



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 15th July, 2019

Place

Diamond Room 2 - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 10)
To agree the minutes of the meeting held on 24th June 2019
4. **Exclusion of Press and Public**
To consider whether to exclude the press and public for the item(s) of business for the reasons shown in the report.
5. **Outstanding Issues** (Pages 11 - 18)
Report of the Deputy Chief Executive (Place)
6. **Work Programme 2018/19** (Pages 19 - 20)
Report of the Deputy Chief Executive (Place)
7. **Audit Findings Report 2018-2019 (Grant Thornton)**
Report of the Deputy Chief Executive (Place) – To Follow
8. **Audited 2018-2019 Statement of Accounts** (Pages 21 - 24)
Report of Deputy Chief Executive (Place) – Statement to follow
9. **Revenue and Capital Out-turn 2018-2019** (Pages 25 - 58)
Report of the Deputy Chief Executive (Place)
10. **Audit and Procurement Committee Annual Report 2018-2019** (Pages 59 - 66)
Report of the Deputy Chief Executive (Place)

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

Private business

12. **Procurement and Commissioning Progress Report** (Pages 67 - 82)
Report of the Deputy Chief Executive (People)
(Listing Officer: M Burn, Tel: 024 7697 1412)
13. **Consideration of Early Retirement in the Interests of the Efficiency of the Service** (Pages 83 - 90)
Report of the Deputy Chief Executive (Place)
(Listing Officer: J Newman, tel: 024 7697 2707)
14. **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, 5 July 2019

Note: The person to contact about the agenda and documents for this meeting is Lara Knight / Michelle Salmon, Governance Services, Tel: 024 7697 2642 / 2643, Email: lara.knight@coventry.gov.uk / michelle.salmon@coventry.gov.uk

Membership: Councillors M Ali, S Bains (Deputy Chair), J Blundell, R Lakha (Chair), T Sawdon, R Singh and H Sweet

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

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Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at
3.00 pm on Monday, 24 June 2019

Present:

Members: Councillor R Lakha (Chair)
 Councillor M Ali
 Councillor S Bains
 Councillor J Blundell
 Councillor T Sawdon
 Councillor R Singh

Employees (by Directorate):

Place: P Jennings, L Knight, K Tyler

Apologies: Councillor H Sweet
 Councillor R Brown (named substitute)

Public Business

1. Declarations of Interest

Councillor R Singh declared an interest in Minute 7 below, headed 'Internal Audit Annual Report 2018/19' insofar as it related to Frederick Bird School. He remained in the meeting and took part in the consideration of the matter.

2. Minutes of Previous Meeting

The minutes of the meeting held on 25th March 2019 were agreed and signed as a true record. There were no matters arising.

3. Outstanding Issues

The 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.

Officers provided updates on the items listed in the Appendices to the report and agreed that the date for consideration of the report on the follow up review at Frederick Bird School listed in Appendix 1, be amended to 2nd September 2019.

The Committee also agreed the following amendments to Appendix 2:

- Item 1 – Telephony system and customer services. The Committee were advised that the replacement telephony system had now been fully replaced and is operational. Item to be removed from the report.
- Item 2 – Information Governance / Data Protection Training. The Committee were advised that the online training in relation to Data Protection had been reviewed and refreshed and that an email would

be circulated to all Members regarding the requirement to undertake the training. Item to remain on the report.

- Item 3 – Future reporting arrangements for procurement and commissioning progress reports. The Committee discussed possible alternative options for consideration of procurement and commissioning progress reports and agreed for the time being to continue with existing arrangements. Item to remain on the report.
- Item 4 – Fees paid to external suppliers to undertake proactive reviews of single person discounts linked to Council Tax. The Committee had received information in relation to this matter by email. Item to be removed from report.
- Item 5 – Training of staff in Contract Management. The Committee were advised that 90 staff have now been trained in relation to Contract Management. Item to be removed from report.
- Item 6 – Circulation of findings to Committee following a review of the funding of Godiva Festival by the Finance and Corporate Services Scrutiny Board (1). The Committee were advised that this matter continues to be pursued and there has been significant amounts of work undertaken. Item to remain on the report.
- Item 7 – Car parking at Coombe Country Park. The Committee had received information in relation to this matter by email. Item to be removed from report.
- Item 8 – Governance timeline and current governance structure of Culture Coventry Trust. The Committee were advised that this information continues to be outstanding. Item to remain on the report.

RESOLVED that, the Audit and Procurement Committee note the Outstanding Issues Report and agree that the Appendices to the report be amended as indicated above.

4. Work Programme 2019/20

The Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme for the Committee for the current municipal year.

In considering the report, the Committee requested that the three items of business listed as 'Date to be agreed' be reviewed. As these all related to outside bodies, it was indicated that it may be more appropriate for the Scrutiny Co-ordination Committee to consider these matters. The Committee requested that discussions take place with Scrutiny Co-ordinators to establish the most appropriate place for these matters to be considered. The Committee indicated that if it is established that they should be considered by Audit and Procurement Committee, an appropriate date be identified.

RESOLVED that, the Audit and Procurement Committee note the work programme for 2019/20 and request that investigations be undertaken in relation to the 'Date to be confirmed' items as indicated above.

5. Annual Governance Statement 2018/19

The Committee considered a report of the Deputy Chief Executive (Place), which sought approval of the Annual Governance Statement, which forms part of the Statement of Accounts for 2018/19.

The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

To demonstrate these arrangements, the Council has adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance 'Delivering Good Governance in Local Government (2016)'.

The Annual Governance Statement, attached as an appendix to the report, explains how the Council has complied with the Code and in doing so, reflects the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The Statement also details key governance / control issues identified through the assessment that the Council faces in the coming year.

The report indicated that a review had been undertaken of the twelve disclosures highlighted in the 2017-18 Statement. Five disclosures have been closed as they are either no longer viewed as a significant governance / control issue facing the Council or have been subsumed into other disclosures. Seven disclosures are to be carried forward into the 2018-19 Statement, including:

- Sustainable improvement in Children's Services.
- Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium Term Financial Strategy.
- Raising Educational standards.
- Implementation of the Information Management Strategy.
- Delivery of the Workforce Strategy.
- Delivery of the ICT Strategy.
- Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation.

In addition, three new disclosures were identified for inclusion within the 2018-19 Statement. These were identified as part of the review undertaken to support the production of the Statement. The disclosures related to:

- Corporate data access standard.
- Governance over relationships with partners and outside bodies.
- Governance over the programme of capital projects.

In relation to governance over relationships with partners and outside bodies, the Committee were of the view that this should also include neighbouring local authorities.

In addition, the Committee were keen to assure themselves through the year that everything is in order and therefore requested an update report to their January 2020 meeting.

RESOLVED that, the Audit and Procurement Committee approve the Annual Governance Statement, attached as Appendix 1 to the report submitted, which accompanies the 2018/19 Statement of Accounts and request that an update report be submitted to the Committee in January 2020.

6. Unaudited 2018/19 Statement of Accounts

The Committee considered a report of the Deputy Chief Executive (Place) which provided the opportunity to review the unaudited 2018/19 Statement of Accounts and raise any points that need to be addressed prior to approval of the audited Statement in July 2019.

In addition to the report, the Committee received a presentation setting out the key elements of the statement of accounts and issues to be aware of. These included:

- Narrative Report
- Once Council – Two Different Financial Positions
- Reserves Trend
- The Balance Sheet
- Long Term Investments
- Pensions Liability
- Rise and Fall of the Pensions Deficit
- Officers Remuneration
- Contingent Liabilities
- What Happens Next

In considering the report and the presentation, the Committee requested information on the profit figure in relation to Coombe Abbey Hotel be circulated to them so that they are able to understand the level or return on investment. In addition, they sought clarification in relation to the increase in salaries for the Deputy Chief Executives and wanted to understand whether this was due to an increase in basic salary or some other form of remuneration. As this information was not available at the meeting, Members requested that it be circulated to them at the earliest opportunity.

In addition, the Committee noted that there had been significant rescheduling of the capital programme, but further noted that the delivered programme was larger than any other programme in the modern era.

RESOLVED that, the Audit and Procurement Committee note the unaudited 2018/19 Statement of Accounts.

7. **Internal Audit Annual Report 2018/19**

The Committee considered a report of the Deputy Chief Executive (Place), which summarised the Council's Internal Audit activity for the period April 2018 to March 2019 against the agreed Audit Plan for 2018/19 and the Public Sector Internal Audit Standards. The report also provided the Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment for the 2018/19 financial year.

The key target for the Internal Audit and Risk Service was to complete 90% of its agreed work plan by the 31st March 2019 and the report indicated that this target had been exceeded, with 92% of its work completed. It was noted that the reported performance was based on a revised audit plan of 480 days, which reflected un-planned absence within the Team and which was reported to the Committee in February 2019. In addition to the delivery of the Plan, the Service had a number of other key performance indicators (KPIs) which underpinned its delivery. These KPIs were aimed at ensuring that the audit process was completed on a timely basis. The report provided details of the performance of Internal Audit against the KPIs for 2018/2019, compared with performance in 2017/18. Appendix One of the report detailed the audit reviews that had been carried out in the financial year 2018/2019, along with the level of assurance provided. A summary of the findings of key audits were included at Appendix Two of the report.

In the Chief Internal Auditor's view, sufficient assurance work had been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of the Council's internal control environment. It was the Chief Internal Auditor's view that moderate assurance could be provided that there was generally a sound system of internal control in place, designed to meet the Council's objectives. This means that there was generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level.

In giving this opinion, assurance could never be absolute as the system of internal control was designed to manage risk to a reasonable level. It could not eliminate all risk and could therefore only provide a reasonable and not absolute assurance of effectiveness.

In undertaking the assessment of the Council's internal control environment, the Chief Internal Auditor had identified a number of areas that, in her opinion, need to be considered when the Council produces its Annual Governance Statement 2018/19. These related to homelessness, controls over accessing system data, and delivery of the IT Strategy.

RESOLVED that, the Audit and Procurement Committee note:

- 1. The performance of Internal Audit against the Audit Plan for 2018/19.**
- 2. The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.**

3. **The summary findings of key audit reviews (attached at Appendix 2) that have not already been reported to the Audit and Procurement Committee during municipal year 2018/19 and which are relevant to the opinion of the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
4. **The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**

8. **Internal Audit Plan 2019/20**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the draft Internal Audit Plan for 2019/20 for the Committee to express their views on the extent and nature of the planned coverage.

