



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 25th March, 2019

Place

Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 10)
To agree the minutes of the meeting held on 25th February 2019.
4. **Outstanding Issues** (Pages 11 - 18)
Report of the Deputy Chief Executive (Place)
5. **Work Programme 2018/19** (Pages 19 - 20)
Report of the Deputy Chief Executive (Place)
6. **Internal Audit Recommendation Tracking Report** (Pages 21 - 30)
Report of the Deputy Chief Executive (Place)
7. **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2018** (Pages 31 - 38)
Report of the Deputy Chief Executive (Place)
8. **Culture Coventry Trust – Finance and Governance** (Pages 39 - 46)
Report of the Deputy Chief Executive (Place)
9. **Post of Director of Human Resources - Salary Approval** (Pages 47 - 52)
Report of the Deputy Chief Executive (People)
10. **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

Nil

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

Friday, 15 March 2019

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon, Governance Services, Tel: 024 7683 3237 / 3065, Email: lara.knight@coventry.gov.uk / michelle.salmon@coventry.gov.uk

Membership: Councillors P Akhtar, S Bains (Deputy Chair), R Brown (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.

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Public Document Pack Agenda Item 3

Coventry City Council

Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm on Monday, 25 February 2019

Present:

Members: Councillor R Brown (Chair)
Councillor P Akhtar
Councillor T Sawdon
Councillor R Singh
Councillor H Sweet
Councillor K Taylor

Employees (by Directorate):

Place: M Burn, B Hastie, P Jennings, L Knight, K Tyler, A West

Others Present: A Sohal, Grant Thornton (External Auditors)

Apologies: Councillor S Bains

Public Business

55. Declarations of Interest

Councillor R Singh declared a disclosable pecuniary interest in the matter referred to in Minute 62 below, headed 'Quarter Three Internal Audit Progress Report 2018-2019' insofar as it related to Frederick Bird School. He withdrew from the meeting during the consideration and voting on this matter.

56. Minutes of Previous Meeting

The minutes of the meeting held on 21st January 2019 were agreed and signed as a true record. There were no matters arising.

57. 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 65 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.

58. **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 meeting, along with the anticipated date for consideration of the matter. Appendix 2 provided details of items where information had been requested outside formal meetings, along with the date when this had been completed. The Committee requested updates on the outstanding matters listed within Appendix 2. The Deputy Chief Executive (Place) reported that there were a number of items that had now been completed and undertook to provide the Governance Services Co-ordinator with relevant dates in order for these matters to be discharged. For those items that remained outstanding, the Committee requested that further requests be made to the relevant officers to provide the information requested.

RESOLVED that the Audit and Procurement Committee:-

- 1. Note the outstanding issues report and agrees that those issues that are complete can be discharged from the report.**
- 2. Request that for those items that remain outstanding, the relevant officers be contacted to provide the information requested.**

59. **Work Programme 2018/19**

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

In considering the work programme, the Committee discussed information recently reported regarding an overspend of the Godiva Festival budget for the 2018 event. The Committee requested that the Finance and Corporate Services Scrutiny Board (1) undertake a review of the funding arrangements for the Godiva Festival and that the findings be circulated to the members of the Audit and Procurement Committee.

RESOLVED that the Audit and Procurement Committee approve the work programme for 2018/19 and request that the Finance and Corporate Services Scrutiny Board (1) undertake a review of the funding arrangements for the Godiva Festival and that the findings be circulated to the members of the Audit and Procurement Committee.

60. **Certification Work for Coventry City Council for Year Ended 31 March 2018 (Grant Thornton)**

The Audit and Procurement Committee considered a report of the External Auditors (Grant Thornton), which set out the certification work undertaken during year ending 31st March 2018.

The External Auditors were required to certify the Housing Benefit subsidy claim submitted by the Council. This certification work typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

The report indicated that during the 2017/18 financial year the Housing Benefit subsidy claim had been certified relating to expenditure of £116.07m. Several issues were identified from the certification work and, as a result, the claim was qualified and the findings reported to the DWP in the External Auditors Qualification Letter on 28th November 2018.

Details of the matters reported were set out in Appendix A. The External Auditor particularly highlighted to the Committee that there were 4 error types from the extended testing carried out on the 2017/18 subsidy return which recurred from 2016/17 and that three new error types were identified as a result of the testing undertaken.

The External Auditor reported on the process undertaken in order to certify the Housing Benefit subsidy claim, which included initial sampling and testing and, where errors were identified, a further testing of additional samples to assist in identifying whether errors were isolated or repeated. However, the External Auditor indicated that the number of errors that had been identified was not unusual for an authority the size of Coventry.

The report provided further information on the indicative fee for 2017/18, which was based on the final 2015/16 certification fee and reflected the amount of work required by the auditor to certify the Housing Benefit subsidy claim in that year. The indicative scale fee set by the Public Sector Audit Appointments for the Council for 2017/18 was £14,020 and further information was provided at Appendix B.

RESOLVED that the certification work for the City Council for year ending 31st March 2018 be approved.

61. **2018/19 Third Quarter Financial Monitoring Report (to December 2018)**

The Committee considered a report of the Deputy Chief Executive (Place) which provided the forecast outturn position for the revenue and capital expenditure and the Council's treasury management activity as at the end of Quarter 3 (December 2018).

The Committee noted that the report would have been considered by Cabinet at its meeting held on 12th February 2019.

The Cabinet had approved the Council's revenue budget of £234.8m on the 20th February 2018 and a Directorate Capital Programme of £262.5m. The headline revenue forecast for 2018/19, at Quarter 3, was an under-spend of £1.8m. At the same point in 2017/18 there was a projected overspend of £1.8m. The headline capital position reported £58.6m of expenditure rescheduled into 2019/20 reflecting the reality that some of the Council's major schemes would fall significantly short of their planned progress this year. Notwithstanding this

rescheduling, the Council was still expected to deliver its largest capital programme in the modern era.

