9.8	2.9
Total Place Directorate	41.6	45.0	3.4
Contingency & Central budgets	20.2	13.2	(7.0)
Total Spend	232.5	234.3	1.8

2.2 Individual Directorate Comments for Revenue Forecasts

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

People

The People Directorate continues to face significant financial challenges, and a large underspend on centralised salaries (£5.1m) masks a significant overspend across other areas (£10.5m).

The net position of a £5.4m overspend includes undelivered savings targets of £2.6m. This is largely as a result of delays in delivery within Children's Services and Customer Services & Transformation divisions. Both divisions have plans against the targets however they will not be delivered within the required timescales.

The remainder of the problem is a result of budgetary control pressure, including a significant increase in the Looked After Children population (average LAC numbers in 2016/17 were 587, whereas the discrete numbers at the end of December are in excess of 660) as well as continued pressures in supported accommodation provision for care leavers.

The Children's Leadership Team is reviewing all children and young people in placements (both LAC and Supported) to identify how costs can be reduced within the financial year and as a result has managed to reduce numbers in residential provision. This has reduced the residential forecast by £0.5m since quarter 2. Further work is in train to interrogate the LAC trends, plans and budget forecast for a more detailed consideration to include the Deputy Chief Executive (People) and Director of Finance and Corporate Services.

Place

The largest pressure within the Place Directorate's overall forecast deficit of £3.4m relates to the unfunded cost of housing families in temporary accommodation, which is due to the significant increase in homelessness, causing a forecast £2.8m overspend in 2017/18.

A number of vacancies across the whole directorate are also being temporarily covered by agency staff as a result of both difficulties in recruitment, & reviews being carried out. In most cases the external cost is offset by underspends on salary budgets.

Commercial Waste and Domestic refuse budgets are both forecasting deficits due to the pressures of one off expenditure being invested in order to achieve savings targets and growth in income, the benefits of which will not be seen until 2018/19. In addition, domestic refuse will be unable to maintain costs within existing budgets due to the additional staff costs of maintaining collections over the Christmas period, and HGV driver pay supplements. Any decision to continue these levels of service/costs would require ongoing funding allocations.

There are also income pressures being experienced in relation to the Parks service, Corporate catering, Commercial Waste, Monitoring & Response Service and Parking enforcement, all of which are actively being managed by service managers with a view to resolving in them medium term.

Contingency & Central

This favourable variance reflects a £4.3m underspend across inflation contingencies and the Asset Management Revenue Account (AMRA). It also reflects a £2.7m underspend incorporating a combination of higher than expected grant income relating to Business

Rates reliefs, a higher than expected benefit from the Coventry and Warwickshire Business Rates Pool and a lower than expected contribution to the West Midlands Devolution Deal (Business Rates) model

2.4 Capital Programme

Table 2 below updates the budget to take account of a £10.7m increase in the programme, and a reduction of £10.0m for expenditure which is now planned to be carried forward into future years. There is also an overspend of £0.4m. This gives a revised projected level of expenditure for 2017/18 of £121.0m. Appendix 3 provides an analysis by directorate of the movement since quarter 2.

The resources available listed below show how the Capital Programme will be funded in 2017/18. It shows 52 % of the capital programme is funded by external grant. 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
Estimated Outturn Quarter Two	119.9
Approved / Technical Changes (see Appendix 2)	10.7
"Net" Underspending (See Appendix 5)	0.4
"Net" Rescheduling into future years (see Appendix 4)	(10.0)
Revised Estimated Outturn 2017-18	121.0
<hr/>	
RESOURCES AVAILABLE:	£m
Prudential Borrowing (Specific & Gap Funding)	56.3
Grants and Contributions	62.5
Capital Receipts	0.5
Revenue Contributions	1.6
Leasing	0.1
Total Resources Available	121.0

On the 10th October 2017, the Council approved a report to acquire a further financial interest in Coombe Abbey Park Ltd. The purchase was completed on 22nd December and the figures within this report reflect the initial £9m cost of the purchase. This could rise subsequently to £10.5m by the end of 2018 depending on the financial performance of the company.

Final decisions on the funding of the programme will be made at year-end, based on the final level of spend, the level of resources including capital receipts that are available and an assessment of the most appropriate application and timing of these resources. 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.

2.5 Treasury Management Activity in 2017/18

Interest Rates

The main economic news in this quarter was the increase in the Bank of England base rate in November from 0.25% to 0.50%, which was the first increase to rates since July 2007. This decision was taken due to growing concern about rising inflation. The Bank of England has reiterated that it expects any future increases in base rate to be at a gradual pace and limited in extent.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2017/18 capital programme is £48.5m, taking into account borrowing set out in Section 2.4 above (total £56.3m), 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 P9	Maximum 2017/18 to P9	As at the End of P9
5 year	1.34%	1.87%	1.76%
50 year	2.45%	2.79%	2.58%

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.

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 has just (January 2018) completed the redemption of one £20m tranche of long-term borrowing within its debt portfolio, the future saving from which, will be reflected in the forthcoming 2018/19 Budget Report.

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 £12.5m in short term borrowing at an average interest rate of 0.44%.

Short term investments were made at an average interest rate of 0.57%. 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 31st December 2016	As at 30th September 2017	As at 31st December 2017
	£m	£m	£m
Banks and Building Societies	53.4	24.4	14.4
Money Market Funds	8.7	9.9	6.7
Local Authorities	20.0	0.0	0.0
Corporate Bonds	24.3	11.4	5.4
Registered Providers	15.0	8.0	8.0
Total	121.4	53.7	34.5

External Investments

In addition to the above investments, a mix of Collective Investment Schemes or “pooled funds” is used, where investment is in the form of sterling fund units and non-specific individual investments with financial institutions or organisations. These funds are generally AAA rated, are highly liquid as cash, can be withdrawn within two to four days, and short average duration. The Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. These pooled funds are designed to be held for longer durations, allowing any short term fluctuations in return to be smoothed out. In order to manage risk these investments are spread across a number of funds.

As at 31st December 2017 the pooled funds were valued at £39.9m, spread across the following funds: Payden & 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 31st December 2017 are included in Appendix 6. 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 31st December the value is -£74.3m (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 31st December the value is £268.7m 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.

Regulatory Update – MiFID II

As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3rd January 2018 local authorities will be treated as retail clients but can “opt up” to professional client status, providing that they meet certain criteria which includes having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies must assess that that person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The Authority has met the conditions to opt up to professional status and has done so in order to maintain its MiFID II status prior to January 2018. This means that the authority will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

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 Services

5.1 Financial Implications

Revenue

Throughout the year the Council has faced budgetary challenges from overspends in a range of housing/homelessness related and children's social care budgets. Although management action is focussed on these areas, the issues at hand are not ones that can be corrected within a short timescale. As a result, the Council's Pre-Budget Report to Cabinet (28th November) has incorporated additional budgetary provision for the anticipated additional medium term expenditure in these areas. This position will be updated as necessary in the final Budget Report to Council on 20th February.

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 impact of these pressures is also being incorporated within the forthcoming 2018/19 Budget Report.

The improvement of the overall bottom line position through 2017/18 and the Council's experience of previous trends towards the year-end indicate that the remaining overspend is not a cause for undue concern. A combination of tight budgetary control and utilisation of any one-off areas of flexibility should ensure a balanced budgetary position is achieved.

As reported previously, significant concern exists about the Council's future budgetary position as a result mainly of areas that represent intractable demand led issues that require

longer-term solutions. As part of the Council's medium term budget considerations, decisions will be required on the extent to which demand led pressures can be safely managed down or more cost efficient service solutions identified. In addition, where existing savings targets remain undelivered, it will be important for savings plans to be clearly set out including the implications and timescale of delivering (or not delivering) these plans.

Capital

The rescheduling for the quarter includes movement across a number of schemes. Where schemes are rescheduled into 2018/19 and contain grant conditions that allow the Council to fund capital expenditure on a cash-flow basis within 2017/18, this will reduce the amount of Prudential Borrowing that the Council is required to undertake in the year. Overall rescheduling for the year now stands at £29m demonstrating the challenges in profiling and delivering a capital schemes. This challenge will continue into 2018/19 and if anything will be exacerbated as the Council seeks to manage a very large programme, much of which will rely upon external funding and partners.

Reserves

The Coventry and Solihull Waste Disposal Company (CSWDC) in which the Council is a major shareholder alongside Solihull Council, has announced recently an improvement in the distribution of its dividends. The future years' impact of this is being reflected within the Council's forthcoming 2018/19 Budget Report whilst in 2017/18 the effect is additional resources of £1.828m. On 5th December the Council committed £4.75m of corporate reserves for the UK City of Culture 2021 build-up programme, title year and legacy programme (across the period 2018 – 2024), to be drawn down if the city was awarded the title. The subsequent announcement that Coventry has been awarded UK City of Culture status means that these resources now need to be identified. Additionally, it has been announced that the War Memorial Park in Coventry has been chosen as the English location for the BBC Music's The Biggest Weekend which will take place across four sites in four nations over the late May Bank Holiday weekend in 2018. The Council will incur some costs associated with hosting the event. It is proposed within this report that the £1.8m CSWDC dividends are contributed to reserves to part-fund these two commitments. Further funding sources will be identified as part of the 2017/18 financial outturn process.

Treasury Management

In broad terms, the 0.25% rise in interest rates announced in November will not have a significant short to medium term impact on the Council's finances. Most of the Council's current long-term borrowing is at fixed interest rates and the impact on the Council's short term investment income and borrowing costs (which are more susceptible to interest rate movements) will not be significant. The Council is currently moving into a phase where it will no longer have the high level of investment balances that it has enjoyed in recent years. This is due in large part to the level of capital expenditure being incurred, and the utilisation of grant income received previously ahead of the need to spend. Other recent developments include the Council's investment in the Coombe Hotel (£9m) and redemption of long-term borrowing (£20m repayment plus a premium of £10m). However, given the even higher levels of expenditure expected over the coming years, much of it externally funded, it is difficult to predict the impact on the Council's expected treasury position with any certainty at this stage.