The draft Internal Audit Plan documented the outcome of the audit planning process for 2019/20 and provided a mechanism for allowing the Committee to discharge its responsibility to 'consider the Head of Internal Audit's Annual Report and Opinion and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance statement incorporated in the Annual Accounts'. The report also enabled the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

The report set out the planning process for the plan. The draft plan was based on an allocation of priorities against the current level of audit resource available. The Committee were informed that the resources available for audit and corporate fraud work was 550 days. In focussing the resources to meet the needs of the Council, the following approach was taken:-

- A documented risk assessment had been undertaken, which considered the Council's corporate risk register and key priorities as identified from consultation with Directors and other senior managers, alongside other priorities identified from (a) the annual review of the Local Code of Corporate Governance and (b) areas of risk which have been highlighted by the Chief Internal Auditor during the course of the year. Where appropriate, the assessed risk level had been included in Appendix One to the report. Where the risk had been assessed as medium rather than high, this generally reflected the findings of previous audit reviews in the respective area and / or an initial assessment of the control environment.
- A risk based approach to the audit of schools based on links with School Finance / issues raised by schools, rather than a fixed programme of audit work. In 2019/20, specific focus has been given to schools which have not been audited for some time.
- A flexible and responsive approach to issues highlighted by Senior Officers with dialogue to ensure resources were directed in accordance with their priorities.

- A more flexible response to corporate fraud investigations, offering expert advice and support rather than undertaking the Investigating Officer role.

As a result it was believed that the draft Audit Plan for 2019/20 was sufficient for the work required to report on key risks and controls in the year and to prepare for the annual opinion and report.

The report also referred to the implications concerning corporate risks, Council / audit priorities, corporate governance, contingency / directorate risks and carried forward audits.

The Plan set out the audit areas under the key driver headings of corporate risk, Council / audit priorities, financial systems, regularity and other. Against each of the audit areas, the level of risk was identified, along with the planned audit days.

In considering the draft Internal Audit Plan for the year, Councillor Sawdon reported that there had been press coverage regarding the Council having lost out on significant income by having not yet implemented a Community Infrastructure Levy (CIL). He proposed that an audit be undertaken to ensure the Committee could be satisfied regarding the amounts of income received through Section 106 Agreements against possible CIL funding. This proposal was seconded by Councillor Blundell. The Committee voted 2 for and 2 against this proposal. The proposal was subsequently lost with the Chair's casting vote against the proposal.

RESOLVED that, the Audit and Procurement Committee approve the draft Internal Audit Plan for 2019/20 attached as Appendix One to the report.

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

The Chair of the Committee indicated that, following a recent debate at Council and the current focus on Climate Change, he proposed that a report be submitted to the meeting scheduled for 2nd September 2019 on single use (non-recyclable) plastic within procurement contracts.

RESOLVED that, the Audit and Procurement Committee request a report in relation to single use (non-recyclable) plastic within procurement contracts.

(Meeting closed at 5.05 pm)

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Audit and Procurement Committee

15th July 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>	Minute 62/18 25 th February 2019	11 th November 2019	Karen Tyler		
2.	<p>Annual Governance Statement 2018/19</p> <p>The Committee requested an update report in January 2020 to assure themselves that all is in order at the half year point in relation to Governance arrangements.</p>	Minute 5/19 24 th June 2019	27 th January 2020	Karen Tyler		

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

Information/Action Requested Outside Meeting

	Subject	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	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 In addition to the completion of Data Protection Training, workshops be arranged for Elected Members to support them on the requirements of the GDPR	Adrian West/ Sharon Lock	
2.	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
3.	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)	

4.	Culture Coventry Trust – Finance and Governance	Minute 73/18 25 th March 2019	The Committee requested information in relation to the governance timeline and the current governance structure	Phil Helm / David Nuttall	
5.	Unaudited Statement of Accounts 2018/19	Minute 7/19 24 th June 2019	The Committee requested information on: a. The profit figure in relation to Coombe Abbey Hotel in order to understand the return on investment b. The increase in Deputy Chief Executive's Salary to understand if this was due to an increase in basic salary or some other form of remuneration	Paul Jennings	

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Audit and Procurement Committee

Work Programme 2019-2020

24th June 2019

Internal Audit Annual Report 2018-2019
Annual Governance Statement 2018-2019
Internal Audit Plan 2019-2020
Draft Statement of Accounts 2018-2019

15th July 2019

Audit Findings Report 2018-2019 (Grant Thornton)
Revenue and Capital Out-turn 2018-2019
Statement of Accounts 2018-2019
Audit Committee Annual Report 2018-2019
Procurement Progress Report (Private)

2nd September 2019

Quarter One Revenue and Corporate Capital Monitoring Report 2019-2020
Fraud Annual Report 2018-2019
Ombudsman Complaints Annual Report 2018-2019
Whistleblowing Annual Report 2018-19
Information Governance Annual Report 2018-2019
Non-recyclable Plastics

11th November 2019

Annual Audit Letter 2018-2019 (Grant Thornton)
Half Year Internal Audit Progress Report 2019-2020
Treasury Management Update
Procurement Progress Report (Private)

27th January 2020

Quarter Two Revenue and Corporate Capital Monitoring Report 2019-2020
Corporate Risk Register Update
Half Yearly Fraud Update 2019-2020
Annual Governance Statement - Half Year Update

16th March 2020

Grant Certification Report (Grant Thornton)
Quarter Three Revenue and Corporate Capital Monitoring Report 2019-2020
Quarter Three Internal Audit Progress Report 2019-2020
Internal Audit Recommendation Tracking Report
Code of Corporate Governance (Adrian West)
RIPA (Regulation of Investigatory Powers Act) Annual Report 2018-2019
Procurement Progress Report (Private)

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
Outside Body - Governance and Financial Arrangements for Culture Coventry



Coventry City Council

Public report

Audit and Procurement Committee

15 July 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:

All

Title:

Audited 2018/19 Statement of Accounts

Is this a key decision?

No

Executive Summary:

The purpose of this report is to gain Audit & Procurement Committee's approval for the audited 2018/19 Statement of Accounts. The Audit & Procurement Committee is approving these accounts on the Council's behalf.

Recommendations:

Audit & Procurement Committee is recommended to approve the final 2018/19 Statement of Accounts.

List of Appendices included:

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

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

Background Papers

None

Other useful documents:

Final Accounts Working papers - Friargate 6th Floor

Has it been or will it be considered by Scrutiny?:

The Audit and Procurement Committee will consider the Statement.

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

No

Will this report go to Council?:

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

Report title: Audited 2018/19 Statement of Accounts

1. Context (or background)

- 1.1 The Accounts and Audit Regulations 2015 require the Council to have its audited statements approved by 31st May and to approve and publish audited accounts by 31st July. These are reporting dates were introduced for the 2017/18 accounts and are earlier than those in place for earlier years. The Council has previously approved the delegation of responsibility for approving the statements to the Audit & Procurement Committee, which has become the key body in respect of understanding, analysing and discussing the content of these statements.
- 1.2 The Audit & Procurement Committee reviewed and commented upon the draft 2018/19 Statement of Accounts and Annual Governance Statement at its meeting on 24th June 2019. This report now seeks approval of the final audited statements.

2. Options considered and recommended proposal

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

Report author(s):

Name and job title:

Paul Jennings
Finance Manager (Corporate Finance)

Directorate:

Place Directorate

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Contributor/ approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Michelle Salmon	Governance Services Officer	Place	18/6/19	18/6/19
Phil Baggott	Lead Accountant	Place	18/6/19	18/6/19
Names of approvers for submission: (Officers and Members)				
Carol Bradford	Corporate Governance Lawyer – Legal Services	Place	18/6/19	18/6/19
Barry Hastie	Director of Finance and Corporate Services	Place	18/6/19	18/6/19

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Cabinet
Audit and Procurement Committee
Council

9th July 2019
15th July 2019
3rd September 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: All

Title:

Revenue and Capital Outturn 2018/19

Is this a key decision?

Yes - The report deals with financial matters in excess of £1.0m including specific new recommendations to allocate resources within the outturn position.

Executive Summary:

This report outlines the final revenue and capital outturn position for 2018/19 and reviews treasury management activity and 2018/19 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- A final revenue underspend of £1.0m which is required to be contributed to the Council's General Fund reserve.
- Overspends of £2.7m within Waste and Fleet Services and £3.0m relating to housing and homelessness issues, in large part from the cost of Housing Benefit payments for people and families who require housing in emergency accommodation.
- Offsetting underspends across a range of other services and in particular a £4m favourable position within central budgets including the Asset Management Revenue Account.
- Capital Programme expenditure of £147m which is £115m less than envisaged at the start of the year but nevertheless represents the largest programme in the modern era.
- Time-limited resources and some favourable budgetary movements in the final quarter which enable several recommended contributions to reserve balances as set out below. These are aimed at strengthening the Council's financial resilience and providing funding to take forward future commercial developments.
- An increase in the level of Council revenue reserves from £62m to £71m.

The underlying revenue position has improved significantly since Quarter 3 when an underspend of £1.8 was forecast. In particular this relates to improvements within Contingency and Central

budgets which are set out in the report. This has enabled the Council to identify several actions which will strengthen its existing financial resilience and help to introduce other proposals designed to identify savings proposals in future budgets. These proposals, put forward through the Director of Finance and Corporate Services, the Council's Section 151 officer, are reflected in the recommendations below and explained in section 5.1.

Recommendations:

Cabinet is recommended to approve:

1. The final revenue outturn underspend of £1.0m (section 2.1 and Appendix 1) which will be added to the Council's General Fund reserve.
2. The final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £146.7m against a final budget of £175.9m; £26.5m expenditure rescheduled into 2018/19 and a net underspend £2.7m.
3. The outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

Cabinet is requested to recommend to the Council:

4. Approval of reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy exit costs.

Audit and Procurement Committee is recommended to:

1. Consider the contents of the report and determine whether there are any issues which it wants to refer to the Cabinet Member for Strategic Finance and Resources.

Council is recommended to:

1. Approve reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy exit costs.

List of Appendices included:

Appendix 1	Detailed breakdown of Directorate Revenue Variations
Appendix 2	Capital Programme Changes and Analysis of Rescheduling
Appendix 3	Prudential Indicators

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?

Yes - Audit and Procurement Committee 15th July 2019

Will this report go to Council?