The revenue position continued to reflect overspends in several service areas that had been subject to recent budgetary pressures and which continued to demand management attention. This was most pressing and significant in relation to housing and homelessness services, the financial position for which had further worsened. Although a range of plans were being implemented, these circumstances were expected to in place for some time. This was reflected in the financial proposals within the 2019/20 Budget report that was approved by Council on 19th February 2019.

The change in the overall revenue bottom line was due to several positive unbudgeted movements including Coventry and Solihull Waste Disposal Company dividends and improved investment returns. These were opportune movements at a time when the Council needed to assess its financial resilience in relation to current financial risks and potential future shocks. It was likely that recommendations would be brought within June's financial outturn report regarding the need to reinforce the level of reserves to address this. Ahead of this, the report submitted had recommended contributing £1.2m of Business Rates Levy surplus, announced as part of the Government's Provisional Settlement in December, to the Council's Business Rates reserve, which the Cabinet had approved.

The Council's capital spending was projected to be £173.7m for the year, a net decrease of £48.7m on the programme planned at Quarter 2. Previous quarterly reports alerted the possibility of significant capital slippage later in the budgetary cycle and this risk was one that had materialised. Significant movements had occurred in a number of schemes, including Whitley South, City Centre South and the Friargate regeneration scheme. However, the Council had now finalised the legal agreement establishing the Friargate Joint Venture Company with Cannon Kirk which should enable progress on the Friargate Scheme.

The report also set out the current position in relation to treasury management activity in 2018/19, including interest rates; long term (capital) borrowing; short term (temporary) borrowing; external investments and the prudential indicators and prudential code.

In considering the report, the Committee expressed their concern in relation to the financial pressures identified for the Streetpride and Parks service area in Appendix 1, in particular £160k pressure relating to car parking income at Coombe Country Park. The Committee were advised that this related to a breakdown of the equipment at the park and that alternative arrangements had been put in place on a temporary basis. The Committee requested that the current position be investigated and the outcome be circulated to the Committee.

RESOLVED that the Audit and Procurement Committee:

- 1. Note the 2018/19 Third Quarter Financial Monitoring Report (to December 2018) and indicate that there are no comments to pass to the Cabinet.**

2. **That an investigation be undertaken in relation to the situation at Coombe Country Park in relation to the parking and an update be circulated to the Committee.**

62. **Quarter Three Internal Audit Progress Report 2018-2019**

The Committee considered a report of the Deputy Chief Executive (Place), which provided an update on the internal audit activity for the period April to December 2018 against the Internal Audit Plan for 2018/19.

The report indicated that the key target facing the Internal Audit Service was to complete 90% of its work plan by the 31st March 2019. At the end of December 2018, the Service had completed 70% of the Audit Plan against a planned target of 74% and was on track to meet its key target by the end of 2018-19.

The Committee noted that during quarter 3, the Service's ability to complete the original Audit Plan of 550 days had been impacted by an unplanned absence within the Team. As a result, the Plan had been amended to 480 days, which reflected the resources available for the remainder of the financial year. This reduction had been accommodated through a small number of audits being postponed until 2019/20 and changes in operational requirements for audit involvement. It was the view of the Acting Chief Internal Auditor, that these changes would not, in any significant respects, impact on the ability to deliver the annual internal audit opinion.

Table one in the report provided a summary of the performance of Internal Audit for 2018/19 to date against five key performance indicators (KPIs) with comparative figures for the previous year. Performance against two indicators was currently below expectations (final report deadline and audit delivered within budget days) and targeted actions to make improvements were ongoing.

Table two provided a list of the audits finalised between October and December 2018, along with the level of assurance provided. The audits currently in progress were highlighted in the report. Appended to the report was a summary of findings from key audit reports completed and, in all cases, relevant managers had agreed to address the issues raised in line with the timescales stated. These reviews would be followed up in due course and the outcomes reported to the Committee.

In considering the report, the Committee expressed their concerns with the limited assurance in respect of Frederick Bird Primary School and the significant actions required due to the medium or high level risks identified at the school. The Committee noted that a follow up audit would be undertaken in April 2019 and requested that an update be circulated to them once this had been completed.

RESOLVED that, the Audit and Procurement Committee:

1. **Having considered the summary findings of the key audit reviews set out at Appendix One, note the performance as at quarter three against the Internal Audit Plan for 2018/19.**
2. **Request that an update be circulated to them following the completion of the follow up audit at Frederick Bird School.**

63. **Information Commissioner's Office - Data Protection Audit Progress Report**

The Committee considered a report of the Deputy Chief Executive (Place), which provided an update on progress over the last year on actions agreed with the Information Commissioner's Office following an audit into the Council's governance arrangements in November 2017.

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. It audit concluded there was "very limited assurance that processes and procedures are in place and deliver data compliance". It made recommendations for the Council to strengthen its arrangements, which the Council implemented as part of a significant programme of work to strengthen its approach to information governance.

In November 2017, the ICO revisited the authority to carry out a further data protection audit. It followed the same scope as the earlier audit. As previously, the audit provided 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.

The ICO indicated that "in our view, comparison between the assurance ratings strongly reflects the work undertaken at Coventry City Council since our original audit.... This demonstrates a clear improvement and progress and an individual level, as well as an overall level". However, it went on to make 141 detailed recommendations for the Council to consider, some of which were duplicated. 18 of these recommendations were rejected as arrangements were already in place to address the issues raised. 32 recommendations had already been completed as they proposed only very minor amendments to processes or documents. The remaining 91 recommendations fell into three main areas where the Council had further work to do. Many of them supported existing planned action, particularly work being undertaken to ensure the Council was ready for the introduction of the General Data Protection Regulation (GDPR) in May 2018.