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 3 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 should this occur. 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.

Report author(s):

Name and job title: Paul Jennings Finance Manager Corporate Finance

Directorate: Place

Tel and email contact: 024 7683 3753 – 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 approved
Contributors:				
Lindsey Hughes	Accountant	Place	15/1/18	19/1/18
Paul Hammond	Accountant	Place	15/1/18	17/1/18
Lara Knight	Governance Services Co-Ordinator	Place	18/1/18	19/1/18
Ewan Dewar	Finance Manager	Place	19/1/18	19/1/18
Rachael Sugars	Finance Manager	Place	19/1/18	19/1/18

Phil Helm	Finance Manager	Place	19/1/18	19/1/18
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Corporate Services	Place	19/1/18	22/1/18
Legal: Carol Bradford	Lawyer	Place	18/1/18	19/1/18
Councillor J Mutton	Cabinet Member Strategic Finance and Resources		19/1/18	19/1/18

This report is published on the Council's website: www.coventry.gov.uk/cmis

Appendix 1 Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Appendix 1 details directorate forecast 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	(0.1)	(0.2)	(0.4)	(0.6)
People Directorate Management	1.5	1.5	0.0	0.0	0.0
Education and Inclusion	12.4	12.5	(0.3)	0.4	0.1
Children and Young People's Services	71.6	76.2	(4.1)	8.7	4.6
Adult Social Care	81.9	81.6	(0.7)	0.4	(0.3)
Customer Services & Transformation	2.8	4.4	0.3	1.3	1.6
Total People Directorate	170.7	176.1	(5.0)	10.4	5.4
Place Directorate Management	3.7	3.8	0.0	0.1	0.1
City Centre & Major Projects Development	7.2	7.4	0.1	0.1	0.2
Transportation & Highways	3.9	4.1	(0.4)	0.6	0.2
Streetscene & Regulatory Services	27.4	27.9	(0.4)	0.8	0.4
Project Management and Property Services	(7.5)	(8.0)	0.0	(0.4)	(0.4)
Finance & Corporate Services	6.9	9.8	(0.1)	3.0	2.9
Total Place Directorate	41.6	45.0	(0.8)	4.2	3.4
Total Contingency & Central Budgets	20.2	13.2	0.0	(7.0)	(7.0)
Total Spend	232.5	234.3	(5.8)	7.6	1.8

Reporting Area	Explanation	£m
People Directorate	The Directorate's 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 accounts for £4.1m of the underspend. This is partly offset by non salary overspend as a result of agency staff in Childrens Social Care. As part of the Children's Services Redesign vacancy levels and agency expenditure will reduce.	(5.0)
Place Directorate	The vast majority of the variations for centralised forecasts relate to vacancies which have been held pending service review completion, or areas where there has been difficulty in recruiting to posts	(0.8)
Total Non-Controllable Variances		(5.9)

Service Area	Reporting Area	Explanation	£M
Public Health	CPH Disparities	Reduced contract payments forecast based on activity levels	(0.2)
Public Health	Other Variances Less than 100K		(0.2)
Public Health			(0.4)
Education and Inclusion	Libraries	Library Service overspend is linked to the purchase of self service machines, which is one-off expenditure required as part of the Connecting Communities programme. The in-year position also reflects additional transitional support being provided for libraries which are becoming community-led. The service will continue to look at ways overall expenditure can be reduced between now and the end of the financial year.	0.3
Education and Inclusion	Inclusion & Participation	The majority of this overspend is as a result of part year delivery of the transport review, against a full year saving. This was due to delays in agreeing and implementing the policy changes and was flagged as part of the cabinet report in relation to SEN transport. The full year impact of delivery, based on current activity, indicates that there is an ongoing £150K financial problem, and ways to mitigate this are being looked at as part of a Transport Strategic Review group reporting to People Leadership Team.	0.2
Education and Inclusion	School Enrichment Services	Coventry Music is forecasting an overspend of £62k mainly due to anticipated shortfalls in income. A service redesign was implemented in September 2017 which will deliver a more effective and efficient service, and increase flexibility for customers. The service is forecasting a breakeven position in the next financial year. Governor Support is currently forecasting an over spend of approximately £50k due to reduced levels of buyback from schools. A plan is in place to reduce this deficit for future years, and the service are currently undertaking additional work, as well as actively looking for alternative income streams .	0.1
Education and Inclusion	Adult Education	To date it has not been possible to meet a financial target set as part of previous budget setting process to ensure we maximise ESFA grant funding against internal training programmes.	0.1
Education and Inclusion	Advice and Health Information Services	Resettlement generates grant income which will be maximised where possible. This underspend offsets expenditure within other Council services, in relation to support of individuals and families who resettle in Coventry.	(0.4)

Education and Inclusion	Other Variances Less than 100K		0.1
Education and Inclusion			0.4
Children and Young People's Services	Commissioning, QA and Performance	The overspend is largely as a result of agency staff covering vacancies, and 4 additional time-limited posts, currently covered by agency, to respond to concerns raised by OFSTED in relation to volume and quality of the work in the Safeguarding Service. As part of the redesign we continue to recruit to permanent posts which will reduce the overspend in the next financial year. In addition, the 4 additional posts have been funded as part of the redesign until March 18, and we are considering the best options for filling these posts during that timescale. The overspend is largely offset by an underspend on centralised salaries.	0.4
Children and Young People's Services	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.	2.8
Children and Young People's Services	LAC & Care Leavers	The majority of the overspend in this area is in relation to LAC and leaving care placement costs. The key changes since quarter 2 are a forecast reduction of £0.5M in the residential budget due to a decrease in the number of children in residential from 67 at Q2 to 59 in Q3. This is as a result of planned management action including review of all residential placements / packages, improved sign-off process for residential placements, and increased focus within the Placements Team on identifying appropriate fostering placements. The forecast for supported accommodation has increased slightly since quarter 2. This is because the numbers in the service are static, despite activity to move on over 18 year olds to their own tenancies. A dedicated post has just been recruited to, to support the move on activity, and ensure we support future care leavers into their own tenancies in a timely manner. This work continues to be aligned with the wider Housing and Homelessness Strategy.	5.5
Children and Young People's Services			
Children and Young People's Services			8.7
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Underlying budget pressures continue to rise in part due to the continued increases in demand for complex social care support for eligible service users. In addition Coventry is paying comparatively higher unit costs for 18-64 year old residential packages. This is under review and actions will be taken to redress this trend. Overall control mechanisms are in place to ensure expenditure is robustly managed. Approval for packages are rigorously scrutinised at panel meetings with social workers required to explain their panel submission before approval is gained.	0.4
Adult Social Care	All Age Disability and Mental Health Operational	There has been a significant increase in DOLs demand leading to additional assessment costs (£160k). The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs (£146k). This is partially offset by the vacancy savings showing on the centralised forecast.	0.3
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
Adult Social Care	Adult Social Care Director	Underspends achieved due to early delivery of Adult Social Care savings targets.	(0.2)

Adult Social Care	Strategic Commissioning (Adults)	Pressures relating to under achievement of Supporting People income are offset by a number of underspends across other areas of contractual spend.	(0.3)
Adult Social Care			0.4
Customer Services & Transformation	Customer and Business Services	Unmet element of £1.8m Business Services savings target (£629K) and ongoing pressure relating to homelessness service mainly comprising B&B rental cost not covered by Housing Benefit and agency cost in Housing Options team (£448K), partially offset by forecast underspend and overachievement of income in Post and Fastprint.	0.9
Customer Services & Transformation	HR and Workforce Development Management	Unmet element of savings target linked to resources needed for Workforce Strategy programme (£103k). Additional Resource requirements for Workforce Programme (£90k) as well as agency costs to cover vacant posts	0.2
Customer Services & Transformation	ICT Operations	There is an ongoing pressure with Mobile Phone contracts as the demand for flexible ways of working increases (£227K). This is partially offset by the data and voice budget underspending where older technology has been decommissioned and is no longer needed (£116K).	0.1
	Other Variances Less than 100K		0.1
Customer Services & Transformation			1.3
Total Non-Controllable Variances - People			10.4

Place Directorate	Place		
Service Area	Reporting Area	Explanation	£M
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	Primarily St. Mary's trading deficit of £137k. This is expected to improve in 18/19 once service improvements have been implemented.	0.2
City Centre & Major Projects Development			0.2
Transportation & Highways	Traffic	Traffic pressures are due to varying factors. Within Network Management, vacancies within Urban Traffic Control are resulting in agency staff spend, and also irrecoverable costs are being incurred as a result of damage to assets due to road traffic accidents. Within parking services, there are spend pressures caused by increased repairs to equipment, and an increase in external service charges. Income pressures are also being experienced within parking enforcement due to reduced recovery and fewer PCN's issued, however it is expected this will be offset by increased bus lane enforcement income	0.5
Transportation & Highways	Highways	This overspend primarily relates to expenditure on agency cover to fill vacant posts, and some priority patching works costing in excess of available budget.	0.1
Transportation & Highways	Other Variances Less than 100K		
Transportation & Highways			0.6