Yes – 3rd September 2019

Report title: Revenue and Capital Outturn 2018/19

1. Context (or background)

- 1.1 This report sets out the Council’s revenue and capital outturn position in 2018/19 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £234.4m and a Capital Programme of £262.5m.
- 1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

- 2.1.1 Table 1 below summarises the outturn position, an underspend of £1.0m. Local Government accounting rules require this underspend to be contributed to the Council’s General Fund Balance.

Table 1 Summary Outturn Position

Quarter 3 Forecast Variation £m	Service Area	Net Budget £m	Outturn Position £m	Variation £m	Variation %
(1.1)	Public Health	3.5	2.7	(0.8)	(23%)
0.1	Directorate Management	1.4	1.4	0.0	0%
0.4	Education & Skills	12.9	13.3	0.4	3%
0.3	Children & Young People	71.9	70.9	(1.0)	(1%)
0.0	Adult Social Care	74.4	74.4	0.0	0%
2.8	Customer Services & Transformation	9.2	11.2	2.0	22%
0.1	Place Directorate Management	1.4	1.3	(0.1)	(7%)
0.6	Business, Investment & Culture	7.5	8.0	0.5	7%
0.0	Transportation & Highways	4.4	4.2	(0.2)	(5%)
2.0	Streetscene and Regulatory	26.8	29.8	3.0	11%
(0.2)	Project Management & Property	(7.5)	(7.6)	(0.1)	(1%)
0.0	Finance & Corporate Services	7.0	6.3	(0.7)	(10%)
(6.8)	Contingency & Central Budgets*	21.5	17.5	(4.0)	(19%)
(1.8)	Total*	234.4	233.4	(1.0)	(1%)

*The position is shown after reserve contributions recommended in this report amounting to £10.4m

2.1.2 A projected under-spend of £1.8m was reported at quarter 3. The main underlying movements between quarter 3 and outturn are as follows:

- Children and Young People - £1.3m favourable
- Customer Services & Transformation - £0.8m favourable
- Streetscene & Regulatory - £1.0m adverse
- Finance & Corporate Services - £0.7m favourable
- Contingency and Central Budgets - £2.8m adverse (after reserve contributions)

The reasons for these variations are explained at 2.1.3 below.

2.1.3 Directorate Positions

Contingency and Central (£4m Underspend)

The main areas of underspends have been the Council's budgets for redundancy and early retirement costs (£1.8m), projects related to Kickstart and sports development (£1.4m) and inflation contingencies (£0.8m). It is anticipated that the Council will be able to identify ongoing savings from several of these areas in the forthcoming 2020/21 budget process.

In addition, the Council has secured additional mostly time-limited resources amounting to around £8m made up of:

- additional dividends from its shareholdings in the Coventry and Warwickshire Waste Disposal Company and Coombe Abbey Park Limited (£2.5m);
- a surplus generated via the Coventry and Warwickshire Business Rates Pool (£1.3m);
- additional treasury management investment income (£1.5m);
- cost avoidance from the capitalisation of interest costs (£1.4m); and
- lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£1.3m).

Information regarding much of the value of these amounts emerged in the final quarter such that this represented a significant favourable swing since the reported quarter 3 position. However the recommended contributions to reserves (£10.4m) partly enabled by these windfalls have absorbed any impact on the bottom line.

People (£0.5m Overspend)

Despite showing an improved position at year end the People Directorate continues to face significant financial challenges in 2018/19 and beyond. A significant amount of work is underway to resolve recruitment problems to contribute to reducing the pressure created by agency covering vacancies. (The majority of agency is currently within Childrens Services where in the region of 39 posts are currently covered - this has reduced throughout the year). The largest individual pressure relates to the estimated cost of supporting families and individuals in temporary and supported accommodation (£3.0m) which is a result of high numbers of homelessness cases, and cases where insufficient Housing Benefit subsidy can be claimed from the government. This pressure is in addition to the £2.7m previously approved by members as part of the budget setting process. The Looked after Children (LAC) Population has risen significantly over the last year with average LAC numbers at 644 in 17/18 compared with 701 for 18/19. Despite this LAC Placements overall has underspent by £1m, which is a combination of additional budget resource, the transformation programme to deliver a lower average unit cost, and how the increase in LAC has impacted on placement type. There are continued pressures within Supported Accommodation placements for careleavers and a small number of recent cases which are attracting significant cost. Alongside this, continuing pressures within SEN transport of £0.4m are contributing to the overall position. Finally, whilst Adult Social Care is showing a balanced position, there is

increasing pressure surrounding packages of care alongside increasing demand in Deprivation of Liberty safeguards (DOLs) which are managed in year using iBCF protecting social care resources.

Place (£2.4m Overspend)

The Place Directorate has had a number of significant financial issues in 2018/19, contributing to an overall deficit of £2.4m. A number of trading or income earning services have experienced difficulty in achieving their budgeted income levels totalling £2.4m. Most notably Commercial Waste, whose costs have increased due to increased disposal, staffing and vehicle costs, have been unable in 18/19 to cover those costs or income growth plans from increases in new work or market price increases. They have a net pressure of £1.2m.

Other services that have seen income pressures include the following:

- Repair & Maintenance team, which has under delivered due to reduced workloads (£0.2m),
- Bereavement Services which has experienced a reduction in normal activity levels (£0.3m),
- Parking Enforcement income collection (£0.3m),
- Coombe Park parking income due to equipment failure (£0.2m), Pest control due to slower growth than planned (£0.1m) ; and
- CCTV who are still unable to fully recover assumed income levels (£0.1m).

All underperforming trading services are under review to ensure that relevant managers have plans in place to reverse deficits to make sure services can be run on a financially sustainable basis.

Some income earning areas are however, performing well and have generated in excess of budgeted income levels totalling £1.4m. This includes Planning Development (£0.4m) due to increased activity, Regulatory Services (£0.3m) due to the introduction of mandatory licensing for landlords, Commercial Property (£0.2m) due to some temporary rental income being earned, Occupier Support due to increased project work (£0.1m), Car Parking (£0.1m), and Bus Gate Enforcement due to increased PCNs in year (£0.3m).

Some services have experienced cost variations, the material ones being as follows: Waste disposal tonnages and gate fees were higher than planned with a £0.7m pressure. Domestic Waste overspent by £0.4m largely due to casual staffing costs caused by unavoidable staff shortages, and the cost of maintaining collections over the Christmas period. Legal advocacy work required above current capacity levels resulted in increased external counsel costs of £0.3m. These were partially offset by lower repair and maintenance costs on corporate administration buildings of £0.3m, higher recovery of historic overpaid Housing Benefit payments of £0.5m, additional grant monies generated in the Employment Service of £0.3m, and Streetpride cost reduction savings of almost £0.2m

2.1.4 Although the Council has reduced its employee numbers markedly in recent years the trend for large numbers of redundancy and early retirement cases (and cost) has slowed significantly in 2018/19. In 2018/19 this has meant around 30 individuals at a net cost of just over £0.1m compared with 300 cases at a cost of £3m in 2017/18.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2018/19 is £81.8m, compared with £67.1m at the end of 2017/18. Balances generated from capital receipts and capital grants to fund future capital projects have reduced from £31.2m to £23.4m and reserve balances

belonging to or earmarked to support schools have increased from £24.3m to £26.4m. The total reserve movement in 2018/19 is summarised in the table below.

2.2.2 The reserve balances include £10.2m set aside as part of the Council's three long-term Private Finance Initiative models, £10.1m set aside to fund costs arising from early retirement and redundancy decisions, £7.7m set aside to provide protection against the potential future loss of Business Rates income, £4.75m set aside for the Council's contribution to the UK City of Culture and £3.5m to support the Adult Social Care Better Care Fund model. The £5.4m Management of Capital reserve includes revenue reserves to fund future capital projects.

2.2.3 The Cabinet Member for Strategic Finance and Resources will consider an analysis of these balances and potential future spending commitments during 2019 and will bring recommendations forward as part of Budget Setting proposals or specific reports to Cabinet later in the year. It is also envisaged that Scrutiny Board 1 will undertake a detailed review of reserve balances this year in line with recent practice.

Table 2 Summary of Reserve Movements in 2018/19

	Balance at 31st March 2018	(Increase)/ Decrease	Balance at 31st March 2019
	£000	£000	£000
<u>Council Revenue Reserves</u>			
General Fund Balance	(4,702)	(5,575)	(10,277)
Adult Social Care	(4,798)	1,264	(3,534)
Public Health	(606)	(182)	(788)
Troubled Families	(486)	(609)	(1,095)
Leisure Development	(1,599)	265	(1,334)
Kickstart Project	(5,068)	3,790	(1,278)
City of Culture	(4,750)	0	(4,750)
Potential Loss of Business Rates Income	(3,414)	(4,321)	(7,735)
Redundancy and Early Retirement	(8,261)	(1,809)	(10,070)
Commercial Developments	0	(4,000)	(4,000)
Insurance Fund	(1,595)	(103)	(1,698)
Management of Capital	(6,332)	933	(5,399)
Private Finance Initiatives	(10,781)	612	(10,169)
Other Directorate	(7,194)	(2,295)	(9,489)
Other Directorate funded by Grant	(2,193)	629	(1,564)
Other Corporate	(5,298)	(3,291)	(8,589)
Total Council Revenue Reserves	(67,077)	(14,692)	(81,769)
<u>Council Capital Reserves</u>			
Useable Capital Receipts Reserve	(23,978)	2,511	(21,467)
Capital Grant Unapplied Account	(7,179)	5,285	(1,894)

Total Council Capital Reserves	(31,157)	7,796	(23,361)
Schools Reserves			
Schools (specific to individual schools)	(19,590)	(718)	(20,308)
Schools (related to expenditure retained centrally)	(4,742)	(1,342)	(6,084)
Total Schools Reserves	(24,332)	(2,060)	(26,392)
		0	
Total Reserves	(122,566)	(8,956)	(131,522)

2.3 Capital Outturn

2.3.1 The capital outturn position for 2018/19 is shown in summary below and in greater detail in Appendix 2:

Table 3: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Under- spends £m	Total Variance £m
175.9	146.7	(26.5)	(2.7)	(29.2)

The quarter 3 monitoring report to Cabinet on 13th February 2019 approved a revised capital budget of £173.8m for 2018/19. Since then there has been a net programme increase of c£2m giving a final budget for the year of £175.9m. Since February, a total of £26.5m net rescheduled spending has arisen on directorate capital programmes. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