The outcomes of the audit and the Council's consolidated action plan in response to the ICO's recommendations were reported to the Audit and Procurement Committee in February 2018. There were three main areas of focus covered in the audit and action plan which included Data Protection Governance; Training and Awareness; and Data Sharing. The report submitted provided a summary of the progress in these three areas, with more detailed information provided at Appendix 1 of the report submitted.

In considering the report, the Committee sought and received assurance that training in respect of the GDPR is included as part of the Council's induction programme for all new staff. The Committee noted that in addition to this, further specific work was undertaken with staff in some service areas, such as Children's Services.

RESOLVED that the Audit and Procurement Committee note the progress made in response to the recommendations arising from the audit and indicate that there are no recommendations to the Cabinet Member for

Policy and Leadership, who is the portfolio holder for information management and governance.

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

There were no other items of public business.

65. **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. 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.**

66. **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 4.15 pm)

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Audit and Procurement Committee

25th March 2019

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 - Information Requested Outside Meeting

Other useful background papers:

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?

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 the Director Finance and Corporate 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

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Enquiries should be directed to the above person.

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

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Appendix 1

Further Report Requested to Future Meeting

	Subject	Minute Reference and Date Originally Considered	Date For Further Consideration	Responsible Officer	Proposed Amendment To Date For Consideration	Reason For Request To Delay Submission Of Report
1.	<p>Quarter Three Internal Audit Progress Report 2018/19.</p> <p>The Committee requested an update report following the follow up review in April 2019, on the issues identified at Frederick Bird School which had resulted in a Limited Assurance.</p>	62/18 25 th February 2019	June 2019	Karen Tyler		

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

Appendix 2

Information/Action Requested Outside Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	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	9 th October 2018
2.	Certification Work for Coventry City Council for Year Ended 31 st March 2017	Minute 79/17 19 th February 2018	The Committee requested information on how sampling for the certification work is undertaken.	Joan Barnett (External Auditor)	25 th February 2019
3.	Internal Audit Annual Report 2017/2018	Minute 5/18 18 th June 2018 and Minute 13/18 16 th July 2018	The Committee requested that a timeline be prepared in respect of the Audit Team restructure.	Adrian West / Karen Tyler	10 th August 2018
4.	Internal Audit Plan 2018/2019	Minute 7/18 18 th June 2018 and Minute 13/18 16 th July 2018	The Committee requested that a timeline be prepared in respect of the telephony system and customer service review.	David Ashmore	
5.	Information Governance Annual Report 2017/2018	Minute 20/18 16 th July 2018	A letter from the Chair of the Committee relating to data protection training for Elected Members, be prepared and circulated to Members	Adrian West/ Sharon Lock	

			In addition to the completion of Data Protection Training, workshops be arranged for Elected Members to support them on the requirements of the GDPR		
6.	Procurement and Commissioning Progress Report – Future Reporting Arrangements	Minute 22/18 16 th July 2018	Further discussion be held with the Chair of the Committee to determine the most appropriate forum for the future consideration of the reports	Karen Tyler/Mick Burns	Ongoing
7.	Fraud Annual Report 2017/18	Minute 29/18 10 th September 2018	The Committee requested that: <ul style="list-style-type: none"> a. Welfare checks are undertaken in respect of any whistleblowers b. Information be provided on the number of exemptions / discounts awarded by the Council in 2017/18 c. The next committee report in relation to fraud provides clearer details on 'fraud' and 'error' including distinguishing those actions taken to prevent fraud. 	Karen Tyler	21 st December 2018
8.	2018/19 Second Quarter Financial Monitoring Report (to September 2018)	Minute 50/18 21 st January 2019	The Committee requested details of the fees paid to external suppliers to undertake proactive reviews of single person discounts linked to Council Tax and how these fees compare to other suppliers.	Karen Tyler / Council Tax Team	11 th February 2019

9.	Corporate Risk Register Update	Minute 51/18 21 st January 2019	The Committee requested information on the steps being taken to ensure that relevant staff have the required skill sets to undertake contract management.	Mick Burn	
10.	Work Programme	59/18 25 th February 2019	The Committee requested that a review be undertaken by the Finance and Corporate Services Scrutiny Board (1) in relation to the funding of the Godiva Festival and that the findings be circulated to the Audit and Procurement Committee.	Scrutiny Board 1 (Carolyn Sinclair / Vicky Castree)	
11.	2018/19 Third Quarter Financial Monitoring Report (to December 2018)	Minute 61/18 25 th February 2019	The Committee requested an update on the position in relation to the loss of car parking income at Coombe Country Park as a result of the breakdown of equipment.	Barry Hastie / Paul Jennings	

Audit and Procurement Committee

Work Programme 2018-2019

18th June 2018

Internal Audit Annual Report 2017-2018
Annual Governance Statement 2017-2018
Internal Audit Plan 2018-2019
Fraud and Corruption Strategy
Revenue and Capital Out-turn 2017-2018
Draft Statement of Accounts 2017-2018

16th July 2018

Audit Findings Report 2017-2018 (Grant Thornton)
Statement of Accounts 2017-2018
Audit Committee Annual Report 2017-2018
Information Governance Annual Report 2017-2018
Procurement Progress Report (Private)

10th September 2018

Quarter One Revenue and Corporate Capital Monitoring Report 2018-2019
Fraud Annual Report 2017-2018
School Audit Recommendations
Updated Procedural Guidance: Regulation of Investigatory Powers (RIPA) Covert Surveillance and Covert Human Intelligence Sources (RIPA Procedural Guidance)

12th November 2018

Annual Audit Letter 2017-2018 (Grant Thornton)
Half Year Internal Audit Progress Report 2018-2019
Treasury Management Update
Procurement Progress Report (Private)

21st January 2019

Quarter Two Revenue and Corporate Capital Monitoring Report 2018-2019
Corporate Risk Register Update
Half Yearly Fraud Update 2018-2019
Ombudsman Complaints Annual Report 2017-2018

25th February 2019

Grant Certification Report (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2018-2019
Quarter Three Internal Audit Progress Report 2018-2019
ICO Update on Progress
Procurement Progress Report (Private)

25th March 2019

Internal Audit Recommendation Tracking Report
Internal Audit Plan 2019-2020
Code of Corporate Governance (Adrian West)
Outside Body - Governance and Financial Arrangements for Culture Coventry
RIPA (Regulation of Investigatory Powers Act) Annual Report 2017-2018

Date to be agreed

Outside Body - Governance and Financial Arrangements for Coventry City of Culture Trust
Outside Body - Governance and Financial Arrangements for Coombe Abbey Park Limited



Coventry City Council

Public report

Report to

Audit and Procurement Committee

25th March 2019

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

City Wide

Title:

Internal Audit Recommendation Tracking Report

Is this a key decision?