Streetscene & Regulatory Services	Planning & Regulatory Services	Price Increase of 20% on Planning fees from mid Jan 18	(0.2)
Streetscene & Regulatory Services	Waste & Fleet Services	Fleet Services are not fully achieving savings targets for the refinancing of vehicles as some vehicles have been replaced sooner than had been planned. There are also one off costs relating to the purchase of bins, caddies & liners for the new refuse service, Market Related Pay (HGV Drivers) and additional costs expected to maintain collections over the christmas and new year period. These, together with the restructuring and investment costs and one off pressures in commercial waste are being partly offset by reductions in the cost of waste disposal and some underspends on Passenger Transport.	1.0
Streetscene & Regulatory Services	Other Variances Less than 100K		
Streetscene & Regulatory Services			0.8
Project Management and Property Services	Development Services	Core funded surveyors costs being recovered from sales disposal proceeds.	(0.2)
Project Management and Property Services	Facilities & Property Services	£155k pressure in building cleaning reflecting the transfer of cleaning to schools at the start of the academic year (September 2017) as opposed to April 2017.	0.2
Project Management and Property Services	PAM Management & Support	c£200k underspend against reduced cost of Lamb St dilapidation costs, and use of £117k residual earmarked reserves set aside for strategic property review	(0.3)
Project Management and Property Services	Other Variances Less than 100K		(0.1)
Project Management and Property Services			(0.4)
Finance & Corporate Services	Revenues and Benefits	There is a net pressure within the Housing Benefit (HB) Subsidy account. The largest pressure (circa £3.0m) 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. 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. The above two pressures are offset by the surplus recovery of HB overpayments (circa £1.1m)	3.0
Finance & Corporate Services	Legal Services - People	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. In addition there are pressures within Coroners due to increased pathology and venue fees (£60k), offset by increased income from the Registrar's service (£40k).	0.2
Finance & Corporate Services	Financial Mgt	Primarily the accelerated achievement of headcount savings target, temporarily offsetting the delay in achievement elsewhere in the division, together with savings on non-staff budgets (c£40k).	(0.3)
Finance & Corporate Services	Other Variances Less than 100K		0.1
Finance & Corporate Services			3.0

Total Non-Controllable Variances - Place			4.2
---	--	--	------------

Service Area	Reporting Area	Explanation	£M
Contingency & Central Budgets	Contingency & Central Budgets	This favourable variance reflects a £3.2m underpend across inflation contingencies, the Pensions Prepayment model, the Apprenticeship Levy and the Sports Contingency and a £1.1m underspend within the Asset Management Revenue Account (AMRA). This is also a £2.7m underspend incorporating a combination of higher than expected grant income relating to Business Rates reliefs, a higher than expected benefit from the Coventry and Warwickshire Business Rates Pool and a lower than expected contribution to the West Midlands Devolution Deal (Business Rates) model.	(7.0)
Total Non-Controllable Variances - Contingency & Central Budgets			(7.0)

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
PLACE DIRECTORATE		
Coombe	Cabinet in 10th October 2017 first instalment for investment in Coombe Abbey Hotel	9.0
Heatline	Final Payment for Heatline Phase 1	0.5
Acquisition of New Children Homes	Cabinet 7th March 2017 - As part of the Children Internal Residential Resign Project budget is for acquisition of 3 new sites	0.8
Disabled Facilities Grants	DLCG Additional funding for DFG announced in December 2017	0.3
Miscellaneous	Net programme changes	0.1
SUB TOTAL - Place Directorate		10.7
TOTAL APPROVED / TECHNICAL CHANGES		10.7

Appendix 3

Capital Programme: Estimated Outturn 2017/18

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

DIRECTORATE	ESTIMATED OUTTURN QTR 2 £m	APPROVED / TECHNICAL CHANGES £m	OVER / UNDER SPEND NOW REPORTED £m	RESCHEDULED EXPENDITURE NOW REPORTED £m	REVISED ESTIMATED OUTTURN 17-18 £m
PEOPLE	23.1	1.1	0.0	(5.1)	19.1
PLACE	96.8	9.6	0.4	(4.9)	101.9
TOTAL	119.9	10.7	0.4	(10.0)	121.0

Capital Programme: Analysis of Rescheduling

SCHEME	EXPLANATION	£m
PEOPLE DIRECTORATE		
Suitability/Access	Budget was set with previous budget holder, it has now been reviewed by new budget holder based on the actual spend this year and changes to forecast have been made.	-0.1
CLYP - Condition	The original condition budget of £4.9m included £1.8 of contingency to absorb the volatility of estimated jobs within the condition programme and an allocation for emergency works. At quarter 3 - the contingency budget has been reduced to c£1m which will be carried forward into future years programme. The £600k of the remaining £700k rescheduling is for works at Hearsall Primary School that were forecast to be completed in 2017/18 but due to works running over will now be completed in 2018/19.	-1.7
Disabled Facilities Grants	The DFG grant allocation can be used for both DFG's and other Adult Social Care capital schemes. In December 2017, Government awarded an additional £320,000 to the City Council on top of the existing increased DFG resources. Additional flexibilities provided by DCLG, have provided freedom to expand the use of these funds to meet the needs of eligible residents. Officers have been reviewing the use of the allocation in order to maximise existing DFG adaptation opportunities alongside improvements to Social Care property and new investments in other eligible spend. An expanded programme of works has now been identified, however this has led to a rescheduling of spend of £920k.	-0.9
ICT Programme	The reason for the rescheduling at quarter 3 is primarily due to the organisational focus on the move to Friargate. With the majority of resource being focussed on the move to Friargate and the associated technology programmes, other areas of work have been postponed or delayed into next financial year and beyond. We have significant calls on spend for next financial year including £500k for the proposed works at Whitley Depot/Jackson Road and £250k for network redesign following issues earlier in the year. These are alongside the continued work on systems and technology consolidation which continue to deliver revenue savings. The ICT Strategy is being re-written in the first half of financial year 2018/19 and this will align to the organisations single transformation programme that is currently being developed. This will bring about more organisational prioritisation to the work programme and therefore more consistency and reliability to spend profiles of activities.	-2.3
SUB TOTAL - People Directorate		-5.1

PLACE DIRECTORATE		
City Centre First (UK Central & Connectivity Programme)	With the announcement of City of Culture, the ring road junction improvements may not be a priority in the short term. Work is being done to determine whether the resources would be better suited to deliver public realm improvements, this will require change approval from WMCA.	-0.3
Coventry Very Light Rail (UK Central & Connectivity Programme)	Strategic Board requested additional work into the track feasibility study, which has pushed the programme back, resulting in £0.2m rescheduling into next year.	-0.2
Highways Investment - Whitefriars	This was agreed at the Highways & Infrastructure Project Board meeting. Due to Whitefriars' contractor being behind with their programme and their issue with Planning permission for the carriageway design at Manor Farm, our programme has been delayed. To accommodate this, Whitefriars, normal programme was increased.	0.4
Highways Investment - Manor Farm	This was agreed at the Highways & Infrastructure Project Board meeting. Due to Whitefriars' contractor being behind with their programme and their issue with Planning permission for the carriageway design at Manor Farm, our programme has been delayed.	-0.7
Coventry Station Masterplan	The majority of this work included a design change for NUCKLE 1.2 that gives a better rail solution to accommodate freight traffic which uses the Coventry to Nuneaton route while there has been increased spend during the design stage it will lead to a saving during construction as well as a reduced number of work sites to manage.	0.2
GD10 - A5 Corridor Project	This project is currently on hold whilst discussions are held with Highways England and CWLEP following the announcement of the Highways England Strategic Review and subsequent impact on the projects deliverability in line with the GD Programme.	-0.4
GD11 - Coton Arches	CWLEP Programme Delivery Board (Dec 17) approved slippage of 1.2m into 18/19. This was caused by a delay with being able to go out to tender for the works. Tenders now returned and a preferred bidder selected. The resulting work package has confirmed the slippage.	-1.2
GD14 - A46 N-S Corridor (Stanks)	This is due to a delay in obtaining relevant approvals to be able to go out to tender – as a result there has been a delay in delivering the works. Project now working to a revised work schedule – majority of spend approved for 18/19.	-0.7
GD18 (ULS09) - Getting West Nuneaton Moving: Bermuda Connection	There had been decisions pending on match funding by WCC which has meant a delay in contracting.	0.5
Whitley South Infrastructure	The difference between the forecast and actual is due to the need to estimate expenditure on the project prior to an agreed programme being adopted for the works. The initial forecast was based on a best guess scenario with an assumed start on site date.	2.6

Public Realm Phase 4	Due to continued negotiations on design and delivery on Cuckoo Lane and Coventry Cross, approval has been received from CWLEP to reschedule scheme delivery into 2018-19.	-0.5
Vehicle & Plant Replacement	All these vehicles that have been rescheduled have been assessed and are still in reasonable condition. Our aim is to maximise their life for another financial year therefore saving costs. These vehicles have all been rescheduled into 2018/19 for replacement.	-2.0
Play Areas	We rely on amenities team capacity, contractors capacity and weather conditions etc. and due to a combination of these we have been unable to fulfill our planned programme this year.	-0.2
ESIF - Low Carbon	ESIF Low Carbon runs a capital grants programme, and the take up has been slower than originally anticipated, so we need to reschedule this spend. A project change request has been agreed with the funder	-0.6
Housing Venture	Due to staff changes at Whitefriars there is a real lack of real progression on the garage/infill sites and therefore it will be highly unlikely that there will be any requests for financial contributions to the Council in this financial year.	-0.4
Growing Places - Infrastructure	The last project in this sub programme, managed by WCC is has been delayed due to budgeting and rescoping. The funding is now forecast to be drawdown in Dec 2018.	-0.5
Growing Places - Round 2 Open Call	These are the remains of 2 business grants programmes, that are winding down. The grantees have taken longer than expected to claim the remaining funds, but the remaining grant will be claimed in the next financial year.	-0.2
Growing Places - Round 3 Open Door	These are the remains of 2 business grants programmes, that are winding down. The grantees have taken longer than expected to claim the remaining funds, but the remaining grant will be claimed in the next financial year.	-0.4
Miscellaneous	Net rescheduling	-0.3
SUB TOTAL - Place Directorate		-4.9
TOTAL RESCHEDULING		-10.0