Table 4: Summary of Rescheduling

Project	(Rescheduling) /Accelerated Spend £m	Explanations
UKBIC – Battery Plant and Equipment	(10.2)	Given the complexity of the technology and the international nature of suppliers, there were delays in procurement and placing orders
Coventry Station Masterplan	(3.6)	Due to the late withdrawal of the preferred bidder for the NUCKLE1.2 works, these works have had significant delays in the delivery. A full retender is required resulting in slippage of all associated costs on this project
Highways, Transport and Public Realm Programme	(3.5)	The two main areas of rescheduling are £1.2 For Highways investment (pothole funding received in the 4th quarter of 2018-19), and the Clean Bus Technology Fund of which £1.3m is grant for the purpose of retrofitting selective catalytic traps to buses operating in the city.
Sports, Leisure and Parks	(2.5)	The £1.1m rescheduling on Alan Higgs is due to some high cost items that were scheduled to be delivered in 2018/19 have been delayed, causing the programme to be 2 weeks behind. In addition the City Centre Destination Leisure

		Facility (The Wave) £1.0m delay in programme and reduction in the loan facility for Alan Higgs.
People Capital Programme (Schools and ICT)	(1.8)	Secondary School expansion has taken longer than anticipated in the planning stage
UK Central and Connectivity	(1.2)	Engagement with external stakeholders, the majority of the works associated within these packages covering South and North sector, are delaying the programme of works (£0.9m). VLR has seen a small (£0.3m) slippage due to the delay in track procurement
City Centre South and Friargate	(1.0)	Delays in planning application for City Centre South and reduction in costs for stamp duty from £1m to £0.6m has seen costs being pushed back into 2019/20 and or recycled back into their programmes.
Growth Grant Programme	(0.8)	This is a net movement on the Growth Programme which is being delivered by other organisations, covering a mixture of delays on construction and revised cashflow approvals.
Heatline	(0.7)	The change to the programme reflects that The Wave is funding its costs for the installation of Heatline, as approved by Cabinet in October 2017. These costs appear against the Destination Leisure Facility. The rescheduling is due to contract works not being finished as expected. Part of the delay is that Engie are working to the commissioning programme of the Water Park. In addition we are still finalising commercial negotiations in relation to a series of variations.
Others	(1.3)	Net movement
TOTAL	(26.5)	

Table 5: Over and Underspends in the Capital Programme

Project	Over/ (Under)spend	Explanations
Early Years and Broad Spectrum School	(1.1)	Significant value engineering in the Broad Spectrum school construction and additional investment for Modular Building and provided resources to be reinvested back into the School Capital Programme in future years
Investing In Sports Facilities	(0.1)	The creation of the Wave and the decommissioning of the old "Baths" at Fairfax street, reduced ongoing repairs and maintenance costs
Coombe Shares	(1.5)	Underspend against maximum trigger payment amount set aside to purchase Coombe Abbey Park Limited in addition to the initial purchase price.
Total	(2.7)	

2.3.2 The 2018/19 and future the Programme continue to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- In December 2017, Cabinet approved the £80m investment in the UK Battery Industrialisation Centre following a successful bid to Innovate UK by a consortium of Coventry City Council, Coventry and Warwickshire Local Enterprise Partnership and Warwick Manufacturing Group. This new research facility on the outskirts of Coventry will play a key national role in the emerging battery industry and is due to open spring 2020. The project is progressing well and currently £55m has been claimed from Innovate UK. This includes the full drawdown of the building costs and large down payments on machinery. Given the complexity of the technology and the international nature of suppliers, there were delays in procurement and placing orders. In addition, the project is now in the process of being awarded additional external funding which has led to changes in machinery specifications. Extensive forecasting and analysis has been undertaken for the new budget and the finances are being robustly monitored by Coventry City Council.
- In September 2014, Coventry City Council approved the addition of £36.7m to its capital programme for the development of the City Centre Destination Leisure Facility – The Wave - on the existing Christchurch House and Spire House site. The Wave is scheduled to open shortly. Plans are also progressing on the 50m Swimming Pool at the Alan Higgs Centre and new bowling facilities within the city.
- In July 2016 the Council approved the site at Whitley South to be used to develop the expansion plants of JLR by developing the public infrastructure to accommodate the proposed Research & Development campus, accommodate a number of small medium enterprises together with a hotel and car show room. The contract for the construction is in place and works are progressing, with completion due in 2020.
- The Council has completed its investment in the new Friargate Joint Venture Company which will enable development of the Friargate business district within the city starting with the construction of a second building. The Council has also invested in the Binley Court property adding to its commercial property portfolio in 2018/19.

Connecting Coventry is a strategic transport programme of £620m investment in transport infrastructure in Coventry over the next 10 years. In 2018/19 £9.2m of spend has been incurred within the Programme including the A46 link road, Very Light Rail and Coventry Station Master Plan, currently funded from the Local Growth Deal. The primary source of funding going forward will be a mixture of WMCA – Devolution Deal, along with Local Growth Deal, DfT, Highways England and private investment.

- Highways and Public Realm. The City Council has continued to make significant investment in specific Public Realm schemes, a further £2.57m of Local Growth Deal funding has been secured and schemes are being designed currently to commence delivery in 2019-20. In October 2018, the Chancellor announced in the Budget that the Government was allocating a further £420 million of new money for local highways maintenance. Coventry City Council was allocated £1.226m and this additional resource was added to the Highways Investment programme to repair roads (including potholes), bridges and local highways infrastructure generally.
- City Centre South (CCS) is a major regeneration project covering the southern part of Coventry city centre, which will transform the area by redeveloping approximately

half (6.7 hectares) of the city centre retail core. WMCA funding is just under £100m, and the Council is investing in the form of properties and land worth £28m which are being transferred into a Special Purpose Vehicle for the development formed with a private developer. As part of this, the Coventry Point building will be demolished in 2019/20.

- On the 22nd December 2017 the City Council acquired 100% of the ordinary share capital of Coombe Abbey Park Limited (CAPL), the principal activity of which is the running of the Coombe Abbey Hotel. In 2018/19 the Council approved a loan to the company which has enabled investment in the Go Ape facility on the site.

2.3.3 The funding in respect of this capital expenditure of £146.7m is summarised in Table 6 below. The Programme has been resourced c54% from capital grants and where possible the use of these grants has been maximised to defer the Council's requirement for prudential borrowing in year. In 2018/19 £9m Basic Need funding has been applied which needs to be back-filled by capital reserves, capital receipts and prudential borrowing over the next few years.

Table 6: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	51.9	51.9	0
Grants and Other Contributions	79.7	73.4	(6.2)
Revenue Contributions	2.8	2.8	0
Capital Receipts	10.6	32.1	21.5
Capital of Management Reserve	1.8	7.2	5.4
Total Resourcing	146.7	167.3	20.6

2.4 Treasury Management Activity

2.4.1 August 2018 saw only the second interest rate rise in over a decade as the interest rate was increased from 0.5% to 0.75%. This was against an economic backdrop where wage growth exceeded inflation resulting in real wage growth of 1.4% and the economy also grew by 1.4%. However, uncertainty surrounding EU exit means that this growth is below trend.

Interest Rate forecasts are dominated by the uncertainty surrounding EU exit but current forecasts indicate that there will be a very slow increase, with the next increase of 0.25% not being seen until March 2020.

Longer term rates, at which local authorities borrow from the Public Works Loans Board (PWLB), were:-

Table 7: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2018/19	Maximum in 2018/19	Average in 2018/19
5 year	1.70%	2.27%	2.00%

20 year	2.49%	3.10%	2.82%
50 year	2.36%	2.99%	2.66%

Given the above rates it has continued to be cheaper for local authorities to use short rather than long term funds for financing.

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority's underlying need to borrow for capital purposes, has increased by £39.8m:-

Table 8: 2018/19 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1 st April 2019	400.5
Borrowing required to finance 2018/19 Capital Programme	51.9
PFI & Finance Leases liabilities	0.2
Donated Assets	(0.2)
Provision to Repay Debt (Minimum Revenue Provision)	(10.9)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.1)
Reduction of Provision and other restatements	(0.1)
Capital Financing Requirement at 1 st April 2019	440.3

No new long term borrowing was actually taken out during 2018/19, however, some borrowing will be required in the future to support current capital expenditure plans and the need for any such borrowing will be kept under review in 2019/20. Within 2018/19, the movements in long-term borrowing and other liabilities were:-

Table 9: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2018 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2019 £m
PWLB	203.9	(7.3)	0	196.6
Money Market	38.0	0	0	38.0
Stock Issue	12.0	0	0	12.0
Other	0.4	0	0	0.4
sub total ~ long term borrowing	254.3	(7.3)	0	247.0
Other Local Authority Debt	14.3	(1.2)	0	13.1
PFI & Finance Leasing Liabilities	71.7	(2.7)	0.2	69.2
Total	340.3	(11.2)	0.2	329.3

This long term borrowing is repayable over the following periods:-

Table 10: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m
Under 12 Months	16.6
1 – 2 years	28.0
2 – 5 years	9.7
5 – 10 years	12.0
Over 10 years	180.7
Total	247.0

In line with CIPFA Treasury Management Code requirements, Lenders Option, Borrowers Option Loans (LOBOs) with banks are included in the maturity profile based on the earliest date on which the lender can require repayment. The Council has £38m of such loans, £10m of which the lender can effectively require to be paid at annual intervals, and £28m at 5 yearly intervals

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. A total of £87.4m of short term borrowing was taken out during the year, with £42.4m still outstanding at 31st March 2019. This borrowing was all taken out with other local authorities & public sector bodies and was required to manage short term cash flow shortages towards the end of the financial year. During the year the Council held significant short term investments, as set out in Table 11. The average short term investment rate in 2018/19 was 0.73%.

Table 11: In House Investments at 31st March 2019

	At 30 th June 2018 £m	At 30 th Sept 2018 £m	At 31 st Dec 2018 £m	At 31 st Mar 2019 £m
Banks and Building Societies	22.3	13.0	6.0	0.0
Local Authorities	21.5	6.0	15.0	0.0
Money Market Funds	8.0	12.0	20.6	0.4
Corporate Bonds	4.0	5.0	3.3	6.9
Registered Providers	5.0	6.0	0.0	0.0
Total	60.8	42.0	44.9	7.3

In addition to the above in-house investments, a mix of Collective Investment Schemes or “pooled funds” is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. These funds are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. These investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short term fluctuations in return due to volatility to be smoothed out.