No

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the progress made in implementing internal audit recommendations since the last update in March 2018.

Recommendations:

The Audit and Procurement Committee is recommended to note the progress made in implementing audit recommendations and confirm its satisfaction with this and the proposed action by the Acting Chief Internal Auditor for audits where actions remain outstanding.

List of Appendices included:

Appendix One – Results of Formal Follow up Exercise

Appendix Two – Results of Self-Assessment Follow up Exercise

Background papers:

None

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee

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

No

Will this report go to Council?

No

Report title:

Internal Audit Recommendation Tracking Report

1. Context (or background)

- 1.1 The Public Sector Internal Audit Standards requires that “the Chief Audit Executive (i.e. Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action”.
- 1.2 As reflected within its terms of reference, the Audit and Procurement Committee is required to receive reports on Internal Audit’s follow up process. This report provides an update as to progress in respect of the agreed management actions which have been followed up during the period March 2018 to February 2019.

2. Options considered and recommended proposal

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

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

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

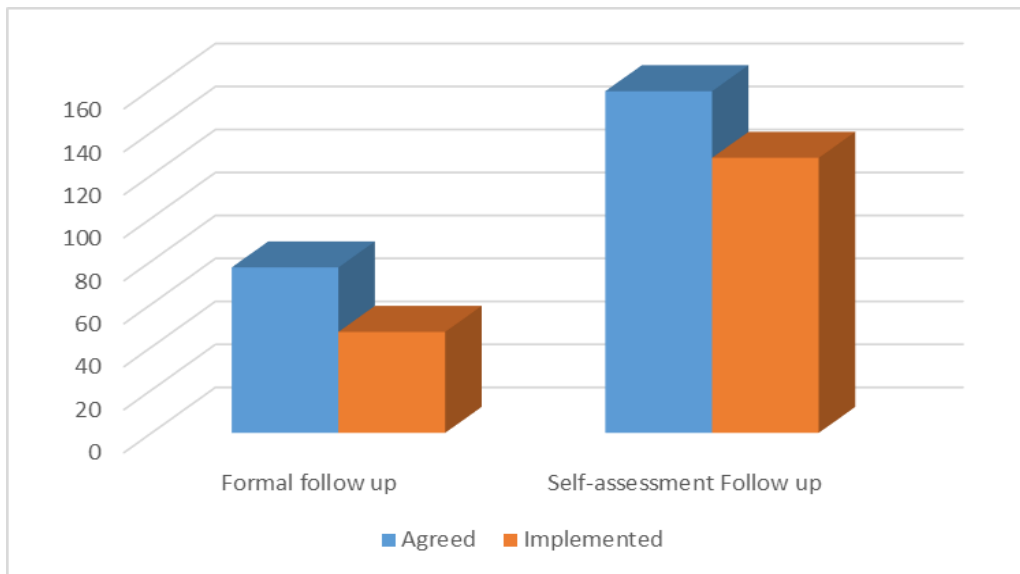
- 2.2 These considerations are expanded upon below:

- **Annual Audits:** These audits are generally included in the Audit Plan on an annual basis because of the nature of the systems, and the fact they are corporate wide and have been identified as key in delivering the Council's objectives (e.g. financial systems, risk management).
- **Level of Assurance:** Any audit which receives '*no*' or '*limited*' assurance is subject to a follow up review to assess improvements based on a timing agreed between Internal Audit and relevant management. In either of these circumstances, a formal follow up review will take place which involves Internal Audit assessing progress through audit testing to ensure that agreed actions have been implemented and are working effectively.
- **Self-Assessment Process:** For all other audits, a process exists which is based on a self-assessment by relevant managers. This involves Internal Audit asking managers for an update on the action taken to implement audit recommendations. Whilst the response provided by managers is not normally subject to any independent validation by Internal Audit, in 2018-19, the Service has undertaken validation exercises on two self-

assessments as a pilot activity. Further details on this are provided in paragraph 2.4 below.

2.3 Overall, we believe that the procedure achieves the right balance between ensuring action is taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks.

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



Of the 236 actions followed up, 74% have been implemented based on both the formal and self-assessment follow up method. When this is analysed by follow up method the results are:

- Formal follow up method – 61% implementation rate.
- Self-assessment follow up method – 82% implementation rate.

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

- Formal follow up – The implementation rate of 61% is comparable with results achieved over the last three years where implementation rates ranged from 57% to 71%. It is difficult to reach any specific conclusions on the implementation rate, although it should be pointed out that this does not mean that the recommendations outstanding are not subsequently implemented as revised implementation dates are agreed for all outstanding actions.
- Self-assessment – The implementation rate of 81% is not significantly different to rates over the last three years where they ranged from 70% to 98%. However, it remains higher in comparison to the formal follow up method, which does question the value of asking managers to self-assess whether they have implemented audit recommendations. Consequently, in 2018-19, Internal Audit have trialled an approach to validating self-assessment responses. This focused on two audits (the details of which are included in Appendix Two). This highlighted the following:

- Of the 16 actions which had been classed as implemented, in 12 cases the self-assessment was found to be an accurate response.
- However, in four cases, it was found that whilst some action had been taken in response to the recommendation, it was the view of Internal Audit that the arrangements were not fully operational / effective. One example of this is where a new payment information form to record foster carer payments has been produced but this has yet to be rolled out to staff.