Appendix 5

Capital Programme: Over/underspends 2017/18

PLACE DIRECTORATE		
Challenge Fund - Swanswell Viaduct	<p>The Quarter 3 reported forecast outturn position for Swanswell Viaduct is a £600k overspend.</p> <p>The findings of the preliminary surveys necessitated more intrusive work, leading to the initial design stage being overspent by £300,000. Subsequently, the contractor has underestimated the costs of working on a complex 50 year old structure and these costs are now becoming clear. The pain/gain mechanism in the contract is ensuring that the city council's exposure to these costs is limited. It should be noted that an independent valuation of the work indicates that a construction completion of £5.2 million is still extremely good value. The overspend will be resourced as follows, £170k has been identified from current year Highway budgets and the remaining £430k will be built into budget setting as a payback from Highway Investment over the next 2 years, £250k in 2018-19 and £180k in 2019-20.</p>	0.4
SUB TOTAL - Place Directorate		0.4
TOTAL Overspend		0.4

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 31st Dec 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%	13.49%
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	£362.2m 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	£362.2m 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	£362.2m 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	£268.7m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£80.0m	-£74.3m
Maturity Structure Limits (Indicator 11) , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 40% 0% to 20% 0% to 30% 0% to 30% 40% to 100%	16% 4% 13% 7% 60%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£24m	£9.8m



Coventry City Council

Public report

Report to

Audit and Procurement Committee

19th February 2018

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:

Quarter Three Internal Audit Progress Report 2017-18

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the internal audit activity for the period April to December 2017, against the Internal Audit Plan for 2017-18.

Recommendations:

Audit and Procurement Committee is recommended to:

1. Note the performance as at quarter three against the Internal Audit Plan for 2017-18.
2. Consider the summary findings of the key audit reviews (attached at Appendix One).

List of Appendices included:

Appendix One - Summary Findings from Key Audit Reports Completed between October and December 2017

Background papers:

None

Other useful documents:

None

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee

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

No

Will this report go to Council?

No

Report title:

Quarter Three Internal Audit Progress Report 2017-18

1. Context (or background)

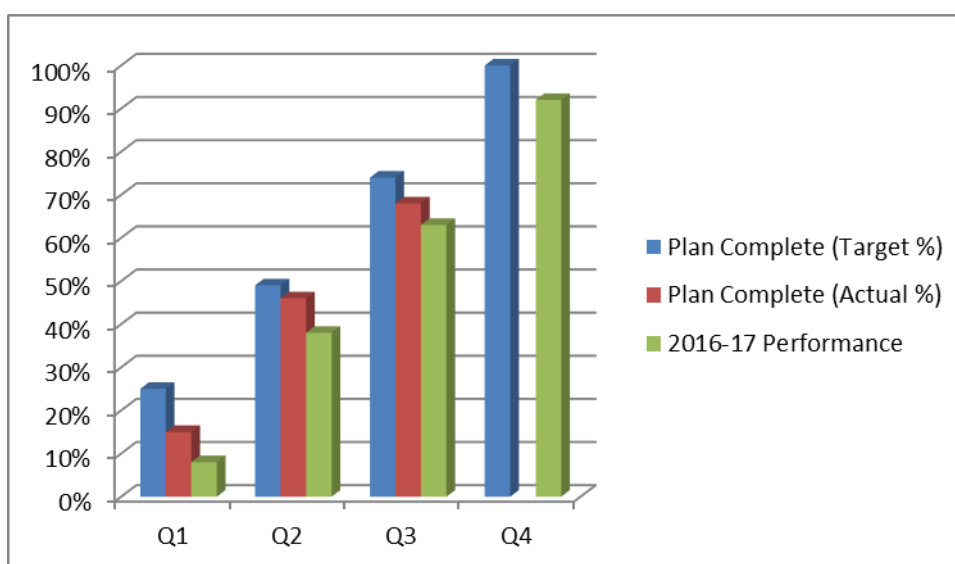
1.1 This report is the second monitoring report for 2017-18, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

2. Options considered and recommended proposal

2.1 Delivering the Audit Plan

The key target facing the Internal Audit Service is to complete 90% of its work plan by the 31st March 2018. The chart below provides analysis of progress against planned work for the period April to December 2017.

Chart One: Progress against delivery of Internal Audit Plan 2017-18



As at the end of December 2017, the Service had completed 68% of the Audit Plan against a planned target of 74%. Whilst the annual target is to complete 90% of the work plan, the quarterly targets which are set in quarters one, two and three are based on completing 100% of the plan, which reflects that the Service will always strive to achieve this. However, from a practical perspective, achieving 100% is generally unfeasible. The reasons for this are largely down to customers requesting a change in the timing of a review, or the focus of a review being super-ceded by other events. As a result, the formal target is 90%. Consequently, whilst the Service is slightly behind the quarter three target, it remains broadly on track to achieve the formal annual target of 90% by the end of 2017-18

2.2 Other Key Performance Indicators (KPIs)

The table overleaf shows a summary of the performance of Internal Audit for 2017-18 to date against five KPIs, with comparative figures for the financial year 2016-17. There is one indicator (audit delivered within budget days) where the Service's current performance is below expectations. Progress is continuing to be made to achieve consistent performance across all the KPI's and whilst performance is improving, this remains an on-going focus for

the Service, through both Team actions and targeted work with individuals to improve performance.

Table One: Internal Audit Key Performance Indicators 2016-17

Performance Measure	Target	Performance Q3 2017-18	Performance 2016-17
Planned Days Delivered (Pro rota against agreed plan)	100%	74%	95%
Productive Time of Team (% of work time spent on audit work)	90%	91%	89%
Draft Report to Deadline (Draft issued in line with date agreed)	80%	83%	70%
Final Report to Deadline (Final issued within 4 weeks of draft)	80%	100%	97%
Audit Delivered within Budget Days	80%	73%	72%

2.3 Audits Completed to Date

2.3.1 Attached at Table Two below is a list of the audits finalised between October and December 2017, along with the level of assurance provided.

Table Two: Finalised audits October to December 2017

Audit Area	Audit Title	Assurance
Corporate Risk	Promoting Independent Living Service	Fact Finding
	Data Protection Children's Services	Moderate
	One Friargate Business Disruption Resilience	Significant
	Organised Crime Checklist	Moderate
Financial Systems Regularity	Raising invoices locally	Significant
	Bus Subsidy Grant	Verification
	Troubled Families Programme	Verification
	Post 16 Schools funding	Verification
	Hillfields Nursery School	Limited
	Henley Green Primary School	Moderate
	Edgewick Primary School	Limited

Audit Area	Audit Title	Assurance
	Ernesford Grange Primary School	Moderate
Contingency / Directorate Risks	Payment audit follow up – social care invoices	Fact finding
	New payroll processes	Fact finding
	LCS / ContrOCC	Moderate

2.3.2 The following audits are currently in progress:

- **Audits at Draft Report Stage** – Accounts Payable, Risk Management, Foster Carer Experience
- **Audits On-going** – User Accounts, Cyber Security, Database System Administration, Business Rates, CareDirector, Accounts Receivable

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

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

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

5. Comments from the Director of Finance and Corporate Services

5.1 Financial Implications

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

5.2 Legal implications

Reporting on progress in regards to the delivery of the Annual Audit Plan ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

6. Other implications

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

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". As such the work of Internal Audit is

directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis, and reflected in the annual Internal Audit Plan.

6.2 How is risk being managed?

In terms of risk management, there are two focuses:

- Internal Audit and Risk Service perspective - The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e. planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. This risk is managed through on-going communication with customers to agree timing and identify issues at an early stage to allow for remedial action to be taken.
- Wider Council perspective - The key risk is that actions agreed in audit reports to improve the control environment and assist the Council in achieving its objectives are not implemented. To mitigate this risk, a defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis. Such assurance is reflected in reports to the Audit and Procurement Committee. Where progress has not been made, further action is agreed and overseen by the Audit and Procurement Committee to ensure action is taken.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

Karen Tyler – Acting Chief Internal Auditor

Directorate:

Resources

Tel and email contact:

024 7683 4305 – Karen.tyler@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 approved
Contributors:				
Lara Knight	Governance Services Co-ordinator	Place	26/1/18	1/2/18
Paul Jennings	Finance Manager Corporate Finance	Place	26/1/18	26/1/18
Names of approvers: (officers and members)				
Barry Hastie	Director of Finance and Corporate Services	Place	26/1/18	8/2/2018
Adrian West	Member and Elections Team Manager	Place	26/1/18	1/2/18

This report is published on the council's website:
www.coventry.gov.uk/meetings

Appendix One – Summary Findings from Key Audit Reports Completed between October and December 2017