Table 12: External, Pooled Investments as at 31st March 2019

	Date Invested	Cost £m	Value £m	Annualised Return %
CCLA	Nov 2013	12.0	12.58	4.77%
Schroder Income Maximiser	Aug 2018	4.5	4.16	6.28%
Threadneedle Strategic Bond Fund	Aug 2018	1.5	1.50	2.99%
Investec Diversified Income Fund	Aug 2018	4.5	4.48	3.99%
M&G Optimal Income Fund	Aug 2018	1.5	1.47	3.27%
M&G Strategic Corporate Bond Fund	Aug 2018	3.0	2.94	3.62%
M&G UK Income Distribution Fund	Aug 2018	3.0	2.90	3.29%
Total		30.0	30.03	4.30%

In placing investments the authority manages credit risk within the parameters set out in the investment strategy, approved as part of the budget setting report. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage exposure to individual institutions or groups. Whilst the fears of systemic banking failures may have receded, the development of “bail-in” make it almost certain that unsecured and corporate investors would suffer losses in the event of a bank default. Credit risk remains an issue for local authorities.

2.4.4 Prudential and Treasury Indicators - The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury 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.

Revenue Related Prudential Indicators

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 12.45%, as against 13.83% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements

and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £372.0m was within the limit of £513.2m.

- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not 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. Borrowing plus PFI and finance lease liabilities at £372.0m was within the boundary of £493.2m.
- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the "year 3" or 2020/21 CFR limit of £486.5m.
- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators 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 Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 22.2% of total debt that needs to be refinanced in 2019/20, compared to the PI limit of 40% in the 2019/20 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

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 Director of Finance and Corporate Services

5.1 Financial implications

The final revenue outturn picture for 2018/19 is underspend of £1m. This is calculated after taking account of recommended reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy exit costs. These proposals are designed to increase the Council's financial resilience ahead of the uncertainty that surrounds forthcoming changes to local government finance; respond to CIPFA's initial Financial Resilience Index results showing that the Council has comparatively low General Fund reserves; bolster the resources set aside to fund potential future restructuring costs; and provide a modest sum to pump prime potential future income earning investments or projects. Accounting regulations demand that the final £1m underspend is contributed to the Council's General Fund Balance, topping this particular reserve up to £10.3m (from £4.7m) which represents c4.5% of net

revenue budget in line with the Council's Medium Term Financial Strategy. This will still leave the General Fund reserve below the median % level compared with other metropolitan authorities (based on 2017/18 results) but nevertheless places the Council on a firm financial footing.

The Council continues to face some volatility in several service areas. Although both its Adults and Children's services have been delivered within budget in the year, overspends have occurred within individual services relating to housing and homelessness (temporary accommodation) and Waste Services. These are described in section 2 above.

The Council has already made budget decisions to fund housing and homelessness issues and to initiate a range of solutions designed to bring down these costs in future years. This will be a key focus on monitoring through 2019/20. Whilst some additional Waste Disposal costs have also been budgeted from 2019/20 onwards the level of the overspend in this area was unexpected and work is under way to understand and address the issues that have arisen. The first quarterly monitoring report in 2019/20 will provide an opportunity to provide an update on these areas.

Several service areas have reported modest budgetary underspends and in particular, Contingency and Central budgets has reported a £4m underspend in addition to identifying and delivering a range of one-off resources that have enabled the reserve contributions set out above. Work has begun to identify the level of budget provision that can be incorporated as savings within 2020/21 budget preparations. A large proportion of this improvement came from sources that were difficult to predict or impossible to rely upon when the Council last reported its financial position. These are set out in section 2. A number of them have come about as a result of background work to improve and support the Council's financial position over recent years and the view of the Director of finance and Corporate Services is that the Council should continue to keep a sharp focus on and set resources aside for, medium term decisions that strengthens its ability to generate income and make appropriate commercial investments to enhance its service offer.

The country is clearly facing some unpredictable political circumstances at present which have only added to what was an uncertain local government funding environment. It remains prudent to continue to plan for further reductions in government funding although how significant they will be (or whether they happen at all) is impossible to predict. Management attention will continue to focus on appropriate approaches to balancing the Council's budget beyond 2019/20.

On balance, although some areas of the budget are overspent, the Council remains in a robust financial position due to a range of ongoing measures. The Council continues to give a high priority to financial management at a senior level and strong corporate control continues to be applied allowing the Council to take advantage of tactical opportunities to protect its budget such as: central control of salaries, management of reserve balances and capital receipts for corporate use, implementation of staff reduction programmes and continued attraction of significant external funding. These actions have helped to contribute to continued achievement of underspends and demonstrates the continued strength of the Council's budget management approach.

Management of the Council's programme of savings targets has not achieved universal success across all service areas. Care will be needed to ensure that the scale and pace of savings targets remains realistic in the face of service demands, recognising also that all services need to contribute to the changes needed to deliver a balanced budget.

Significant application of grant funding has been undertaken within the Capital Programme although some previously approved prudential borrowing has been applied within 2018/19. The level of Prudential Borrowing applied is likely to increase over the next couple of years as the relevant capital spending is incurred and as other sources of funding are exhausted. Although there has once again been a large amount of the programme pushed back to later years it is noteworthy that the council has achieved its highest amount of capital expenditure in the modern era. The Council is part-way through a programme of ambitious and innovative projects affecting the city centre skyline, transport infrastructure and local economic circumstances. It is important to recognise the complexity, size and dependencies of these projects when judging the degree of progress that has been achieved in the year.

5.2 Legal implications

There are no specific legal implications in relation to this report.

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 we will try to deliver better value for money in the services that we provide in the context of managing with fewer resources.

6.2 How is risk being managed?

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. Budgetary control and monitoring processes are paramount to managing this risk and this report is a key part of the process.

6.3 What is the impact on the organisation?

The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be very important in the light of the uncertainty being faced with regard to the level of funding available to local government over the next few years.

6.4 Equalities / EIA

No specific impact.

6.5 Implications for (or impact on) the environment

None.

6.6 Implications for partner organisations?

None.

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Appendix 1 Revenue Variations

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 controlled centrally rather than at this local level. The centralised forecast 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	3.5	2.6	(0.1)	(0.7)	(0.8)
People Directorate Management	1.4	1.5	0.1	(0.1)	0.0
Education and Inclusion	12.9	13.3	0.0	0.4	0.4
Children and Young People's Services	71.9	70.9	(4.4)	3.4	(1.0)
Adult Social Care	74.4	74.4	(0.7)	0.7	0.0
Customer Services & Transformation	9.2	11.2	(0.4)	2.4	2.0
Total People Directorate	173.3	173.9	(5.5)	6.1	0.6
Place Directorate Management	1.4	1.5	0.1	(0.2)	(0.1)
City Centre & Major Projects Development	7.5	8.0	0.0	0.5	0.5
Transportation & Highways	4.4	4.2	(0.2)	0.0	(0.2)
Streetscene & Regulatory Services	26.8	29.8	0.0	3.0	3.0
Project Management and Property Services	(7.5)	(7.6)	0.0	(0.1)	(0.1)
Finance & Corporate Services	7.0	6.3	(0.2)	(0.5)	(0.7)
Total Place Directorate	39.6	42.2	(0.3)	2.7	2.4
Total Contingency & Central Budgets	21.5	17.5	0.0	(4.0)	(4.0)
Total Spend	234.4	233.6	(5.8)	4.8	(1.0)
Resourcing	(234.4)	(234.4)	0.0	0.0	0.0
Total	0.0	(0.8)	(5.8)	4.8	(1.0)

The figures in this table may be subject to small rounding differences to the main report and the rest of the appendix.

Reporting Area	Explanation	£m
People Directorate	The Directorate underspend against its salary budgets and turnover target is mainly due to continuing high levels of vacancies in Children's Social Care which accounts for the majority of the £5.5m underspend. This is partially offset by a non salary overspend as a result of agency staff in Children's Social Care. It is expected that vacancy levels and agency costs will continue to reduce, which will reduce the centralised salary underspend and the budgetholder overspend.	(5.5)
Place Directorate	The vast majority of centralised variations are a direct result of vacancies held, either due to the inability to recruit, or whilst reviews are taking place. The gross surplus as a result of this is c£2.5m, however budgeted turnover targets of £2.2m mean that the net surplus is a lower c£0.3m	(0.3)
Total Non-Controllable Variances		(5.8)

Service Area	Reporting Area	Explanation	£M
Public Health	Public Health - Migration	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.7)
Public Health	Public Health Staffing & Overheads	The underspend relates to the early delivery of the future years grant saving.	(0.3)
Public Health	Public Health - Lifestyles	Overspend relates to one off project funding, resourced from underspend across other elements of the Public Health Grant.	0.1
Public Health	Other Variances Less than 100K		0.2
Public Health			(0.7)
People Directorate Management	Other Variances Less than 100K		(0.1)
People Directorate Management			(0.1)
Education and Skills	SEND & Specialist Services	The outturn for 'SEN' Transport includes a mid-year £0.2M budget transfer from Adults' Social Care. Demand was re-based in September 2018 identifying a 10% increase in volume compared to September 2017 (914 travellers compared to 830). In-year demand continued to rise between September and March 2019 to 970, which equates to a further 6% increase. Further cost pressures relate to mode of transport as the availability of in-house fleet minibuses has been exhausted, resulting in temporary commissioning of taxis. In addition individual taxis have been commissioned to reflect individual children's needs, specifically in relation to behaviour. The immediate impact of the release of the e-auction contracts has been included. It is noted that 82 additional special school places have been commissioned from September 2019 to reflect growth in demand which will add additional pressure to transport costs. Urgent work will now take place to examine the procurement system to secure best value solutions.	0.6

Education and Skills	Education Improvement & Standards	This under spend relates to historic pension liabilities and redundancy budget for maintained schools. We are not expecting any further commitments to be incurred against this area.	(0.3)
Education and Skills	Adult Education	To date it has not been possible to deliver a £200k financial savings target set as part of previous budget setting processes to ensure we maximise ESFA grant funding against internal training programmes.	0.2
Education and Inclusion	Other Variances Less than 100K		(0.1)
Education and Inclusion			0.4
Children and Young People's Services	Children's Services Management Team	The service has delivered savings as a result of service changes and review. These support the delivery of the Children's Services Transformation programme in the current and future years.	(0.3)
Children and Young People's Services	Help & Protection	The budget holder variance largely relates to the costs of agency staff covering vacancies across the service. This is more than offset by underspends across centralised salary budgets. There is also a small overspend forecast as a result of supporting families with no recourse to public funds. The overspend has reduced since Q3 due to available use of grant funding and a reduction in agency staffing levels.	1.7
Children and Young People's Services	LAC & Care Leavers	This budget holder variance partly relates to the costs of agency staff partly offset by underspends across centralised salary budgets. There is also an overspend on supported accommodation for LAC and care leavers of £1M, which is as a result of a higher number of former LAC being supported, and some high costs placement. Work is underway as part of Children's Transformation to reduce this, but this area is bearing some of the pressure of additional LAC numbers and the rise of children involved in gang related activity. There is also a pressure on the unaccompanied asylum seeker budget of £0.2M, where the grant is not sufficient to cover the full cost of supporting care leavers with unresolved immigration status. LAC Placements overall has underspent by £1M; this is linked to the Children's Transformation work to reshape LAC Placements, and despite increased LAC numbers, an overall lower placement unit cost.	2.0
Children and Young People's Services			3.4
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. Overall control mechanisms are in place to ensure expenditure is robustly managed. Approval for packages are scrutinised at panel meetings with social workers required to explain their panel submission before approval is gained. Programmes in place to review some of the higher cost services and develop our approach to Promoting Independence which will further	1.6

		support the financial position. A review of internal processes and procedures is being undertaken to support management maintain effective monitoring of costs and pressures.	
Adult Social Care	Older People Community Purchasing	Underlying budget pressures increased in the final quarter of the year in part due to increased usage of planned home support placements. In addition market cost pressures continue to impact linked to National Living Wage increases. Management actions continue to ensure demand on social care is managed in the most cost effective way to reduce overall financial impact. Focused efforts to manage approved packages through the panel process continue. Utilising our Promoting Independence approaches will further support management of financial pressures. A review of internal processes and procedures is being undertaken to support management to maintain effective monitoring of costs and pressures.	1.2
Adult Social Care	All Age Disability and Mental Health Operational	Significant pressures in Deprivation of Liberty Assessments (DOLs) continues resulting in additional assessment costs. Both the Adult Disability Teams and Mental Health Teams have experienced staff turnover and incurred agency costs to cover statutory functions and meet the additional demands.	0.7
Adult Social Care	Internally Provided Services	The overspends on other pay, overtime and variable allowances are partly offset by underspends on centralised salary costs due to a number of vacancies. An overall overspend was due to additional costs relating to changes to holiday pay for casual staff	0.3
Adult Social Care	Older People Operational	Overall underspend with centralised salary underspends offsetting overspends on agency staff and other costs.	0.2
Adult Social Care	Adult Social Care Director	Use of government grant (IBCF Protecting Social Care) resources to manage Adult Social Care pressures	(3.1)
Adult Social Care	Other Variances Less than 100K		(0.2)
Adult Social Care			0.7
Customer Services & Transformation	Customer and Business Services	The overspend relates to significant pressures across housing and homelessness services, with the majority linked to temporary accommodation costs net of housing benefit subsidy	3.0
Customer Services & Transformation	ICT & Digital	The majority of this underspend relates to one off savings within the Data & Voice team through contract consolidation and zero base budget work which has been completed as part of the restructuring of ICT services. Additional cost/overspend on mobile phones has been mitigated as a result of the mobile phone switch out and ongoing replacement of all handsets.	(0.5)
Customer Services & Transformation	Transformation Programme Office	This underspend relates to a reduced requirement for external transformation support during this financial year	(0.1)
Customer Services & Transformation	Customer Services &	This underspend relates to early delivery of ICT restructure savings	0.1

	Transformation Management		
Customer Services & Transformation	Other Variances Less than 100K		(0.1)
Customer Services & Transformation			2.4
Total Budget Holder Forecast Variances - People			6.1

Place Directorate	Place		
Service Area	Reporting Area	Explanation	£M
Place Directorate Management	Other Variances Less than 100K		(0.2)
Place Directorate Management			(0.2)
City Centre & Major Projects Development	Sports, Culture, Destination & Bus Relationships	The largest pressure relates to the overspend in events of £460k in respect of the Godiva festival and the cancelled Ricoh music events. In addition, St Mary's Guildhall and Godiva café has a trading deficit of £160k	0.7
City Centre & Major Projects Development	Employment & Adult Education	This underspend relates to in year Grant project surpluses made including ESF projects Connect me, Routes, Ambition and Exceed.	(0.3)
City Centre & Major Projects Development	Other Variances Less than 100K		0.1
City Centre & Major Projects Development			0.5
Transportation & Highways	Traffic	This is primarily related to higher than budgeted income from car parking and bus gate enforcement, and a small underspend on street lighting. This has been offset by pressures in the Network Management Team relating to the use of agency cover and the cost of unrecoverable RTA damage to assets and the unfunded costs of growth to the asset estate	(0.2)
Transportation & Highways	Other Variances Less than 100K		0.2
Transportation & Highways			
Transportation & Highways			0.0
Streetscene & Regulatory Services	Planning & Regulatory Services	There have been changes in legislation in Mandatory Licensing, which together with increased Planning application activity has resulted in a significant increase in income received. This has been partly offset by	(0.8)

		overspends on salaries, agency and consultancy fees & barrister costs	
Streetscene & Regulatory Services	Streetpride & Parks	There have been a number of pressures across this division. Bereavement income is £346k lower than budget due to a fall in normal activity levels. The Arboriculture contractor failed meaning the contract had to be reproced, costing £123k more. In addition, Coombe Park car parking resulted in a pressure of £189k due to equipment failure (this has now been resolved). Fleet pressures across the service of c£220k were also experienced due to the need to spot hire to cover maintenance issues. Finally, agency staff required to cover frontline posts pending a review amounted to £231k, however this was more than offset by vacancy savings of £577k.	1.1
Streetscene & Regulatory Services	Waste & Fleet Services	<p>There have been a number of large variations in this area, most significantly a deficit of £1.2m in Commercial Waste which is as a result of a combination of increased costs of Waste Disposal, market related pay for HGV drivers, and other inflationary staff pay rises. The service has not been in a position to either increase its prices or gain sufficient additional business growth yet to cover the cost increases in 18/19. A review is underway to ensure costs can be reduced an income grown to achieve a balanced budget</p> <p>Other pressures include the costs associated with using casual staff to cover long term sickness, holidays and suspensions, Christmas collections and Fleet Charges in Domestic Waste (£382k),</p> <p>Increased cost of fuel, spot hires, vehicle parts and avoidable damage has also created pressure across the division.</p> <p>Other significant spend has been incurred on uncontrollable increases in both disposal gate fees and waste tonnages in excess of those budgeted for and have resulted in an overspend on Waste Disposal costs of £0.7m</p>	2.5
Streetscene & Regulatory Services	Environmental Services	The main pressure in this area continues to be CCTV and Community Safety with unfunded pay award pressures and an under-recovery of income totalling £165k. In addition, Pest Control and Animal Welfare has not yet grown its income sufficiently to reflect the additional capacity and investment in staff and vehicles but is expected to do so in 19/20.	0.3
Streetscene & Regulatory Services	Other Variances Less than 100K		(0.1)
Streetscene & Regulatory Services			3.0
Project Management and Property Services	PAM Management & Support	The service were allocated a £300k target in 18/19 for improved property rental streams. This has been achieved in full on an ongoing basis through	0.1

		acquisitions and lease regearing, but with a part year effect in 18/19.	
Project Management and Property Services	Commercial Property	Commercial property rents received over the year are slightly above budget, primarily due to the temporary additional rent being received for properties acquired to support the City Centre South development.	(0.2)
Project Management and Property Services	Facilities & Property Services	This primarily relates to reduced cost on corporate property repair and maintenance due to completion of fewer jobs in year and surplus made in the occupier support team. This has however been offset by an underperformance of the R&M teams trading position. The R&M trading service is being reviewed to prevent a repeat in future years.	(0.1)
Project Management and Property Services	Other Variances Less than 100K		0.1
Project Management and Property Services			(0.1)
Finance & Corporate Services	Legal Services	Primarily due to external Counsel expenditure in respect of advocacy work. The team has now been restructured which will allow more in-house advocacy and reduce external costs in future.	0.3
Finance & Corporate Services	Revenues and Benefits	Primarily due to improved recovery of overpaid housing benefit.	(0.4)
Finance & Corporate Services	Financial Mgt	This largely relates to the full year impact of a staffing restructure delivered in 2017/18, together with other savings delivered through a review of non-staffing expenditure. The service has a new savings target of £250k which this saving will help deliver	(0.2)
Finance & Corporate Services	Democratic Services	This relates to vacancy savings within Internal Audit in the lead up to a new structure being implemented, plus additional income from an increased number of school appeals services being requested from Governance Services.	(0.1)
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
Finance & Corporate Services			(0.5)
Total Budget Holder Forecast Variances - Place			2.7
Contingency & Central Budgets	Corporate Finance		(4.0)
Total Budget Holder Forecast Variances - Contingency & Central Budgets			(4.0)

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHE DULING) / ACCELE RATED SPEND £m	(UNDERSPEND) / OVERSPEND £m	EXPLANATION
PEOPLE DIRECTORATE				
Condition	(0.3)			Reduced allocation from Grant Body
Devolved Formula Capital	0.9			Increase in Grant Allocation from DFE
Early Years 30hr Places			(0.1)	Contribution made from 2 Schools for the work carried out on the Modular Buildings Programme
Broad Spectrum School			(1.0)	value engineering during the construction phase
Basic Need - Secondary Expansion Programme		(1.8)		The projects to expand secondary schools have taken longer than anticipated in the planning stage and therefore, the spend is likely to be seen in Q1 and Q2 of 19/20.
ICT Programme		(0.2)		Variance relates to expected spend on two large projects that are currently in dispute. The payments for these were included in forecasts on the basis that we would be required to pay. However, the dispute/negotiations are still ongoing and therefore the payment was not required last financial year.
SEND		(0.3)		SEN Team are reviewing their strategy to meet the growing demand for places, therefore the SEN expansions programme has been delayed. Much of the planned expansions will be required to take place in the school holidays therefore, the spend has been rescheduled to Q1 and Q2 of 19/20.

Superfast Broadband		0.5		We have been negotiating on the Superfast Broadband project with a review to withdrawing any further investment due to other private investment streams covering the same infrastructure build. These negotiations took place and were finalised towards the end of FY 2018/19. This has resulted in an acceleration of funding to cover the total and final settlement amount for this project.
Miscellaneous	0.1			
SUB TOTAL - People	0.7	(1.8)	(1.1)	
PLACE DIRECTORATE				
Vehicle & Plant Replacement Leasing	(0.3)			Leasing of vehicles is removed from the programme as prudential borrowing is better value for money.
Heatline	(0.5)	(0.7)		The change to the programme reflects that the Water Park is picking up their costs for the installation of Heatline, as approved by Cabinet in October 2017. These costs appear against the Destination Leisure Facility. The rescheduling is due to contract works not being finished as expected. Part of the delay is that Engie are working to the commissioning programme of the Water Park. In addition we are still finalising commercial negotiations in relation to a series of variations.
Alan Higgs Centre - 50m Swimming Pool		(1.1)		The £1.1m rescheduling on Higgs is due to some high cost items (movable floor, retractable boom) that are not yet in the country, the project cash flow allowed for an early delivery of these high cost items (in financial year 2018/19) but due to storage and security issues the delivery of the items has been moved to the back end of the programme. The project is also two weeks behind programme.
Coombe Loan - Go Ape	0.7			Approved at Cabinet in October 2018, this is the first drawn down from the loan facility.

Capitalisation of Interest	1.4			This is in respect of the accounting policy referring to the prudential borrowing costs associated with schemes: City Centre Destination Facility, Whitley South and Salt Lane Car Park. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period or more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.
Investment in Sporting Facilities			(0.1)	Removal of investment in Fairfax Street Sports Centre as the new Wave Opens.
Coombe (Purchase of Shares)			(1.5)	As part of the CAPL share purchase in Dec 2017 CCC was required to pay an amount of up to £1.5m in addition to the initial purchase price of the shares. However this was dependent on the level of CAPL's earnings in the year after the purchase. Earnings did not reach the required level and as a consequence no further payment was required.
UKC&C - Coventry South Package		(0.7)		Work on the future phases of the A46 Link Road have been delayed due to a need to focus resources on progressing the Phase 1 scheme. Additional resource has been recruited by WCC to progress work on Phase 2 without impacting on the delivery of Phase 1. Work on the Park and Ride aspect of the package has been deferred pending the outcome of a study being undertaken by Midlands Connect on the Coventry to Leamington railway line, which could influence the scope of the park and ride study. TfWM work on the Tile Hill Station CP has also been delayed due to a need to liaise with other third parties regarding the land use options for the site identified as the preferred option for the car park.
UKC&C - Coventry North Package		(0.2)		The study brief for this work has taken longer than anticipated to prepare due to a need to liaise with

				WCC and the two District Councils to agree the scope, and to reflect ongoing discussions regarding the Nuneaton and Bedworth Local Plan. The brief is now ready for issue and this study will be commissioned soon.
UKC&C - Very Light Rail		(0.3)		Rescheduling due to the delay on the track procurement programme which means we are not in contract yet with an innovation partner and have therefore not been able to spend any of the allocated track budget. Furthermore, Dudley Metropolitan Borough Council (DMBC) did not reach their forecasted spend for the allocation towards Dudley Innovation Centre, consequently DMBC spend has been reprofiled for 2019/20.
Coventry Centre Regeneration - City Centre South		(0.4)		The majority of the rescheduling relates to consultants fees for the planning application. This expenditure was slipped into 2019/20 as a result of the Development Agreement negotiations continuing into late March 2019
Coventry Centre Regeneration - Friargate		(0.6)		Quarter three included an estimate for the cost of stamp duty (c£1m) prior to the Council entering into the Joint Venture. In reality, this was a cost funded by the Joint Venture as a result of acquiring the site. The Council picked up 50% of this cost as part of its agreed contribution towards the costs of running the Joint Venture.
Highways Investment		(1.2)		Of the £1.226m pothole funding received in the 4th quarter of 2018-19, £0.5m of resurfacing and footway improvement schemes are committed but will not be completed until early 2019-20. £0.4m of flood alleviation scheme support monies for Brookstray and Allesley schemes unable to be expended due to project formulation and delivery which is reliant on the EA process and management

Clean Bus Technology Fund		(1.5)		The Clean Bus Technology Fund grant is money received from central government for the purpose of retrofitting selective catalytic traps to buses operating in the city. This technology will lead to an improvement in air quality. The scheme is being delivered by the private company National Express Coventry. Coventry City Council will passport the grant to National Express upon application when they have installed the technology. National Express have suffered programme slippage through the need to retender for the work following their original supplier entering administration. The slippage from 2018/19 to 2019/20 is at no risk to Coventry City Council as the Government department that issued to the grant have accepted the slippage.
Early Measures Fund		(0.6)		Whilst the majority of the Early Measures programme is progressing to timetable, notably the engagement with schools, major employers and local communities in the Walsgrave corridor, the implementation of the proposed junction improvement at Ball Hill has been delayed, and the revised scheme is to be delivered in 2019/20. This delay has resulted from a need to review and revise the design, and the scope, of the original scheme in response to feedback received from the consultation with the local community. Consultation on the revised scheme has recently been held.
GD19 - Coventry Station Access		(3.6)		Due to the late withdrawal of the preferred bidder for the NUCKLE1.2 works, these works have had significant delays in the delivery. A full retender is required resulting in slippage of all associated costs on this project.
GD14 - A46 N-S Corridor (Stanks)		(0.4)		This project's construction start day has been delayed following issues with the procurement of the scheme delivery partner. The partner will provide a further updated schedule which is being presented at CWLEP Programme Delivery Board on 9th May.

GD32 - Warwick Arts Centre 20:20		0.2		The project has been able to accelerate Local Growth Fund expenditure, works have progressed well against programme.
GD36 - A452 Europa Way Corridor		(0.3)		The forecast for this programme of works was based on a preliminary estimate. The schedule of works has now been agreed, with an updated financial profile. The project is presenting to CWLEP Programme Delivery Board on the 9th May.
GD37 - Nuneaton Town Centre Transformation		(0.3)		The project revised its LGF grant profile to take into account the latest schedule of works, this was reported to CWLEP Programme Delivery Board January 2019 post Qtr 3 reporting. The project remains on track against its revised schedule.
Whitley South Infrastructure - Facility A and B (DLGG)		0.6		The accelerated spend is due to the need to order long lead-in items such as the steel for the bridge and to pay Severn Trent for diversion works which would otherwise hold up the scheme.
Public Realm Phase 5 - City of Culture		(0.3)		The Upper Precinct programme is slightly behind where anticipated due to delay in final design finalisation. The scheme is now on site and the programme will catch itself up in 2019-20.
Domestic Recycling With Nuneaton and Bedworth		(1.1)		Although the intention was to have ordered these vehicles and have received them last financial year, decisions on the required vehicle specifications hadn't been finalised in time to order them. As Nuneaton and Bedworth Recycling was a new contract, the vehicle specification was a new concept to us, so more time was needed ensuring the right specification had been identified before we procured them.
Kickstart Office		(0.2)		This is primarily due to hold up with the move by CITU to Southfields, the refurb work at Southfields and the subsequent refurb work at the council house.

Appendix 3

Growing Places		(0.2)		These funds relate to a lapsed Business Grant programme that ended in 18/19. The rescheduling is due to some businesses not claiming their full allocations. The funds will be reallocated in 19/20.
City Centre Destination Leisure Facility		(1.0)		The programme for the delivery of the Wave has been delayed, with an extension of time agreed with the contractor Buckingham.
Indoor Pitch Facility at Alan Higgs Centre (Loan)		(0.3)		The loan in relation to the construction of the indoor barn at the Alan Higgs Centre was approved on the basis of a maximum draw down of £1.5m , the total project was delivered for £1.2m.
Salt Lane		0.6		Payment of agreed additional costs associated with Archaeology works and progress on site to meet 3 August completion date.
Housing Venture		(0.2)		The slippage is due to Whitefriars not drawing down the monies set aside for the Housing Venture for the garage/infill plots.
Duplex Fund (loan)		(0.3)		The underspend is due to the delay in the scheme opening for business. This will happen shortly and these funds will be spent in 19/20
Battery Plant and Equipment		(10.2)		Delays in ordering machinery equipment and plans to change the overall total of the project cost.
Binley Court Acquisitions		(0.3)		The balance of these funds will be used to make repairs to known problems when acquiring the building (roof, lift and drainage), these works are currently being assessed and will be built into a future maintenance plan over the next 5 years
Loop Line (Loan)		(0.2)		Loan facility not utilised in 18/19.
SUB TOTAL - Place Directorate	1.3	(24.7)	(1.6)	
TOTAL CHANGES	2.0	(26.5)	(2.7)	

Summary Prudential Indicators

	Per Treasury Management Strategy 18/19 £000's	Actual 18/19 £000's
1 Ratio of financing costs to net revenue stream:		
(a) General Fund financing costs	32,423	29,184
(b) General Fund net revenue stream	234,452	234,452
General Fund Percentage	13.83%	12.45%
2 Gross Debt & Forecast Capital Financing Requirement		
Gross debt including PFI liabilities	460,277	371,991
Capital Financing Requirement (forecast end of 20/21)	506,203	486,455
Gross Debt to Net Debt:		
Gross debt including PFI liabilities	460,277	371,991
less investments	-30,000	-63,876
less transferred debt reimbursed by others	-13,050	-13,050
Net Debt	417,227	295,065
3 Capital Expenditure (Note this excludes leasing)		
General Fund	262,004	146,697
4 Capital Financing Requirement (CFR)		
Capital Financing Requirement	506,203	440,275
Capital Financing Requirement excluding transferred debt	493,153	427,225
5 Authorised limit for external debt		
Authorised limit for borrowing	445,408	445,408
+ authorised limit for other long term liabilities	67,745	67,745
= authorised limit for debt	513,153	513,153
6 Operational boundary for external debt		
Operational boundary for borrowing	425,408	425,408
+ Operational boundary for other long term liabilities	67,745	67,745
= Operational boundary for external debt	493,153	493,153
7 Actual external debt		
actual borrowing at 31 March 2019		298,488
+ PFI & Finance Leasing liabilities at 31 March 2019		67,737
+ transferred debt liabilities at 31 March 2019		13,050
= actual gross external debt at 31 March 2019		379,275
8 Interest rate exposures		
Upper Limit for Fixed Rate Exposures	445,408	298,060
Variable Rate		
Upper Limit for Variable Rate Exposures	89,082	-57,758

9 Maturity structure of borrowing - limits

under 12 months
12 months to within 24 months
24 months to within 5 years
5 years to within 10 years
10 years & above

	upper limit	actual
	40%	22.2%
	20%	9.5%
	30%	4.9%
	30%	5.4%
	100%	58.1%

10 Investments longer than 364 days: upper limit

	18,000	0
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Audit and Procurement Committee Annual Report to Council 2018-19

To be considered at the City Council meeting
on the 3rd September 2019

Audit and Procurement Committee Annual Report 2018-19

Foreword by Chair of Audit and Procurement Committee 2018-19



**Councillor Richard Brown
Chair, Audit and Procurement
Committee 2018-19**

I am pleased to present this report, which outlines the Committee's work over the municipal year 2018-19.

Over the last year, the Committee has discharged its key responsibility effectively to support good governance and strong public financial management whilst at the same time considering other matters which contribute to ensuring effective assurance arrangements are in place. This includes oversight of the actions arising from the Information Commissioners Office audit and the finance and governance arrangements of Coombe Abbey Park Ltd and the Culture Coventry Trust.

I hope this Annual Report helps to demonstrate to Coventry residents and the Council's other stakeholders the vital role that is carried out by the Audit and Procurement Committee and the contribution that it makes to the Council's overall governance arrangements.

Introduction by Chair of Audit and Procurement Committee 2019-20

In May 2019, the Council appointed me as the new Chair of the Audit and Procurement Committee. I am looking forward to building on the good work done in 2018-19 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of my priorities for 2019-20 these include ensuring that:

- The Committee's work provides assurance on risk, control and governance issues.
- Any issues raised by External and Internal Audit and other assurance providers are addressed on a timely basis.
- The Committee continues to enhance its skills and knowledge to effectively influence and add value to the Council.
- The remit of the Committee in relation to considering procurement activity is further developed.



**Councillor Ram P. Lakha OBE
Chair, Audit and Procurement
Committee 2019-20**

1 Activity of the Council's Audit and Procurement Committee

During 2018-19, the Council's Audit and Procurement Committee met on seven occasions. Meetings were held in June, July, September and November 2018 as well as in January, February and March 2019.

The Committee receives a range of:

- Routine reports based on the clearly defined expectations of services / functions that report to the Audit and Procurement Committee, e.g. internal / external audit and financial management.
- Ad-hoc reports which focus on either a specific concern or developments that impact directly on the Committee.

The details of the reports considered in 2018-19 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2017-18, the Acting Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in June 2018 and then in July 2018, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. The statement highlighted the following significant governance issues which required the Council's focus in 2018-19; securing sustainable improvement in Children's Services, delivery of the Council's vision and corporate objectives in line with the Medium Term Financial Strategy, on-going delivery of the Kickstart programme, continuing to raise educational standards, ensuring long term sustainability of adult social care in the context of financial and demand issues and managing the increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation. The statement also highlighted the need to continue delivery of a number of key strategies, namely the Information Management Strategy, the Workforce Strategy, the Risk Management Strategy and the ICT Strategy, alongside establishing a Counter Fraud Framework and a Governance Steering Board.

1.2 **Financial Management and Accounting** - The unaudited Statement of Accounts was considered by the Committee in June 2018 and then in July 2018, when the audited Statement of Accounts were approved by the Audit and Procurement Committee. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2017-18 was considered in June 2018. The report showed the Council's financial position in relation to management accounts used to monitor performance through the year.
- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2018-19 were considered in September 2018, January 2019 and February 2019.
- A treasury management activity update was considered in November 2018. The report highlighted investment activity carried out by the Council and provided assurance that the Council was managing investments in accordance with its Investment Strategy.

1.3 **External Audit** - The following reports were received from the Council's external auditors, Grant Thornton in 2018-19:

- The Audit Findings for Coventry City Council - This report was considered in July 2018, and its purpose was to highlight the key findings arising from the audit of the Council's financial statements for the year ending 31 March 2018. The report conclusions were that, pending satisfactory clearance of outstanding matters:
 - An unqualified audit opinion would be provided on the Council's financial statements.
 - The Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

The report did identify issues which the external auditors thought required focus by the Council in the next year including quarterly reconciliation of the payroll to the general ledger, planned reviews of information security policies and procedures, and strengthening logical access controls within Resourcelink, Agresso and Active Directory.

- Annual Audit Letter - This was considered at the November 2018 meeting. The main focus of this report being to summarise the findings from the 2017-18 audit and to formally document their conclusions in respect of the audit of the accounts and the Council's arrangements for securing value for money. The conclusions reached for both these areas were consistent with those indicated in the Audit Findings for Coventry City Council report considered in July 2018.
- Certification of Claims work - This was considered in February 2019 and summarised the findings from the certification of the 2017-18 Housing Benefit subsidy claim. The report highlighted that the claim had been qualified due to errors identified, although no recommendations were made to officers as a result of the findings.
- 2018-19 Audit Plan - This was considered in January 2019 and set out the planned scope and timing of the work that Grant Thornton would undertake in respect of the audit of the Council's financial statements for the year ended 31 March 2019. It also documented the expected outputs that the Committee would receive from the external auditors and includes an assurance statement that Grant Thornton are independent and are able to express an objective opinion on the financial statements.

1.4 **Internal Audit** – In June 2018, the Audit and Procurement Committee received the following reports:

- Internal Audit Annual Report - This report had two main purposes:
 - To summarise the Council's Internal Audit activity for the period April 2017 to March 2018, against the agreed Internal Audit Plan for the same period. This highlighted that the Internal Audit Service had met its' target to deliver 90% of the agreed work plan by the 31st March 2018.
 - To provide the Committee with the Acting Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment. Based on the work of Internal Audit in 2017-18, the Acting Chief Internal Auditor concluded that 'moderate' assurance

could be provided that there was generally a sound system of internal control in place to help the organisation meet its objectives.

- Internal Audit Plan for 2018-19 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit Service, the opportunity to comment on scope and coverage outlined in the plan.

Other Internal Audit reports considered during the year include:

- Progress reports on Internal Audit work - Monitoring reports were received in November 2018 and February 2019. These reports provided updates on the performance of the Service, along with a summary of the key audits from a sample of high-profile audit reviews carried out in the relevant periods. In considering these reports, the Committee agreed with the focus of improvements identified and the timescales agreed for implementation.
- Recommendation Tracking Report - In March 2019, a report on action taken by Council officers in implementing agreed audit recommendations was presented. This highlighted the levels of compliance with the implementation of agreed actions and the approach undertaken by Internal Audit to follow up recommendations.

1.5 **Fraud** - The following fraud reports were considered in 2018-19:

- Annual Fraud Report - This report was considered by the Committee in September 2018 and summarised the Council's response to anti-fraud and error activity for the financial year 2017-18. This included:
 - A rolling programme of reviews linked to Council Tax exemptions / discounts. It was highlighted that 91 exemptions / discounts had been removed from customers' accounts in 2017-18, which resulted in revised bills being issued amounting to around £96k.
 - Review of around 1000 matches relating to the National Fraud Initiative, which resulted in overpayments being identified of around £230k.
 - A summary of the work undertaken in relation to other corporate fraud work including investigations and proactive exercises.
- Half Yearly Fraud and Error Update - A report was received in January 2019, which provided an up-date on anti-fraud and error activity in 2018-19.

1.6 **Procurement** – Reports relating to procurement were received in July and November 2018, as well as February 2019. This area is considered under the private part of the agenda and is a progress report summarising procurement activity considered by the Procurement Board and Panels in the relevant period, as well as providing an update on progress made in delivering agreed procurement saving targets. The Committee in considering these reports noted the content of reports and sought assurance around specific activity highlighted.

1.7 **Salaries** – Within its terms of reference, the Committee is responsible for determining any salary or severance package for an employee of the Council (except the Chief Executive) of £100k or over. The Committee received a report in March 2019 linked to the discharge of this function.

1.8 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas linked to risk management, internal control and governance and in 2018-19, this included the following:

- Information Commissioner's Office: Data Protection Audit – In November 2017, the Information Commissioner's Office (ICO) carried out a data protection audit into the Council's data protection governance arrangements, training / awareness and data sharing arrangements. A report detailing the outcomes of this was considered by the Committee in February 2018. This report set out a summary of the progress made in 2018-19 against the agreed recommendations. In considering the report the Committee sought and received assurance that training in respect of the General Data Protection Regulations is included as part of the Council's induction training for all new staff.
- 2017-18 Information Governance Annual Report - This report considered the Council's performance in relation to handling requests for information, managing data protection security incidents and completing data protection training, as well as highlighting the outcome of internal reviews carried out by the Council and complaints considered by the Information Commissioners Office. The Council completed 73% of FOI requests on time and 82% of DPA requests. Eight Information Commissioner's Office complaints were received during the course of the year, which were appropriately dealt with. Two security incidents were reported to the Information Commissioner's Office, both of which were concluded with no enforcement action due.
- Regulation of Investigatory Powers Act 2018 Annual Compliance Report – This report focused on providing oversight of the Council's compliance with this Act. Two directed surveillance applications were granted during the year. There were no reported instances of the Council having misused its powers under the Act.
- Complaints to the Local Government and Social Care Ombudsman 2017-18 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2017-18, along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 136 complaints, only 26 were pursued and 20 upheld. The Ombudsman did not issue formal reports of maladministration for any of the complaints upheld.
- Corporate Risk Register – This report set out the current Corporate Risk Register with an overview of the Council's corporate risk profile and the controls in place to address these risks. The Committee noted the Risk Register having satisfied themselves that the corporate risks are being identified and managed.
- Fraud and Corruption Strategy - The Committee is responsible for monitoring the Fraud and Corruption Strategy and considered a report on the review and update of the Council's Strategy. The Committee recommended the Strategy for approval by the Cabinet Member for Policy and Leadership.
- School audit recommendations - This report detailed the high-risk school audit recommendations made in the last three years and the action taken to assist to schools to ensure that financial controls are complied with, including the

introduction of a Finance and Audit newsletter which is issued on a termly basis. The Committee satisfied themselves with the action taken.

- Updated procedural guidance – Regulation of Investigatory Powers (RIPA) – The Council's RIPA arrangements in respect of directed surveillance were inspected in December 2016. This report detailed the Council's RIPA procedural guidance which had been updated following this inspection and the introduction of the General Data Protection Regulations. This included the production of separate guidance on the use of social media in investigations, as this is now a developing area. The Committee recommended that the Cabinet Member for Policing and Equalities ensure that appropriate publicity is undertaken in relation to the use of social media.
- Finance and Governance Arrangements – Following a request from the Committee, reports were provided in November 2018 and March 2019 outlining the finance and governance arrangements in respect of both Coombe Abbey Park Ltd and Culture Coventry Trust. The Committee noted the assurance provided in respect of these arrangements.

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