2.5 As a result of undertaking the pilot exercise to validate self-assessment responses, the following actions are planned for 2019-20:

- A programme of routine validation checks will be established to provide more robust assurance over the self-assessment approach. The results of this will be included in the next recommendation tracking report to Audit and Procurement Committee.
- The template form for self-assessments is to be revised to assist managers to reach appropriate conclusions on actions taken.

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

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

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

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

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

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

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

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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Names of approvers: (officers and members)				
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Adrian West	Member and Elections Team Manager	Place	7/3/19	13/3/19
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	7/3/19	7/3/19

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Appendix One – Results of Formal Follow Up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Direct Payments	8	7	3	1	
Processing of Energy Bills	2	2	2	2	
Hillfields Nursery School	5	3	6	5	The outstanding actions have been followed up through the self-assessment process – see Appendix Two for results
Edgewick Primary School	5	2	6	5	The outstanding actions have been followed up through the self-assessment process – see Appendix Two for results
Management of plant and equipment	3	0	2	1	The results of this review were raised with the relevant Director. Subsequently, assurance has been received that all actions have now been addressed and evidence has been obtained to support this. See Appendix two for results
Housing Benefit Overpayments	4	4	4	0	
GDPR readiness	4	2	3	2	The outstanding actions have been followed up through the self-assessment process – see Appendix Two for results
Accounts Payable	1	1	1	0	
Accounts Receivable			6	3	
Payroll			1	1	
Care Director			9	4	
Risk Management			2	2	

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

Appendix Two – Results of Self-Assessment Follow up Exercise

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
IT Service Desk			4	1	
Remote / flexible working			4	1	
Adult social care – Promoting Independent Living Service			6	6	This assessment was subject to a validation exercise by Internal Audit and confirmed to be accurate.
Route 21 Purchasing Cards	4	4	3	3	
Network Infrastructure			7	6	
Facilities Agreement			1	1	
ICT audit follow up			14	9	
Data Protection Children’s Services			4	4	
Payment audit follow up			3	2	1 recommendation super-ceded
Ernesford Grange Primary School	1	1	6	6	
LCS / Controcc	5	5	5	5	This assessment was subject to a validation exercise by Internal Audit. This highlighted 4 recommendations where, although some action had been taken, the audit opinion was that arrangements were not fully operational / effective. As a result, revised implementation dates were agreed and assurance has now been given that the actions have been fully addressed.
Procurement – Public Health			1	1	
Henley Green Primary School			6	6	
Building Facilities Management	4	2	7	3	
Data Protection follow up	2	1	3	2	
Cyber Security			5	3	
Foster carer experience			11	7	

Audit Review	High Risk Actions Agreed	High Risk Actions Implemented	Medium Risk Actions Agreed	Medium Risk Actions Implemented	Comments
Management of Plant and Equipment	3	3	1	1	Given the results of the formal follow up review, evidence was also obtained to confirm that the recommendations had been addressed.
Post 16 schools funding			2	2	
Foxford School and Community Arts College	2	2	4	4	
Community Support Grants	1	1	2	1	
GDPR Readiness	2	1	1	1	
Edgewick Primary School	3	3	1	1	
Hillfields Nursery School	2	2	1	1	
Sowe Valley Primary School	3	2	7	7	
Corley Centre	3	3	7	7	

Revised implementation dates have been agreed for all outstanding actions and these will be followed through a further self-assessment / validation checks.



Audit and Procurement Committee

25 March 2019

Cabinet Member for Policing and Equalities

July 2019

Name of Cabinet Member:

Cabinet Member for Policing and Equalities – Councillor A S Khan

Director Approving Submission of the report:

Deputy Chief Executive (Place)

Ward(s) affected:

None

Title:

Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2018

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 – 25 March 2019

Will this report go to Council?

No

Report title: **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2018**

1. Context (or background)

- 1.1 RIPA governs the acquisition and disclosure 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 From the 1st of November 2018, there is a new requirement to meet a serious crime threshold for the acquisition of service or traffic data for Communications data. This typically means that the offences under investigation could result in imprisonment for more than 12 months.
- 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 January 2018 – 31 December 2018

No. of Directed Surveillance Applications Rejected	0
No. of Directed Surveillance Applications Granted	2
No. of Authorisations Presented to Magistrates	2
No. of Authorisations Granted by Magistrates	2
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 2018 – 31 December 2018.

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.

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Members: Councillor A Khan	Councillor	Coventry City Council		

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Public report Audit and Procurement Committee Report

Audit and Procurement Committee

25th March 2019

Director approving submission of the report: Deputy Chief Executive (Place)

Title: Culture Coventry Trust – Finance and Governance

Executive Summary:

In October 2012, Coventry City Council approved the recommendations of a Cultural Trust Review, which had been undertaken in close collaboration with the Belgrade Theatre Trust, Coventry Heritage and Arts Trust (CHAT), and Coventry Transport Museum (CTM). The Review recommended a merger of CHAT and CTM to form one new entity, with the Belgrade Theatre continuing to operate independently as a separate theatre trust. The recommended “Two Trusts” model was implemented and generated a saving of £665k per year for the Council. Culture Coventry has operated as a single independent legal entity since August 2013.

In April 2014, a £9.5m refurbishment and redevelopment programme commenced at CTM and the Old Grammar School, culminating in the full reopening to the public of the School and comprehensively re-modelled Museum in June 2015

In February 2015, the Council established in its MTFs, a further annual saving of £500k (to take effect from April 2017) from Culture Coventry Trust (CCT) grant budget.

Since 2016/17, the Trust have been through a very difficult financial period, which as a result has required financial and other support from the City Council and other partners, and has also resulted in a change in the structure of both the board of trustees, and the Trusts senior management team.