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>LCS / ContrOCC</p> <p>March 2018</p> <p>Head of Business Systems / Operational Leads, Children's Services / Lead Accountant AFC/ Performance Manager Social Care and Communities</p>	<p>Overall Objective: To ensure that the Council has robust processes in place to record and manage children's social care cases through LCS and administer payments through ContrOCC.</p> <p>Opinion: Moderate Assurance Summary / Actions Identified:</p> <p>The review identified the following area of good practice:</p> <ul style="list-style-type: none"> • Mandatory e-learning modules which are matched to a new user's job role and are required to be completed prior to user access being provided. <p>Whilst the system provides an appropriate approach to recording social care cases and administering payments, the review highlighted that there is scope to improve the financial controls in operation. In particular, in our view, there is insufficient focus on the financial implications of untimely recording of foster placement and start and end dates. This leads to delays in foster carers receiving payments due to them and overpayments being made unnecessarily.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Reviewing / amending access and approval levels on LCS to ensure appropriate separation of duties is enforced by the system and appropriate financial limits are set for approvers. • Communicating to Children's Social Care teams the importance of timely recording in respect of foster placements and the associated financial / other implications. • Introducing appropriate sample checks on expense claims input to ContrOCC to ensure they are valid and accurate. • Agreeing changes to the recovery process to provide clear accountability for debt recovery. • Making arrangements to report management information on the recording policy / overpayments to the Children's Services Leadership Team on a regular basis.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Organised Crime Checklist</p> <p>September 2018</p> <p>Risk and Insurance Manager / Acting Chief Internal Auditor / Recruitment Team Manager / Lead Accountant, Control and Treasury Management</p>	<p>Overall Objective: To provide assurance that the Council has effective processes and systems in place to protect the local authority from the risk of serious, organised crime.</p> <p>Opinion: Moderate assurance</p> <p>Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • The Council, as part of a multi-agency approach, is developing a Serious and Organised Crime local action plan with West Midlands police to tackle the threat if serious and organised crime. • Robust vetting checks are carried out on taxi drivers before granting them a license. Licenses are not automatically reviewed; drivers have to re-apply for their license every three years, when these checks are repeated. <p>Whilst the risk of crime groups infiltrating the public sector cannot be completely controlled, the Council employs a number of approaches to manage this risk. This includes developing an action plan in-conjunction with West Midlands Police, vetting procedures on staff and taxi drivers and robust procurement governance arrangements. However, the review highlighted a small number of gaps in the Council's internal arrangements which would ensure a more holistic response across the range of threats posed.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Reflecting the risks posed by serious and organised crime and corruption in directorate risk registers. • Reporting the fraud risk register to the Audit and Procurement Committee on an annual basis. • Establishing mechanisms to provide central oversight / monitoring of when DBS checks are due / completed. • Producing regular reports to identify / monitor large cash transactions and take action to investigate these. • Issuing a briefing note to schools to raise awareness of organised crime risks in relation to low level spend.

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>Hillfields Nursery School</p> <p>May 2018</p> <p>Office Manager / Head Teacher</p>	<p>Overall Objective: To provide assurance that robust systems and controls exist to support the effective management of the school's resources.</p> <p>Opinion: Limited Assurance Summary / Actions Identified:</p> <p>The review identified the following area of good practice:</p> <ul style="list-style-type: none"> • There are effective safe procedures in place. <p>We recognise that the school has undergone significant changes in the current financial year linked to the set up as a single entity and changes in staffing. However, the level of assurance reflects our concerns that robust arrangements to manage the school's finances are not adequately embedded with the school, which are administered by proficient staff. As a result, there is an increased risk of fraud and error occurring.</p> <p>Areas for improvement identified include:</p> <ul style="list-style-type: none"> • Ensuring that HMRC requirements in respect of IR35 are complied with. • Taking immediate action to cancel the bank debit card and apply for a Council purchasing card. • Ensuring that non-invoiced income is appropriately recorded and the banking is prepared by two officers. • Ensuring that outstanding debts are appropriately pursued and recovered. • Ensuring that robust governance arrangements are maintained in relation to the roles and responsibilities of officers who undertake financial management duties in the school (including the provision of adequate training.)

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p>One Friargate Business Disruption Resilience</p> <p>n/a</p>	<p>Overall Objective: To ensure that in the event of business disruption following the move to One Friargate, appropriate arrangements are in place to enable the Council to respond appropriately and resume business as usual.</p> <p>Opinion: Significant Assurance Summary / Actions Identified:</p> <p>The review identified the following areas of good practice:</p> <ul style="list-style-type: none"> • The building has been designed with a number of features which increases its' resilience to business disruption. • A risk register has been compiled for one Friargate which has been agreed by both the Head of Facilities Management and the Director of KickStart and includes control measures to mitigate the risks identified. • A Business Continuity Plan has been compiled for One Friargate which will ensure a co-ordinated approach in the event of business disruption and minimise duplication of arrangements. <p>We are also aware that actions are currently being undertaken to further improve the building's resilience, including implementing a second internet connection and the introduction of steel pipes with back up parts to be held on site. As such, the level of assurance reflects that in our opinion, there are adequate control measures in place to provide sufficient resilience in the operation of One Friargate.</p>

This page is intentionally left blank



Coventry City Council

Briefing note

To: Audit and Procurement Committee

Date: 19 February 2018

Subject: Information Commissioner's Office – Data Protection Audit November 2017

1 Purpose of the Note

- 1.1 In October 2015, the Information Commissioner's Office (ICO) carried out a data protection audit into the City Council's governance arrangements, training and awareness and data sharing arrangements. The audit concluded that there was "very limited assurance that processes and procedures are in place and deliver data protection compliance." The Audit and Procurement Committee has received regular reports on progress since that Initial audit. In November 2017, the ICO carried out a re-audit and this note reports on the findings and the Council's response.

2 Recommendations

Audit and Procurement Committee is recommended to:

- a) Note the outcome of the ICO audit
- b) Note the actions taken and planned in response to the audit
- c) Request feedback on progress against actions arising from the audit
- d) Make any recommendations to the Cabinet Member for Policy and Leadership who is the portfolio holder for information management and governance

3 Information/Background

- 3.1 In October 2015, the Information Commissioner's Office (ICO) carried out a data protection audit into the City Council's governance arrangements, training and awareness and data sharing arrangements. In addition to meeting with officers responsible for corporate arrangements, it spoke to staff in Children's Social Care and the Revenues and Benefits service.
- 3.2 The audit concluded that there was "very limited assurance that processes and procedures are in place and deliver data protection compliance." It made 77 recommendations for the Council to strengthen its arrangements which the City Council has implemented as part of a significant programme of work to strengthen its approach to information governance. The Audit and Procurement Committee has received regular reports on progress against the ICO's recommendations since then.
- 3.3 In November 2017 the ICO revisited the authority to carry out a further data protection audit. It followed exactly the same scope, looking at governance arrangements, training and awareness and data sharing arrangements corporately and in Children's Social Care and the Revenues and Benefits service. As previously, the audit provides a snapshot of assurance levels at a moment in time rather than specifically looking at the direction of travel or progress since the previous audit.

3.4 The outcome of the November 2017 audit is that the ICO has raised their overall opinion level to “limited assurance”. This reflects progress in both the overall rating and the three areas reviewed by the ICO and this is shown in the tables below.

	2015 Audit				2017 Audit				
	Overall	DP Governance	Training and Awareness	Data Sharing		Overall	DP Governance	Training and Awareness	Data Sharing
High					High				
Reasonable					Reasonable				
Limited					Limited				
Very Limited					Very Limited				

3.5 In commenting on the progress made by the City Council, the ICO’s Lead Auditor, who was a member of the ICO team for both audits wrote that *“in our view, comparison between the assurance ratings strongly reflects on the work undertaken at CCC since our original audit. ... This demonstrates a clear improvement and progress at an individual, as well as an overall, level”*.

3.6 The ICO report makes 141 detailed recommendations for the Council to consider, some of which are duplicated.

- 18 recommendations have been rejected as arrangements are already in place to address the issues raised;
- 32 have already been completed as they proposed only very minor amendments to processes or documents;
- 91 fall into three main areas where the Council has further work to do. Many of them support existing planned action, particularly work being undertaken to ensure the City Council is ready for the introduction of the General Data Protection Regulation in May 2018. These are:

3.6.1 **Information Risk Management:** Since the previous audit, the City Council has developed its approach to information risk management and put in place policies, procedures and oversight to ensure that risks to information are managed effectively. Information governance is highlighted on the corporate risk register, appropriate roles and responsibilities have been designated and risk management has improved. However, work is still required to populate and review information risk registers and this is currently being rolled out. When this is embedded, this will significantly strengthen the Council’s management of information risk.

- 3.6.2 **Training:** The ICO audit recognises the considerable work that has gone into strengthening data protection training and awareness raising across the Council and this is reflected in the reasonable assurance rating given to this area. This includes the work undertaken by the Information Management Strategy Group to ensure that appropriate training, including the mandatory training for all staff, is carried out which is highlighted as good practice. However, the audit report recommends the introduction of a comprehensive training strategy to address the Council's approach to general and specialist training. This is accepted and is in preparation.
- 3.6.3 **Data Sharing:** The Council's data sharing arrangements have improved significantly since the time of the initial audit and this part of the report includes the fewest number of recommendations. The recommendations that are made focus on improving the consistency and robustness of arrangements and these are accepted. The Council's Information Governance Team will continue to work with services to strengthen this area of work.
- 3.7 The City Council has developed its own action plan in response to the recommendations by the ICO and this is set out at Appendix 1. The Executive Summary of the ICO audit report is included at Appendix 2.

Adrian West
Members and Elections Team Manager
adrian.west@coventry.gov.uk
024 7683 2286

Page 62 **Data Protection Governance**

Action No	ICO ref. no	Agreed Action	Implementation Date	Owner
1	A9, A11	Review Job descriptions in the Information Governance Team as part of the planned restructure following recent staff and organisational changes. We have in the meantime clearly allocated line management responsibility.	May-18	Members and Elections Team Manager
2	A26a, A28a, A90, A91, A94	Make available templates for policies, procedures and guidance ensuring document control is included. Create a policy index to signpost to the single version of each policy as prescribed by the Information Governance handbook and incorporate date of review to ensure clarity and regular review.	Apr-18	Records Manager
3	A27, A34a, A36	Fully implement the Information Risk Management Process, including the completion of the Information Risk Registers by Information Asset Owners, regular review of the Information Asset Register and the process for providing formal assurance to the Senior Information Risk Owner on relevant information assets. The duties responsibilities for risk escalation are already detailed within the Council's Risk Management Policy, Strategy and Framework. The Information Asset Register and Information Risk Register will then be subject to annual review.	Jul-18	Head of Information Governance
4	A28b	Update the risk management framework to cross-reference to the Information Risk Policy and Registers. The Risk Management Policy and Strategy will be updated during the next review cycle.	Mar-18	Head of Information Governance
5	A31	The Senior Information Risk Owner is to nominate an alternative Officer to act as Information Asset Owner for his services	Jul-18	Senior Information Risk Owner
6	A37	Implement and raise awareness of a formal and documented Information Security Incident Management Policy (building on the existing draft procedures), which outlines objectives, key roles and responsibilities, a process flowchart and detailed guidance as to the various stages of the incident management process	Mar-18	Head of Information Governance
7	A52, A68	Consider the best method of linking the Corporate Risk Register and the Information Risk Register/Information Asset Register to ensure that information risks can be escalated appropriately and consistently as required.	Jul-18	Head of Information Governance / Insurance Manager
8	A54, A55a, A55b, A56, A58	Ensure that the contract template and live contracts consistently incorporate the requirement for data processors to act only on their instruction. This will be completed as part of our preparations for GDPR	May-18	Head of Information Governance

Action No	ICO ref. no	Agreed Action	Implementation Date	Owner
9	A59, A63	Draft, implement and raise awareness of a formal and documented Privacy Impact Assessment Policy, which outlines objectives, key roles and responsibilities, a process flowchart and detailed guidance as to the various stages of the PIA process. Ensure that this policy is cross-referenced within other associated data protection policies.	May-18	Head of Information Governance
10	A66	Ensure that the Privacy Impact Assessment register includes hyperlinks to copies of the individual Privacy Impact Assessments where possible.	Aug-18	Head of Information Governance
11	A74	Consider aligning the Council to external standards to improve the effectiveness of data handling controls, for example by consistently benchmarking data protection policies against these.	May-18	Information Management Strategy Group
12	A76	Establish a comprehensive range of formal documented data protection Key Performance Indicators, report against these on an ongoing basis and ensure that the audience for this reporting includes the Corporate Leadership Team and Information Management Strategy Group, in order to facilitate a high level view of organisational performance.	Jun-18	Information Management Strategy Group
13	A81, A82, A87, A88, A92, A93, A100	Undertake an annual review of all Information Governance Policies within the Information Governance Handbook, and ensure consistent branding. This will need to also consider changes for May 2018 and the introduction of GDPR.	May-18	Records Manager
14	A83	Amend the Information Security Management Policy to outline the responsibilities of individuals and teams and / or groups with core information security roles, and provide an overview of key aspects of information security such as incident management and physical security. Amend the Data Handling Policy to provide content in regard to corporate data handling requirements.	Apr-18	Head of Information Governance
15	A96, A106	Consider the best method of ensuring that communications are received, read and understood by using GovDelivery or similar tools to provide data and evidence of users accessing material that is shared.	Dec-18	Head of Communications

Action No	ICO ref. no	Agreed Action	Implementation Date	Owner
16	A99	Develop a more in depth series of checks in respect of the main themes of data protection compliance such as information security and records management, either within the same or dedicated checklists, and periodically rotate between conducting such checks. For example, checks in regard to information security could include physical access to and within Council buildings, access to manual records storage in open office areas, adherence to clear desk and screen, and the disposal of electronic hardware and manual records.	Aug-18	Head of Information Governance

Training and Awareness

Action No	ICO ref. no	Agreed Action	Implementation Date	Owner
1	A7, A61, A78, B2, B10, B14, B18, B22, B30, B35, B40, B41, B42, B43, B50, B53, B72	Compile a training strategy to formally document the approach taken to training. The strategy will contain: <ul style="list-style-type: none"> - Training objectives - Training methods - Available courses and the mix of mandatory, specialist and non-mandatory training. - Alternative training methods for non-networked, agency and 3rd party staff - How training will be evaluated - How take up is monitored - Roles and responsibilities in ensuring compliance 	31st March 2018	Programme Manager (Transformation)
2	B2, B4, B5, B74, B78	Update the Information Governance Handbook, and suite of Data Protection policies to include the roles and responsibilities of the Senior Information Risk Owner, Data Protection Officer and Information Management Strategy Group in relation to training	31st March 2018	Programme Manager (Transformation)
3	B21	Utilise functionality in the recently implemented online learning system (Me-Learning), to enable feedback to be provided by trainees on course material and to use that feedback to inform future training provision.	31st March 2018	Programme Manager (Transformation)
4	B26	Include further detail on Subject Access Requests and Cyber-Security into the mandatory training.	31st March 2018	Programme Manager (Transformation)
5	A103, A104, B32, B36	Ensure that induction checklists consistently document the requirement for mandatory training to be completed, with links to the policies and training. This is to be extended to all staff including temporary and agency staff.	31st March 2018	Programme Manager (Transformation)

Action No	ICO ref. no	Agreed Action	Implementation Date	Owner
6	B34	Ensure that agency staff have clear instructions on how to access the newly implemented online learning platform (Me-Learning)	31st March 2018	Programme Manager (Transformation)
7	B54	Finalise a communications plan which covers the requirements for training to be completed, together with periodic communications covering Data Protection awareness themes.	31st March 2018	Programme Manager (Transformation)

Data Sharing

Action No	ICO ref. no	Agreed Action	Implementation Date	Owner
1	c2, a26a, a92	Create and enforce use of a Policy Template, ensure it states that policies are subject to annual review and contains the appropriate document control.	May-18	Records Manager
2	c8	Enforce the process that requires staff that are involved in one-off data sharing undertake the relevant training	Mar-18	Information Governance Team/Senior Management
3	c10	Consider merging the Privacy Policy and the Corporate Privacy Statement, make available from the website homepage and that it provides links to the Current Data Sharing agreements	May-18	Information Governance Team/Information Management Strategy Group
4	c12	Implement a formal sign-off process for and register of, Privacy Notices, to ensure corporate oversight fo the fair processing information provided	Jun-18	Senior Information Governance Officer
5	c14, c21	Review the Data Sharing training and incorporate new requirements under GDPR. Create and provide guidance for staff around use of the Data Sharing protocol rather than a Data Sharing Agreement.	May-18	Senior Information Governance Officer

6	c19	Carry out a review of the Privacy Impact Assessment template; ensure template specifies which Data Protection Act condition for processing or exemption applies.	Jun-18	Senior Information Governance Officer/ Information Governance Team
7	c22, c30, c31, c32, c33, c34, c37, c13	Ensure that all Data Sharing Agreements: <ul style="list-style-type: none"> - Include statements of compliance signed by senior management of each participating Data Controller. - Consistently detail whether information to be shared is fact or opinion. - Consistently outline a requirement for the sender of the information to inform recipients when data has been amended or updated. - Implement processes to ensure the information received and being shared as part of a DSA is accurate and up to date. - Amend DSA template to facilitate compliance to the fifth principle of the Data Protection Act. - Contain consistent requirements for the secure disposal of information in line with Retention & Disposal Schedule. - Include a requirement for 3rd parties to notify the Council when information is deleted. - Include a clause stating how a Data Breach should be reported and a specific timeframe given. - Consistently provide details of how fair processing information will be given to individuals 	May-18	Senior Information Governance Officer/ Information Governance Team
8	c23	Approve the MASH Partnership Agreement as soon as possible.	Feb-18	Senior Information Governance Officer
9	c26	Review all Council contract templates in preparation for GDPR to ensure their compliance with the Regulation. Undertake a review of existing contracts.	May-18	Information Governance Officer/Contracts Manager
10	c42	Ensure that the Information Management Strategy Group have access to central log for one-off disclosures.	May-18	Information Governance Team/ Information Management Strategy Group

Coventry City Council

Data protection audit report

Executive summary
February 2018

1. Background

The Information Commissioner is responsible for enforcing and promoting compliance with the Data Protection Act 1998 (the DPA). Section 51(7) of the DPA contains a provision giving the Information Commissioner power to assess any organisation's processing of personal data for the following of 'good practice', with the agreement of the data controller. This is done through a consensual audit.

The Information Commissioner's Office (ICO) sees auditing as a constructive process with real benefits for data controllers and so aims to establish a participative approach.

The ICO originally conducted a consensual audit of Coventry City Council (CCC) during 13-15 October 2015, which covered data protection governance, training and awareness and data sharing. The ICO published and concluded in the corresponding audit report that there was a very limited level of assurance that effective processes and procedures were in place and delivering adequate data protection compliance at CCC.

As a result, CCC agreed during August 2016 to undertake a second consensual ICO audit in respect of their processing of personal data.

An introductory teleconference was held on 15 September 2017 with representatives of CCC to identify and discuss the scope of the audit, and after that on 4 October 2017 to agree the schedule of interviews.

The audit field work was undertaken at Friargate during 21-22 November 2017.

2. Scope of the audit

Following pre-audit discussions with CCC, it was agreed that the audit would focus on the following areas:

a. Data protection governance – The extent to which data protection responsibility, policies and procedures, performance measurement controls, and reporting mechanisms to monitor DPA compliance are in place and in operation throughout the organisation.

b. Training and awareness – The provision and monitoring of staff data protection training and the awareness of data protection requirements relating to their roles and responsibilities.

c. Data sharing – The design and operation of controls to ensure the sharing of personal data complies with the principles of the DPA and the good practice recommendations set out in the Information Commissioner’s Data Sharing Code of Practice.

3. Audit approach

The audit was conducted following the Information Commissioner’s data protection audit methodology. The key elements of this are a desk based review of selected policies and procedures, onsite visits including interviews with selected staff, and an inspection of selected records.

The purpose of the audit was to provide the Information Commissioner and CCC with an independent assurance of the extent to which CCC, within the scope of this agreed audit, is complying with the DPA.