The Trust have established a revised financial and business plan which is resulting in a much improved financial position and financial outlook. However, it remains in a transitional state whilst it implements the plans, continues to repay monies owed to the City Council, and re-establishes its reserve balances.

The future governance structure of the organisation is also currently under review to ensure its future fitness for purpose

Recommendations:

Audit and Procurement Committee is requested to:

1. Note the contents of the report
2. Identify any areas where further information is required

List of Appendices included:

None

Other useful background papers:

Cabinet Report 11 April 2017

Title: Culture Coventry Trust – Financial performance and Support arrangements

<http://democraticservices.coventry.gov.uk/ieListDocuments.aspx?CId=124&MId=11048>

Cabinet Member for Strategic Finance and Resources Report 22 February 2018

Title: Culture Coventry Trust – Financial performance and Support arrangements

<http://democraticservices.coventry.gov.uk/ieListDocuments.aspx?CId=208&MId=11637>

Has it been or will it be considered by Scrutiny?

No

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

No

Will this report go to Council?

No

Report title: Culture Coventry Trust – Finance and Governance

1. Context (or background)

Brief History

- 1.1 In October 2012, Coventry City Council approved the recommendations of a Cultural Trust Review, which had been undertaken in close collaboration with the Belgrade Theatre Trust, Coventry Heritage and Arts Trust (CHAT), and Coventry Transport Museum (CTM). The review aimed to ensure that, within the context of the prevailing economic climate and the need to generate savings in response to public spending cuts that a viable future of the cultural attractions was secured, whilst maintaining an efficient service, effective local, regional and national marketing capability, and an ability to sustainably grow and succeed in the future.
- 1.2 The Review recommended a merger of CHAT and CTM to form one new entity, with the Belgrade Theatre continuing to operate independently as a separate theatre trust. The recommended “Two Trusts” model was projected to generate a total saving of £665k per year for the Council in grant to the Trusts, through a phased process of transition, with the realisation of full annual savings to the Council from 2014/15.
- 1.3 In August 2013, Culture Coventry was successfully launched as the new Trust combining the functions of CHAT and CTM, with a plan for the revenue savings to be achieved which was successfully delivered.
- 1.4 In April 2014, a £9.5m refurbishment and redevelopment programme commenced at CTM and the Old Grammar School, culminating in the full reopening to the public of the School and comprehensively re-modelled Museum in June 2015.
- 1.5 In February 2015, the Council established in its MTFs, a further annual saving of £500k (to take effect from April 2017) from the Culture Coventry Trust (CCT) grant budget, reducing their grant to c£2m per year. The Council commissioned independent external advisers to work with CCT and the Council to identify cost efficiency and commercialisation options to assist the Trust’s financial business planning to ensure their financial sustainability once the reduced grant took effect in April 2017. The options ranged from e.g. reduced back office costs to reduced opening hours as well as charging for entry to attractions.
- 1.6 The Trust at the time did not consider that cost efficiencies could be made, and pursued a single option of charging for entry at the CTM venue (not the Herbert). However, despite the available lead time, sufficient progress was not made in advance of the grant reduction by the Trust, such that no decision was agreed by the Trust to increase income or reduce costs.
- 1.7 The Trust contacted the Council in November 2016 specifically seeking financial assistance regarding its forecast deficit financial position for 2016/17. Whilst the Council did not at the time provide any financial support, Council officers worked with Trust colleagues to identify opportunities to help mitigate the deficit which the Trust cited as being as a result of lower footfall during the period of refurbishment which had adversely affected trading income. Unfortunately due to the limited time remaining in the year, little inroads were made and the Trust returned a significant 2016/17 revenue outturn deficit. The trust had exhausted all of its reserves during 16/17 and prior years and as such were not able to smooth this deficit with one off monies.

- 1.8 Around the same time, the final financial costs and grant implications of the CTM refurbishment were becoming clear, which resulted in an inability to reclaim some capital grant due to ineligible costs being incurred.
- 1.9 Due to the material nature of the refurbishment programme, and the retrospective nature of the grant funder processes for reimbursement of costs, the City Council had formally agreed to cash flow the Trust for the capital grant. As a result of this, the in-year deficit and lack of any reserves, they were unable to repay the Council the cash flowed grant money of £110k.
- 1.10 17/18 brought further financial pressures for CCT including increased pensions costs, staffing increments and storage. These together with their existing under performance, and the reduced grant meant the Trust started 17/18 with a large forecast deficit.

2. Council Financial Involvement

Officer Involvement

- 2.1 Council Officers have always maintained a 'contract monitoring' role to ensure the Trust are delivering against their obligations under the grant agreement. Involvement has been continuous and more significant as both a support and a challenge since the Trust reported formally to the Council in November 16 that they expected to return a deficit, had no reserves, and were likely to be unable to repay the cash flow debt. This close working relationship to support the Board of Trustees and management team has continued through the management regime change at the Trust.

Council Annual Grant to the Trust

- 2.2 The Council is the main funder to the Trust. As stated earlier, CCC provides annual grant of c£2m, which helps fund their annual planned spend. Recognising the Trusts financial difficulties, and also taking into account that they are the custodians of the Council's cultural assets, the Council acted formally in April 2017 to 'buy time' for the Trust to address its finances by approving an unsecured loan to them for two purposes, described below.

Council Loans to the Trust

- 2.3 The first purpose was to enable them to advance pay their pension liability for the 3 financial years 17/18 to 19/20. This enabled them to achieve a discount on the amount due over the 3 year period, but more importantly, agree with the LGPS a revised liability profile which was lower in 17/18 and 18/19, ramping up in 19/20 to compensate, allowing them time in 17/18 and 18/19 to resolve their financial difficulties.
- 2.4 The Trust have repaid the expected levels of this to date plus interest.
- 2.5 The second purpose was a cash flow facility during 17/18 which would allow them a short term, one off facility to effectively finance their in year deficit whilst the Trust and its new management went through a series of business improvements necessary for a sustainable future
- 2.6 Following the change of management team, a new business plan was approved by the Trust Board in February 2018. This followed a major review of current costs, staffing structures and ability to generate income. As a result of this improved medium term outlook, some shorter term benefit was also achieved which allowed the Trust to report a much lower deficit position in 17/18 than had been feared. This also meant the amount of cash flow loan support

required to be drawn down was significantly lower than had been approved by CCC members.

Other Council Financial support

- 2.7 As part of the major review of staffing structures, the Trust identified implementation costs (redundancy & pension strain) of the new proposed arrangements which it did not have the reserves or budget to finance itself.
- 2.8 The trust sought one off grant of up to £370k from the City Council in order to implement their new arrangements in order to deliver savings in support of their business plan. This was formally approved in February 2018. The trust were in fact able to implement the restructure plans for a lower cost of £193k.

Business Plan Improvements

- 2.9 The Trust management team have carried out a review of all aspects of the organisation, resulting in the business plan approved by their board of trustees in February 2018. The key financial outcomes of the plan were a significantly reduced management and staffing structure, a successful application to the Arts Council for National Portfolio Organisation (NPO) status and accompanying (4 year) grant, and an updated more considered approach to charging for entry to the CTM. It is intended that charging will be introduced in 2019 once all governance is in place. The result of all these key financial benefits are expected to provide a sustainable basis on which the Trust can move forward, repay its debts over time, and grow as an organisation in order to protect the cultural assets and promote the heritage of the City widely, particularly as we head towards 2021.
- 2.10 The Trusts revised business plan at a summarised level is shown below.

Detail	2019	2020	2021	2022
Trust and Ventures				
Culture Coventry Trust - Operational	(2,514,175)	(2,742,075)	(2,770,075)	(2,798,075)
Culture Coventry Ventures - Operational	260,874	241,074	241,074	241,074
Operating Surplus/(Deficit)	(2,253,301)	(2,501,001)	(2,529,001)	(2,557,001)
Grant Income				
Coventry City Council	1,975,746	1,975,746	1,975,746	1,975,746
Arts Council England - NPO ¹	400,000	400,000	400,000	400,000
Baseline Surplus/(Deficit)	122,445	(125,255)	(153,255)	(181,255)
Business Improvement Measures	77,000	301,000	301,000	301,000
NET SURPLUS / (DEFICIT)	199,445	175,745	147,745	119,745

Debt Servicing 2019 - 2022

Detail	2019	2020	2021	2022
Owing to Coventry City Council ^(see below)	(605,000)	(405,555)	(229,809)	(82,064)
Debt Servicing	199,445	175,745	147,745	82,064
Debt Balance	(405,555)	(229,809)	(82,064)	(0)
Culture Coventry Group - Reserves	0	0	0	37,681
Owing to Coventry City Council				
Overdraft - Coventry City Council	(400,000)			
HLF ² - Coventry City Council	(110,000)			
Pension - Coventry City Council	(95,000)			
Total Debt	(605,000)			

References:

¹ National Portfolio Organisations

² Heritage Lottery Fund

The trust have a number of business improvement measures they are working on to ensure they achieve the financial benefit modelled above. Assuming they achieve these, the surplus forecasts would give the Trust sufficient resources to enable them to repay the Council all cash flow and loan debt owed in the above planning period. The trust are already ahead of schedule regarding the redemption of debt for 2 reasons:

- i) Their cash flow facility requirements have been significantly lower than modelled above
- ii) The City Council have negotiated a partial refund from the LGPS in respect of the advance payment described in 2.3 above. This reflects the lower number of trust staff who are now members of the LGPS

2.11 It is of course imperative that the Trust continues to manage its finances on the effective basis it has been doing for the last 12 months to ensure it can continue to repay the Council, operate within its means, re-establish some reserves/working balances and provide the foundation for future success

3. Governance and Management Arrangements

Trust Management arrangements

- 3.1 Since October 2017, there has been an interim Chief Executive (Paul Breed) in place following a change in management arrangements. This resource/capacity has been provided free of charge by CV Life (formerly Coventry Sports Foundation), the organisation which runs many of the City's sport and leisure facilities.
- 3.2 The (interim) CEO has, as described earlier, overhauled the senior management team arrangements, and introduced a staffing structure which reduced the people costs within the organisation. In addition, the City Council has seconded a senior officer to work for the Trust free of charge, and numerous other City Council and CV Life staff also provide higher than normal levels of support whilst the Trust remains in its transitional state.
- 3.3 This 'shared service' management arrangement is still in place formally until March 2020, possibly beyond that.
- 3.4 Following a request by City Council members, an options appraisal is currently taking place which is considering the advantages and disadvantages of continuing the shared service approach on a formal basis, but still maintaining a separate Board of Trustees for each organisation. This is currently a live issue and a decision will be taken by the three key stakeholder organisations over the coming months in order to be able to work towards the agreed target operating model during 2019 and 2020.

The Trust Board

- 3.5 Prior to October 2018, CCT's board of Trustees consisted of 13 Trustees, made up of a variety of local and regional volunteer individuals from business and other stakeholder organisations. Five trustees were nominated members of the City Council, however their role was as trustee of the board, not as a representative of the City Council. None of the 13 trustees had any formal portfolio responsibility.
- 3.6 As part of the re-focusing of the business described in the section above, one of the key review areas related to the effectiveness of the Board of Trustees. Discussions between the CEO's of the City Council and the Trust, the Chair of the Board of Trustees and City Council political leadership, resulted in the implementation of a much smaller Board of 5 trustees, all external to the City Council to remove any potential conflict of interest.
- 3.7 This arrangement is currently still in effect, and is planned to continue until such time as any other arrangement is deemed appropriate or necessary following the review of the trust operating model as described in 3.4

Contract & Financial Monitoring

- 3.8 The current Grant Aid Agreement (GAA) from the Council to CCT runs until October 2019. GAA's have historically been put in place for 2 year periods and have contained Key Performance indicators (KPI's) which under normal business circumstances, were historically discussed and monitored in regular contract monitoring meetings between Council and Trust Officers.

- 3.9 In the light of the recent financial difficulties and the changes in both governance and management arrangements, it has been determined that between now and the new GAA taking effect, the Council and the Trust will be reviewing the nature of the KPI's to ensure a sound basis on which the effectiveness of service delivery can be measured, and seeking cabinet member approval to proceed on a recommended basis.
- 3.10 In order to prevent a repeat of the last 2-3 years, it is imperative that the revised GAA and supporting KPI's are robust, and that the Council and the Trust continue to work closely together to ensure the financial strength of the Trust is sound, with a balanced budget, debt repaid and working balances/reserves re-established.

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Public report

Audit and Procurement Committee

25th March 2019

Director approving submission of the report:

Deputy Chief Executive (People)

Ward(s) affected: N/A

Title: Post of Director of Human Resources – salary approval.

Is this a key decision?

No

Executive Summary:

In line with statutory guidance under S40, of the Localism Act 2011, and the Council's Pay Policy statement, approval is sought in respect of an annual salary package in excess of £100,000 for the post of Director of Human Resources.

Recommendations:

The Audit and Procurement Committee are requested to agree a salary range of up to £106,130 pa for the post of Director of Human Resources

List of Appendices included:

Appendix 1 – Business Case

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

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

No

Will this report go to Council?

No

Report title: **Post of Director of Human Resources – salary approval.**

1. Context (or background)

- 1.1 The challenges facing the Council, in terms of re-shaping the way that we work, embracing new technologies and new partnership working all require successful delivery of a range of major workforce initiatives as part of the One Coventry programme. In particular, there is an urgent need to develop an employee and industrial relations policy that enables significant changes to be delivered within a unionised working environment.
- 1.2 Hitherto, the Human Resources function has been led by a head of service, most recently reporting to the Director of Housing and Transformation. This post is now vacant. The current level of appointment has not given the post holder sufficient authority to lead delivery of change on the scale required. Nor has it enabled the recruitment of the right level of skills and experience to work in partnership with our trade unions to achieve the Council's objectives.
- 1.3 To enable the Council to move forward on these issues at a pace that matches other key strategies it has been concluded that a Director level appointment, reporting directly to the Deputy Chief Executive (People) is necessary.
- 1.4 The Business Case at Appendix One identifies that the post of Director of Human Resources should be graded at Grade AD1, the salary range for which is £97,929 to £106,130.
- 1.5 Statutory Guidance under S40 of the Localism Act 2011 requires that full Council, or some other agreed formal meeting of members should be offered the opportunity to approve salary packages over £100,000. In Coventry, this responsibility has been allocated to the Audit and Procurement Committee under its terms of reference.

2. Options considered and recommended proposal

- 2.1 Appendix 1 describes the process undertaken to establish the appropriate grade for this post.
- 2.2 A full recruitment exercise will be undertaken for this post and a shortlist of candidates will be interviewed by a member selection panel.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

- 4.1 It is planned that the appointment process for this post will take place during April 2019.

5. Comments from the Director of Finance & Corporate Services

5.1 Financial implications

This post will be funded from within existing resources.

5.2 Legal implications

Salary forms part of the contract of employment.

A local authority's power to appoint officers on such reasonable terms and conditions as the authority thinks fit is subject to section 41 of the Localism Act 2011 (requirement for determinations relating to terms and conditions of chief officers to comply with Pay Policy statement).

In addition, statutory guidance states that under these arrangements, full council, or a meeting of members should be offered the opportunity to vote before large salary packages are offered in respect of a new appointment. The Secretary of State considers that £100,000 is the right level for that threshold to be set. For this purpose, salary packages should include salary, any bonuses, fees or allowances routinely payable to the appointee and any benefits in kind to which the officer is entitled as a result of their employment

6. Other implications

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

The appointment of an appropriately skilled and experienced Director HR is a key element of developing our workforce and new ways of working. The post will also have a key role in reducing staffing costs where appropriate.

6.2 How is risk being managed?

Not applicable

6.3 What is the impact on the organisation?

This post will play the lead role in developing the Council's workforce

6.4 Equalities

This post will have lead responsibility for developing and delivering strategy and initiatives that champion equality, diversity and inclusion throughout the Council's workforce

6.5 Implications on the environment

None

6.6 Implications for partner organisations

None

Report author(s):

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Names of approvers for submission: (officers and members)				
Barry Hastie	Director of Finance and Corporate Services	Place	06/03/19	13/03/19
Julie Newman	Head of Legal Services	Place	06/03/19	13/03/19
Lara Knight	Governance Services Coordinator	Place	6/3/19	6/3/19

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

Director of Human Resources
Appointment on salary above £100k - Business case

1. The role

The Director of Human Resources will,

- Report to the Deputy Chief Executive, People leading delivery of the Human Resources and Organisational Development Service, developing the service to meet the needs of the Council in the short, medium and long term.
- Work as a member of the Senior Management Team to lead the implementation of key workforce strategies and initiatives taking forward the Council's strategic HR direction and ambitions.
- Contribute to the leadership of the organisation, ensuring a high calibre, motivated and effective workforce. Ensure the embedding of a digitally focussed, agile way of working with employees embodying a 'One Coventry' philosophy.

2. Grade and salary

The post has been evaluated using the Local Government Employers Job Evaluation Scheme that is used in respect of all senior manager roles within the Council, and allocated the appropriate grade within the Council's senior management pay structure.

3. Additional Research

The proposed salary grade is competitive with those for similar posts in large first-tier local authorities

4. Rationale

The proposed salary grade reflects the need to appoint someone with demonstrable skills and experience of achieving significant change in a similar unionised environment and almost certainly with local authority experience.