Where weaknesses were identified recommendations have been made, primarily around enhancing existing processes to facilitate compliance with the DPA.

In order to assist data controllers in implementing the recommendations, each has been assigned a priority rating based upon the risks that they are intended to address. These ratings are assigned based on the following risk matrix:

Impact	Severe	High	High	Urgent	Urgent
	High	Medium	Medium	High	Urgent
	Medium	Low	Medium	Medium	High
	Low	Low	Low	Medium	High
	Remote	Unlikely	Likely	Very Likely	
	Likelihood				

It is important to note that the above ratings are assigned based upon the ICO’s assessment of the risks involved. CCC’s priorities and risk appetite may vary and, therefore, they should undertake their own assessments of the risks identified.

4. Audit opinion

The purpose of the audit is to provide the Information Commissioner and CCC with an independent assurance of the extent to which CCC, within the scope of this agreed audit, is complying with the DPA.

Overall Conclusion	
Limited assurance	<p>There is a limited level of assurance that processes and procedures are in place and delivering data protection compliance. The audit has identified considerable scope for improvement in existing arrangements to reduce the risk of non-compliance with the DPA.</p> <p>We have made two limited assurance assessments in relation to data protection governance and data sharing, and one reasonable assurance assessment in relation to training and awareness, where controls could be enhanced to address the issues which are summarised below.</p>

5. Summary of recommendations

<p>Urgent Priority Recommendations – These recommendations are intended to address risks which represent clear and immediate risks to the data controller’s ability to comply with the requirements of the DPA.</p>	<p>We have made 13 urgent priority recommendations across all 3 scope areas: 8 in data protection governance; 1 in training and awareness; and 4 in data sharing, where controls could be enhanced to address the issues identified.</p>
<p>High Priority Recommendations - These recommendations address risks which should be tackled at the earliest opportunity to mitigate the chances of a breach of the DPA.</p>	<p>We have made 41 high priority recommendations across all 3 scope areas: 18 in data protection governance; 7 in training and awareness; and 16 in data sharing, where controls could be enhanced to address the issues identified.</p>
<p>Medium Priority Recommendations - These recommendations address risks which can be tackled over a longer timeframe or where mitigating controls are already in place, but which could be enhanced.</p>	<p>We have made 69 medium priority recommendations across all 3 scope areas: 38 in data protection governance; 23 in training and awareness; and 8 in data sharing, where controls could be enhanced to address the issues identified.</p>
<p>Low Priority Recommendations - These recommendations represent enhancements to existing good practice or where we are recommending that the data controller sees existing plans through to completion.</p>	<p>We have made 18 low priority recommendations across all 3 scope areas: 9 in data protection governance; 7 in training and awareness; and 2 in data sharing, and where controls could be enhanced to address the issues identified.</p>

6. Summary of audit findings

Areas of good practice

The Information Governance Annual Report records the number of information security incidents in comparison with those for the previous financial year, the number and outcomes of incidents reported to the ICO, a breakdown of incidents by risk classification and type, and examples of ICO Civil Monetary Penalties issued to other councils, in order to facilitate associated trend analysis and lesson learning.

The Information Governance Dashboard records completion of the mandatory e-learning and alternative classroom training for monitoring purposes; this information is refreshed weekly.

CCC utilise the Data Sharing Register to prompt and log reviews of data sharing agreements.

Areas for improvement

Information risk management is underdeveloped at CCC; there is no dedicated group to monitor risk, there is no formal link between incident management and privacy impact assessments and overarching risk registers, there are no Directorate or Service Risk Registers to facilitate the escalation of risks from operational level, the Information Risk Management Policy does not adequately cover data processors and there have been no risk assessments to date in respect of information assets.

There are no formal documented Key Performance Indicators to assist CCC in gauging and driving data protection compliance.

There is no documented data protection training strategy and the training needs analysis has not been subject to formal approval.

There is neither a formal approval process, nor a central register, of fair processing notices.

Data sharing agreements do not consistently specify how or when relevant parties should notify CCC of an information security incident.

Data sharing agreements do not require all parties to notify each other when personal data are amended or updated, and CCC do not obtain assurance in regard to the secure disposal of shared data at the end of defined retention periods.

The matters arising in this report are only those that came to our attention during the course of the audit and are not necessarily a comprehensive statement of all the areas requiring improvement.

The responsibility for ensuring that there are adequate risk management, governance and internal control arrangements in place rest with the management of Coventry City Council.

We take all reasonable care to ensure that our audit report is fair and accurate but cannot accept any liability to any person or organisation, including any third party, for any loss or damage suffered or costs incurred by it arising out of, or in connection with, the use of this report, however such loss or damage is caused. We cannot accept liability for loss occasioned to any person or organisation, including any third party, acting or refraining from acting as a result of any information contained in this report.



Public Report

Cabinet Member

Audit and Procurement Committee

19 February 2018

Cabinet Member for Policing and Equalities

8 March 2018

Name of Cabinet Member:

Cabinet Member for Policing and Equalities – Councillor A Khan

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

None

Title:

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

Is this a key decision?

No

Executive Summary:

The Regulation of Investigatory Powers Act 2000 (RIPA) governs the acquisition and disclosure of communications data and the use of covert surveillance by local authorities.

The Council uses powers under RIPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more, or are related to the underage sale of alcohol and tobacco. The three powers available to local authorities under RIPA: the acquisition and disclosure of communications data; directed surveillance; and covert human intelligence sources ("CHIS")

The Act sets out the procedures that Coventry City Council must follow if it wishes to use directed surveillance techniques or acquire communications data in order to support core function activities (e.g. typically those undertaken by Trading Standards and Environmental Health). The information obtained as a result of such operations can later be relied upon in court proceedings providing RIPA is complied with.

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

Recommendations:

The Audit and Procurement Committee are requested to:

1. Consider and note the Council's use and compliance with RIPA.
2. Forward any comments and/or recommendations to the Cabinet Member for Policing and Equalities.

The Cabinet Member for Policing and Equalities is requested to:

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

List of Appendices included:

None

Other useful background papers:

None

Other useful background information:

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?

Yes – Audit and Procurement Committee – 22 January 2018

Will this report go to Council?

No

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

1. Context (or background)

- 1.1 RIPA governs the acquisition and interception of communications data and the use of covert surveillance by local authorities. The Council can only use powers under RIPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more (e.g. offences relating to counterfeit goods which carry a maximum penalty of 10 years in prison) or the offence is related to the underage sale of alcohol and/or tobacco.
- 1.2 Where the above criteria are met, Local Authorities can make an application for the acquisition and disclosure of communications data (such as telephone billing information or subscriber details) or directed surveillance (covert surveillance of individuals in public places); and the use of covert human intelligence sources (“CHIS”) (such as the deployment of undercover officers). The powers are most commonly used by Trading Standards. However, powers can also be used by other Council services if their offences meet the serious crime threshold, mentioned in 1.1 above.
- 1.3 RIPA sets out the procedure that local authorities must follow when applying to use RIPA powers. These include approval by Authorised Officers that the proposed use of the powers is “necessary and proportionate”. All applications must also be approved by the Magistrates Court before RIPA powers can be exercised.
- 1.4 The Council is required to have a Senior Responsible Officer to maintain oversight of the RIPA arrangements, procedures and operations. The Council’s Monitoring Officer performs this function and is responsible for the integrity of the Council’s process for managing the requirements under RIPA.
- 1.5 On the 1st September 2017, The Office of Surveillance Commissioners (OSC) and The Interception of Communications Commissioner’s Office (ICCO) were abolished by the Investigatory Powers Act 2016. The Investigatory Powers Commissioner’s Office (IPCO) is now responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.
- 1.6 The Assistant Surveillance Commissioner, Sir David Clarke inspected the Council’s RIPA arrangements in respect of directed surveillance on 8 December 2016. He found that the Council’s arrangements were “generally in good order” and “the use by the Council of its statutory powers is appropriate and that the “quality of authorisations” is good. One of the recommendations that he made was:
 - That Coventry City Council’s Policy and Guidance documents be further revised. A revised policy is being finalised and will go to a future Information Management Strategy Group and then to the Audit and Procurement Committee.

1.7 The acquisition of communications data is undertaken through the National Antifraud Network (NAFN). They act as the single point of contact for many local authorities and ensure the application is RIPA compliant. It is NAFN that are audited by the commissioners.

1.8 Details of the applications that the Council has made under RIPA are set out below:

1.8.1 Use of Directed Surveillance or Covert Human Intelligence Sources

For the Period 1 April 2016 – 31 March 2017 – As reported to the OSC in April 2017

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

For the Period 1 April 2017 – 31 December 2017

No. of Directed Surveillance Applications Rejected	0
No. of Directed Surveillance Applications Granted	1
No. of Authorisations Presented to Magistrates	1
No. of Authorisations Granted by Magistrates	1
No. of Authorisations Rejected by Magistrates	0
No. of Directed Surveillance Operations Remaining Extant	0

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

1.9.2 Use of Acquisition & Disclosure of Communications Data

No applications for the disclosure of communications data were made during the period 1 January 2017 – 31 December 2017.

1.10 RIPA Training

It is recommended good practice to provide RIPA training to all relevant officers periodically. Accordingly, one day's training session was delivered on 18 January 2017. Elected members, and Council Officers from core function departments, Legal and those who play a key role in implementing and/or managing CCTV systems attended.

2. Options considered and recommended proposal

2.1 The Audit and Procurement Committee is recommended to consider and note the Annual Compliance Report, which sets out how the Council has used its powers during the reporting periods of the individual Commissioners. In addition, the Committee is recommended to forward any comments or recommendations to the Cabinet Member for Policing and Equalities.

2.2 The Cabinet Member for Policing and Equalities is recommended to consider any comments or recommendations from the Audit and Procurement Committee, and approve the report as a formal record of the Council's use and compliance with RIPA.

3. Results of consultation undertaken

3.1 Not applicable

4. Timetable for implementing this decision

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

5. Comments from Director of Finance and Corporate Services

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

5.2 **Legal implications** – The powers of local authorities have remained largely unchanged following the introduction of the Investigatory Powers Act 2016. However, Officers will continue to monitor the operation of RIPA and ensure that any amendments are incorporated into the Council's policy and procedures as appropriate.

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

6. Other implications

Whilst the requirement to obtain judicial approval introduced an additional step into the process, given the Council's low use of its powers under RIPA, it has not resulted in any significant delays for planned operations. Routine patrols, ad-hoc observations at trouble 'hot spots', immediate response to events and overt use of CCTV do not require RIPA authorisation.

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

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

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

There is no additional impact on the Council.

6.4 Equalities / EIA

When submitting a request for authorisation to use RIPA, consideration is given to any impact on equalities.

6.5 Implications for (or impact on) the environment?

There are no implications on the environment.

6.6 Implications for partner organisations?

There are no implications on partner organisations.

Report author(s):

Name and job title: Allan Harwood, Trading Standards and Consumer Protection Manager

Directorate: Place

Tel and email contact: 024 7683 1885 alan.harwood@coventry.gov.uk

Enquiries should be directed to the above.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
A Walster	Director (Streetscene & Regulatory Services)	Place Directorate	21.12.17.	22.1.18
T Miller	Head of Planning and Regulation	Place Directorate	21.12.17.	05.01.18
Davina Blackburn	Regulatory Services Manager	Place Directorate	21.12.17.	21.12.17
Rosebella Kotonya	Information Governance Officer	Place Directorate	20.12.17.	20.12.17
Lara Knight	Governance Services Co-ordinator	Place Directorate	20.12.17.	20.12.17.
Names of approvers for submission: (officers and members)				
Finance: Cath Crosby	Lead Accountant (Business Partnering)	Place Directorate	21.12.17.	9.1.18
Legal: Julie Newman	Legal Services Manager and Acting Monitoring Officer	Place Directorate	20.12.17.	20.12.17.
Director: M Yardley	Deputy Chief Executive (Place)	Place Directorate	24.1.18	1.2.18
Members: Councillor A Khan	Councillor	Coventry City Council	6.2.18	6.2.18

This report is published on the council's website:
www.coventry.gov.uk/councilmeetings

This page is intentionally left blank



Coventry City Council

Briefing note

To: Audit and Procurement Committee

Date: 19 February 2018

Subject: Customer Services Update

1 Purpose of the Note

- 1.1 To provide an update to Audit and Procurement Committee on Customer Services, including performance and customer satisfaction.

2 Recommendations

- 2.1 Members of the Committee are recommended to:

- a) Note the content of the briefing note.
- b) Identify any recommendations for the Cabinet Member for Strategic Finance and Resources or for the Finance and Corporate Services Scrutiny Board (1).

3 Information/Background

- 3.1 In 2015 the Customer Journey programme brought together initial customer contact into one service area. Through this programme Customer Services achieved its £500k savings target.

- 3.2 The Customer Journey programme implemented a number of changes to improve the customer experience when contacting the Council, including:

- The creation of a My Account area on the Coventry City Council website, enabling customers to request Council services 24/7.
- The introduction of a new phone system to help us to manage our calls more effectively.
- The delivery of the Customer Service Centre in Broadgate House, bringing together all the city centre reception points into one place.

- 3.3 Customer Services now deals with initial customer enquiries relating to services across the Council, such as (this is not an exhaustive list):

Council Tax	Housing and Homelessness	Blue Badges
Housing Benefits	Electoral Services	Register Office
Parking Services	Waste Services	Pest Control
Highways	Adult Social Care	Street Scene

- 3.4 In July 2016 Business Services (administrative support for the organisation) joined Customer Services under one Head of Service.

- 3.5 The service had a savings target of £1.75m to achieve. To date £1.12m has been delivered (£1.2m full year effect). There is an ongoing programme of transformation to continue to drive the changes necessary to both achieve the remaining savings and to deliver improved service.

4 Performance

- 4.1 By bringing the Council's customer contact together, we are able to build a better understanding of our performance levels for all contact channels. We are able to use this information to evaluate our service delivery, plan our resources and identify any changes needed.
- 4.2 Following the creation of My Account and increased availability of self-service options for our customers, there has been a change in how customers contact the Council. In 2013 less than 1% of all customer contact was self-service, compared to 31% in 2017.
- 4.3 In Customer Services so far this financial year, approximately 25,100 more calls have been answered than were answered last financial year, and the call answer rate has increased from 59% to 72%. Approximately 260,000 calls have been answered from April through January, and the answer rate has increased by 13%. The average wait time to answer has fallen from 06:49 to 05:40 – an improvement of 1 minute 19 seconds.
- 4.4 Customer Services General Enquiries (formerly Coventry Direct), have answered over 22,300 more calls than last year, and the current answer rate of 70% is an improvement of 18% over the same period last year. So far this financial year 113,682 calls have been answered in CS General Enquiries, whereas just over 91,300 calls were answered by this time last year. Wait times have dropped by over 2 minutes. The average wait time so far this year is 04:48, which is much improved over last January when the average wait time was 06:50.
- 4.5 Council Tax has also shown significant improvement, and call answer rates have increased from 48% at this time last year to 63% this financial year. Approximately 7000 more calls have been answered so far this year. From April 2017 to January 2018, approximately 54,000 were answered, which marks a 15% increase over the 47,000 that were answered by this time last year. Wait time to answer has fallen by more than 3 minutes, from 13:24 last year to 10:15 so far this financial year.
- 4.6 The Customer Service Centre has a Meet and Greet team, who deal with customers who contact the Council face-to-face. With various services moving their teams to Friargate, the Meet and Greet team is now dealing with even more enquiry types than before.

5 Customer feedback

- 5.1 We recognise the importance of using performance measures in conjunction with customer feedback to identify the things we are doing well, and to highlight the areas where we need to develop. As such, we have collected various forms of customer feedback over the past few years to inform our improvement programme.
- 5.2 At the end of our online forms, customers have the option to give us feedback by choosing a face icon (either happy, neutral or unhappy) and they have the option to leave a comment too. In 2017, 19,233 people chose to leave us feedback: 65% were positive (selecting the happy face), 23% were neutral, and 12% left negative feedback (unhappy face). This feedback is used to consider improvements to the self-service offer.

- 5.3 Since opening the Customer Service Centre we have undertaken regular customer satisfaction surveys and there has been high satisfaction reported with face to face services.
- 5.4 The first satisfaction survey was undertaken during the first two weeks of opening the Customer Service Centre. We spoke to 83 customers and there was a satisfaction rating of 4.42 out of 5, with 93% of responses being positive. The highest levels of satisfaction were with staff attitude and friendliness, look and feel, facilities and wait times.
- 5.5 We repeated the customer survey after 3 months of being open and found that the levels of customer satisfaction were slightly up at 4.45 out of 5, with 83% of positive responses with a higher proportion of those being 'very satisfied'. There was a slight satisfaction decrease with wait times and staff knowledge.
- 5.6 At the one year anniversary of the centre opening we undertook a further satisfaction survey with customers, the survey was reduced to just one question which was "Overall, and taking everything into account, how would you rate your satisfaction with our Customer Service Centre?". 120 people responded giving a 4.28 out of 5 satisfaction rate with an 87% positive response. The highest levels of satisfaction were with excellent service and friendly staff, there was a slight decrease around waiting times.
- 5.7 In August 2017 we completed another satisfaction survey of our face to face service, and we also included a survey of our telephone service. We spoke to 99 people in the Customer Service Centre, and we called back 23 people who had phoned the Council. Satisfaction levels were higher than at the one-year anniversary, with an overall satisfaction score of 4.68 and an overall positive response of 97%.
- 5.8 In 2016 a representative sample of 2573 Coventry residents took part in a household survey commissioned by the Council. This included questions about how people perceive and contact the Council. Of those surveyed, 31% said they get information about the Council through the website. The survey found that two in five (39%) residents had contacted the Council in the last 18 months; a quarter by telephone (24%) and 8% by email or website. When asked why they chose the contact method that they used, speed and convenience were the most important factors, whilst a minority of residents said they prefer to speak to a person.

6 Future plans

- 6.1 The future programme of change referenced previously includes the following:
- There will be more online services available to customers over the coming months. By releasing these additional online services, customers who prefer to use a self-service platforms will be able to do so.
 - When designing our online services we will continue to focus on refining process to save organisational effort and improve our customers' experience when dealing with the Council.
 - We will also monitor feedback about our online services and identify where we can improve them for our customers.
- 6.2 Fundamental to the service aims is the recently formed Improvement and Development function. The function will lead in a number of areas:
- Proactively seeking the views of customers on the service that they have received across all channels and using their feedback to inform changes, to engage with the

wider organisation to highlight opportunities to adapt and equally to highlight areas where we/team members might be performing well.

- Undertaking a quality assurance role through mystery shopping and the evaluation of service delivery. The findings of this will be used to inform training, development and performance management in the service.
- Delivering coaching and training within the service to support the development of individuals within their role.

6.3 The next household survey will be conducted in the Spring and will include a wide range of questions, including how much citizens feel informed about what the Council is doing, and how they feel they can influence decisions about the local area.

6.4 We remain committed to improving our performance based on the feedback we receive from our customers and at the same time we are maintaining a focus of evolving the service offer to allow us to exploit technology and achieve efficiencies.

Name: David Ashmore

Job Title: Director of Customer Services and Transformation

Phone: 024 7683 3200

Email: David.Ashmore@coventry.gov.uk

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank