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### Audit and Procurement Committee

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**Time and Date**

3.00 pm on Monday, 2nd September, 2019

**Place**

Diamond Room 2 - Council House

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**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 15<sup>th</sup> July 2019
4. **Outstanding Issues** (Pages 11 - 16)  
Report of the Deputy Chief Executive (Place)
5. **Work Programme 2019/20** (Pages 17 - 18)  
Report of the Deputy Chief Executive (Place)
6. **Audit Findings Report 2018-2019 (Grant Thornton)**  
Report of the External Auditor, Grant Thornton (to follow)
7. **Audited 2018-2019 Statement of Accounts** (Pages 19 - 22)  
Report of the Deputy Chief Executive (Place) (Statement to follow)
8. **2019/2020 First Quarter Financial Monitoring Report (to June 2019)**  
(Pages 23 - 44)  
Report of the Deputy Chief Executive (Place)
9. **Annual Fraud and Error Report 2018-2019** (Pages 45 - 54)  
Report of the Deputy Chief Executive (Place)
10. **Whistleblowing Annual Report 2018-2019** (Pages 55 - 62)  
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. **Consideration of Approval of Severance Package** (Pages 63 - 70)

Report of the Deputy Chief Executive (Place)

(Listing Officer: A West, Telephone: 024 7697 1007)

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

Thursday, 22 August 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](mailto:lara.knight@coventry.gov.uk) / [michelle.salmon@coventry.gov.uk](mailto: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**

**Governance Services**

**Telephone: (024) 7697 2642 / (024) 7697 2643**

**e-mail: [lara.knight@coventry.gov.uk](mailto:lara.knight@coventry.gov.uk) / [michelle.salmon@coventry.gov.uk](mailto:michelle.salmon@coventry.gov.uk)**

**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee**  
**held at 3.00 pm on Monday, 15 July 2019**

Present:

Members: Councillor R Lakha (Chair)  
Councillor J Blundell  
Councillor R Brown (Substitute for Councillor H Sweet)  
Councillor T Sawdon  
Councillor R Singh

Employees (by Directorate):

People M Burn

Place P Baggott, B Hastie, P Jennings, J Newman,  
M Salmon

By Invitation: M Stocks, External Auditor, Grant Thornton  
Avtar Sohal, External Auditor, Grant Thornton

Apologies: Councillor M Ali  
Councillor S Bains  
Councillor H Sweet

## **Public Business**

### **10. Declarations of Interest**

There were no disclosable pecuniary interests.

### **11. Minutes of Previous Meeting**

The minutes of the meeting held on 24<sup>th</sup> June 2019 were agreed and signed as a true record. There were no matters arising.

### **12. Exclusion of Press and Public**

**RESOLVED** that the Audit and Procurement Committee agrees to exclude the press and public under Sections 100(A)(4) of the Local Government Act 1972 relating to the following private reports on the grounds that the reports involve the likely disclosure of information defined in Paragraphs of Schedule 12A of the Act as indicated, as they contain information relating to the financial or business affairs of a particular person or organisation (including the authority holding that information) and in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

Paragraph(s) of Section 12A of the Act	Minute No.	Report title
3	20	Procurement and Commissioning Progress Report
1, 2 & 3	21	Consideration of Early Retirement in the Interests of the Efficiency of the Service

13. **Outstanding Issues**

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

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

**RESOLVED that the Audit and Procurement Committee notes the outstanding issues report and agrees that those issues that are complete can be discharged from the report.**

14. **Work Programme 2018/19**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme of scheduled issues for consideration by the Committee for the year 2019/2020.

**RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2019/2020.**

15. **Audit Findings Report 2018-2019 (Grant Thornton)**

The Committee considered a report of the External Auditor, Grant Thornton, on the Audit Findings for the City Council for the year ending 31st March, 2019. Mark Stocks and Avtar Sohal of Grant Thornton attended the meeting to present their report.

The report highlighted the key issues affecting the results of Coventry City Council and the preparation of the group and financial statements for the year ending 31st March 2019. It was also used to report their audit findings to management and those charged with governance in accordance with the requirements of International Standards on Auditing (UK and Ireland) 260, and the Local Audit and Accountability Act 2014.

Under the National Audit Office Code of Audit Practice, the External Auditors were required to report whether, in their opinion, the Council's financial statements gave a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they had been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. They were also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report, was materially inconsistent with the financial statements or the knowledge obtained in the audit or otherwise appeared to be materially misstated.

Resulting from audit procedures, a material adjustment of £114m had been identified in relation to the valuation of school assets, meaning that the Council would need to adjust its financial statements for the year ending 31 March 2019, and also include prior period adjustments to reflect the impact in prior years. The Council was currently undertaking its valuation process and, in order to complete this, it had been agreed that a delay of the completion of the audit would be required. Due to the complexity of the valuations, this would need to extend beyond the 31 July. It had also been agreed that the Council would make an adjustment in relation to the pensions liability resulting from the McCloud judgement, which increased the liability in the Council's financial statements by £12m.

The anticipated adjustments to the financial statements would have no impact on useable reserves or the overall financial position of the Council. Subject to the Council making the material changes to the financial statements, there were no matters that would require modification of the audit opinion, however, as a result of the findings there were areas of work outstanding that the audit team would need to complete before an audit opinion could be issued, these included:

- review and testing of adjustments in relation to schools valuation
- review and testing of adjustments in relation to McCloud pensions liability
- receipt of supporting documentation for some outstanding items in the sample testing
- receipt assurance letter from west Midlands pension fund auditor in respect to pension liabilities
- receipt of management representation letter
- review of the final set of financial statements.

Appendices to the report set out recommendations for management (Appendix A) and follow-up of recommendations from the prior year's audit (Appendix B). Other information to be published with the financial statements was consistent with the Auditor's knowledge of the Council and the financial statements they had audited. The anticipated audit report opinion would be unmodified.

Under the National Audit Office (NAO) Code of Audit Practice, the Auditor had completed the risk-based review of the Council's value for money arrangements and concluded that the City Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. They therefore anticipated issuing an unqualified value for money conclusion.

The Local Audit and Accountability Act 2014 also required the Auditor to report if they had applied any of the additional powers and duties ascribed to them under the Act; and to certify the closure of the audit. The Auditor confirmed that they had not exercised any of their additional statutory powers or duties and had completed the majority of work under the Code. They would issue their audit completion certificate on completion over the Whole of Government Accounts audit in September 2019, in line with national deadlines.

**RESOLVED that the Audit and Procurement Committee notes the Audit findings, as presented by the Council's External Auditor, and agrees to receive the Audit Findings Report 2018-2019, together with the Audited 2018-2019 Statement of Accounts, at its 2<sup>nd</sup> September 2019 meeting, following completion of adjustment work.**

**16. Audited 2018-2019 Statement of Accounts**

The item was withdrawn from the agenda to enable the adjustment work detailed in minute 15/19 above to be completed. The Committee agreed to receive the Audited 2018-2019 Statement of Accounts, together with the Audit Findings Report 2018-2019, at their 2<sup>nd</sup> September 2019 meeting.

**17. Revenue and Capital Out-turn 2018-2019**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) that had been considered by Cabinet at their meeting on 9<sup>th</sup> July 2019 (their minute 11/19 referred) and would also be considered by the Council at their meeting on 3<sup>rd</sup> September 2019, that outlined the final revenue and capital outturn position for 2018/19 and reviewed treasury management activity and 2018/19 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position included the following headline items:

- A final revenue underspend of £1.0m which was 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 required 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 was £115m less than envisaged at the start of the year but nevertheless represented the largest programme in the modern era.
- Time-limited resources and some favourable budgetary movements in the final quarter which enabled several recommended contributions to reserve balances. These were 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 had improved significantly since Quarter 3 when an underspend of £1.8 was forecast. In particular, this related to improvements within Contingency and Central budgets which were set out in the report. This had enabled the Council to identify several actions which would strengthen its existing financial resilience and help to introduce other proposals designed to identify savings proposals in future budgets. The proposals put forward through the Director of Finance and Corporate Services, the Council's Section 151 officer, were reflected in the recommendations below and explained in section 5.1 of the report.

Cabinet:

- 1) Approved the final revenue outturn underspend of £1.0m (section 2.1 and Appendix 1 of the report) which will be added to the Council's General Fund reserve.
- 2) Approved the final capital expenditure and resourcing position (section 2.3 and Appendix 2 of the report), 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) Approved the outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.
- 4) Recommend that the Council 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.

**RESOLVED that the Audit and Procurement Committee notes the contents of the report and has no issues for the Cabinet Member for Strategic Finance and Resources at this time.**

#### 18. **Audit and Procurement Committee Annual Report 2018-2019**

The Audit and Procurement Committee considered the Committee's Annual Report that provided an overview of its activity during 2018-2019. Councillor Brown, Chair of the Audit and Procurement Committee for 2018-2019, was in attendance and presented the report to Members. The report would be submitted to the City Council at their meeting on 3rd September 2019.

During the previous Municipal Year, the Committee met on seven occasions and the report detailed all the routine reports considered during this time which were based around the clearly defined expectations of the services and functions that reported to the Committee such as governance; internal and external audit; fraud; procurement and financial management and accounting.

The Audit and Procurement Committee also supported 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; 2017-18 Information Governance Annual ; Regulation of Investigatory Powers Act 2018 Annual Compliance Report; Complaints to the Local Government and Social Care Ombudsman 2017-18; Corporate Risk Register; Fraud and Corruption Strategy; School audit recommendations; Updated procedural guidance – Regulation of Investigatory

Powers (RIPA); and Finance and Governance Arrangements reports 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 Cabinet agreed to recommend that the City Council consider the Annual Report 2018-2019 at their meeting on 3rd September 2019.

**RESOLVED that the Audit and Procurement Committee recommends that City Council considers the Audit and Procurement Committee Annual Report 2018-2019 at their meeting on 3<sup>rd</sup> September 2019.**

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

There were no other items of public business.

20. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a private report of the Deputy Chief Executive (People) that contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report provided an update on the procurement and commissioning undertaken by the Council. Details of the latest positions in relation to individual matters were set out in the Appendix to the report.

The Committee requested information and explanations on various aspects of the report and, to enable understanding of the technical terms and abbreviations used in the document, agreed that future reports should contain a glossary of terms and a column for the 'Funding Source'. They noted that a report on Procurement Contracts – Non-Recyclable Plastics would be submitted to a future meeting of the Committee and that work would continue on the consideration of further digital solutions for paperless working.

**RESOLVED that the Audit and Procurement Committee:**

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



21. **Consideration of Early Retirement in the Interests of the Efficiency of the Service**

The Audit and Procurement Committee considered a private report of the Chief Executive that contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report contained proposals for the consideration of a request for early retirement for the Deputy Chief Executive (Place) that it was considered could be achieved in the interests of the efficiency of the service. The early retirement cost would be in excess of £100,000 and under Part 21, paragraph 8.5 of the Constitution, the Audit and Procurement Committee was required to determine severance packages for employees of the Council of £100,000 or over.

Local government continued to face unprecedented reductions in its revenue support from central government, with no signs that this would be alleviated in the medium-term. Costs of employees represented the highest level of expenditure and as the City Council considers the structure of its future workforce, it must take all opportunities to reduce this expenditure at the most senior management levels.

This proposal would enable a reframing of the Place Directorate and provide an opportunity to review current reporting arrangements and lines of accountability and allowed for a refocusing of roles and responsibility for the further direction of the Directorate and wider senior management team. It would result in a fundamentally lower cost service alongside a potential for further savings per annum via a further re-alignment of services. The revised reporting arrangements would contribute to the overall savings target of the Council, which remained very high as a result of the on-going central government budget reductions.

**RESOLVED that the Audit and Procurement Committee approves the severance payment to the Deputy Chief Executive (Place) upon early retirement as calculated.**

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

There were no additional items of private business.

(Meeting closed at 4.40 pm)

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Audit and Procurement Committee

2<sup>nd</sup> 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:**

N/A

**Title:**

Outstanding Issues

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**Is this a key decision?**

No

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**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 25<sup>th</sup> 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

**Tel and email contact:**

E-mail: Lara.knight@coventry.gov.uk  
Tel: 024 7697 2642

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
<b>Names of approvers:</b> (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 <sup>th</sup> February 2019	11 <sup>th</sup> 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 <sup>th</sup> June 2019	27 <sup>th</sup> January 2020	Karen Tyler		

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

## Appendix 2

## Information/Action Requested Outside Meeting

	<b>Subject</b>	<b>Minute Reference and Date Originally Considered</b>	<b>Information Requested / Action Required</b>	<b>Responsible Officer</b>	<b>Date Completed</b>
1.	Information Governance Annual Report 2017/2018	Minute 20/18 16 <sup>th</sup> July 2018	a) A letter from the Chair of the Committee relating to data protection training for Elected Members, be sent to Members. b) 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 <sup>th</sup> July 2018	Further discussion be held with the Chair of the Committee to determine the most appropriate forum for future consideration of reports	Karen Tyler/ Mick Burns	Ongoing
3.	Work Programme	59/18 25 <sup>th</sup> February 2019	The Committee requested that a review be undertaken by the Finance and Corporate Services Scrutiny Board (1) on the funding of the Godiva Festival and that the findings be circulated to the Audit and Procurement Committee	Carolyn Sinclair / Vicky Castree	
4.	Culture Coventry Trust – Finance and Governance	Minute 73/18 25 <sup>th</sup> March 2019	The Committee requested information on the governance timeline and the current governance structure	Phil Helm / David Nuttall	



## Audit and Procurement Committee

### Work Programme 2019-2020

#### 24<sup>th</sup> June 2019

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

#### 15<sup>th</sup> 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)

#### 2<sup>nd</sup> September 2019

Audit Findings Report 2018-2019 (Grant Thornton)  
Audited 2018-2019 Statement of Accounts  
Quarter One Revenue and Corporate Capital Monitoring Report 2019-2020  
Annual Fraud and Error Report 2018-2019  
Whistleblowing Annual Report 2018-19

#### 11<sup>th</sup> November 2019

Annual Audit Letter 2018-2019 (Grant Thornton)  
Half Year Internal Audit Progress Report 2019-2020  
Treasury Management Update  
Complaints to the Local Government and Social Care Ombudsman 2018-2019  
Information Governance Annual Report 2018-2019  
Non-recyclable Plastics  
Procurement Progress Report (Private)

#### 27<sup>th</sup> 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

## **16<sup>th</sup> 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

2nd 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:**

Audited 2018/2019 Statement of Accounts

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to gain Audit and Procurement Committee's approval for the audited 2018/2019 Statement of Accounts. The Audit and Procurement Committee is approving these accounts on the Council's behalf. This follows an extension to the period of audit by Grant Thornton beyond the Council's initial deadline to complete and authorise the Statement of Accounts by the end of July 2019.

**Recommendations:**

Audit and Procurement Committee is recommended to approve the final 2018/2019 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 – 6<sup>th</sup> Floor, Friargate

**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 and Procurement Committee is approving the City Council's Statement of Accounts and Annual Governance Statement on the Council's behalf.

**Report title:** Audited 2018/2019 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 31<sup>st</sup> May and to approve and publish audited accounts by 31<sup>st</sup> July. These reporting dates were introduced for the 2017/2018 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 and Procurement Committee, which has become the key body in respect of understanding, analysing and discussing the content of these statements.
- 1.2 The Audit and Procurement Committee reviewed and commented on the draft 2018/2019 Statement of Accounts and Annual Governance Statement at its meeting on 24<sup>th</sup> June 2019.
- 1.3 The committee subsequently considered the initial Audit Findings Report presented by the Council's external auditors, Grant Thornton, at its meeting on 15<sup>th</sup> July 2019. However, it was not possible to approve the final Statement of Accounts at this meeting due to unresolved issues with the accounts. As a result, it was agreed that the Audit Findings Report and Statement of Accounts would need to be reconsidered by the Audit and Procurement Committee at its September 2019 meeting. As a result, the Council published a notice on its website in compliance with the Accounts and Audit Regulations 2015 that the audit of the accounts for the 2018-2019 financial year had not been completed and that it had not been possible to publish the Statement of Accounts by the 31<sup>st</sup> July 2019.
- 1.4 Further work has now been undertaken on the Statement and on the audit of the accounts, both of which are now approaching near finalisation. It is intended that the Statement of Accounts and Audit Findings Report will be available for the Committee to consider at its September 2019 meeting and the Committee will be asked to approve them.

**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 that details all the significant changes to the draft accounts and Annual Governance Statement which the Audit and Procurement Committee considered in June 2019. 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

**Tel and email contact:**

Tel: 02476833753  
Email: paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Place	8/8/19	8/8/19
<b>Names of approvers for submission:</b> (Officers and Members)				
Carol Bradford	Corporate Governance Lawyer – Legal Services	Place	8/8/19	9/8/19
Barry Hastie	Director of Finance and Corporate Services	Place	8/8/19	19/8/19

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Cabinet  
Audit and Procurement Committee

27<sup>th</sup> August 2019  
2<sup>nd</sup> 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:**

City wide

**Title:**

2019/20 First Quarter Financial Monitoring Report (to June 2019)

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2019. The headline revenue forecast for 2019/20 is for net expenditure to be £0.6m below budget. At the same point in 2018/19 there was a projected overspend of £2.0m. The headline capital position reports £6.9m of expenditure rescheduled into 2020/21.

The revenue position reflects overspends in services relate to Looked After Children Placements and Special Education Needs (SEN) Transport with compensating below budgeted expenditure within in corporate areas.

The Council's capital spending is projected to be £218.9m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure and the National Battery Plant.

**Recommendations:**

The Audit and Procurement Committee is requested to:

- 1) Consider the proposals in the report and forward any recommendations to the Cabinet

The Cabinet is requested to:

- 1) Consider the recommendations from Audit and Procurement Committee.
- 2) Approve the Council's revenue monitoring position.

- 3) Approve the revised capital estimated outturn position for the year of £218.9m incorporating: £3.9m net increase in spending relating to approved/technical changes, £6.9m net rescheduling of expenditure into 2020/21 and a £0.1m net scheme overspend.
- 4) Approve £0.1m overspend on Salt Lane Car park to be funded from Prudential Borrowing.

**List of Appendices included:**

Appendix 1	Revenue Position: Detailed Directorate breakdown of forecast outturn position
Appendix 2	Capital Programme: Analysis of Budget/Technical Changes
Appendix 3	Capital Programme: Estimated Outturn 2019/20
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

**Background papers:**

None

**Other useful documents**

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?**

Audit and Procurement Committee 2<sup>nd</sup> September 2019

**Will this report go to Council?**

No



**Report title:**

2019/20 First Quarter Financial Monitoring Report (to June 2019)

**1. Context (or background)**

- 1.1 Cabinet approved the City Council's revenue budget of £231.5m on the 19th February 2019 and a Directorate Capital Programme of £195.4m. This is the first quarterly monitoring report for 2019/20 to the end of June 2019. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity.
- 1.2 The current 2019/20 revenue forecast is for expenditure to be £0.6m below budget. The reported forecast at the same point in 2018/19 was an overspend of £2.0m. Capital spend is projected to be £218.9m, an increase of £23.5m on the approved Capital Programme for the year.

**2. Options considered and recommended proposal**

- 2.1 This is a budget monitoring report and as such there are no options.
- 2.2 **Revenue Position** - The revenue forecast position is analysed by service area below.

**Table 1 - Forecast Variations**

<b>Service Area</b>	<b>Revised Net Budget £m</b>	<b>Forecast Spend £m</b>	<b>Forecast Variation £m</b>
Public Health	1.3	0.9	(0.4)
People Directorate Management	1.4	1.5	0.1
Education & Inclusion	12.3	14.0	1.7
Children & Young People	73.9	74.9	1.0
Adult Social Care	77.8	77.8	0.0
Customer Services & Transformation	14.5	15.8	1.3
Place Directorate Management	2.9	3.0	0.1
Business Investment & Culture	7.1	7.3	0.2
Transportation & Highways	4.6	4.9	0.3
Streetscene and Regulatory	28.1	28.4	0.3
Project Management & Property	(7.9)	(8.0)	(0.1)
Finance & Corporate Services	7.2	7.2	0.0
Contingency & Central Budgets	8.4	3.3	(5.1)
<b>Total Spend</b>	<b>231.5</b>	<b>230.9</b>	<b>(0.6)</b>

- 2.3 An explanation of the major forecast variances is provided below. Further details are provided in Appendix 1.

### **People Directorate**

The largest forecast People Directorate pressure is due to high cost LAC Placements. This is due to the increasingly complex of needs of some young people. A further significant pressure is in SEN transport (increasing demand and changes in provision). Children's Transformation Board continues to monitor the LAC placement transformation and associated budget efficiencies, and the Strategic Transport group are reviewing cost and considering any steps that can be taken to reduce cost.

Housing & Homelessness is forecasting a £0.6m overspend due largely to the costs of temporary accommodation despite additional budgetary resource of £3.4m in 2019/20. Work is underway, overseen by Strategic Housing Board, to reduce the cost of supporting families and individuals in temporary accommodation.

### **Place Directorate**

The majority of adverse variations relate to income shortfalls including within Commercial Waste whilst it continues to further grow its business to achieve the aspirational commercial income targets (£0.4m); bus gate and parking enforcement as a result of both temporary bus gate closures and a lower activity trend generally (£0.5m), St Marys Guildhall trading income (£0.14m) and the Parks Service related mostly to parking income (£0.15m).

These deficits are however offset by a £0.4m over recovery of fees by highways due to a one-off increase in their capital programme, one off recovery of planning costs of £0.12m, a forecast £0.3m below budget expenditure on waste disposal due to lower disposal tonnages and lower recycling gate fees than budgeted, and a one off saving of £0.3m in fleet from extending the life of some vehicles beyond the normal financing period.

### **Contingency and Central Budgets**

Net expenditure is anticipated to be £2m below budget within the Asset Management Revenue Account because of lower costs of capital financing, higher investment income and higher loan income. Other corporate budgets reflect lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£1m), resources related to one-off funding for adults and children's social care (£1.15m) and projected additional savings from the Friargate Project (£0.75m) which will be built into 2020/21 Budget Setting.

- 2.4 **Capital Position** - The 2019/20 capital outturn position for quarter one reported a revised outturn position of £218.9m compared with the original programme reported to Cabinet in February 2019 of £195.4m. Table 2 below updates the budget at quarter 1 to take account of a £3.9m increase in the programme from approved/technical changes, £26.5m of expenditure has been brought forward from 2018/19 and £6.9m now planned to be carried forward into future years. This rescheduling and the £0.1 overspend is discussed further in section 5.1. This will not result in the Council losing any funding. In total, the revised projected level of expenditure for 2019/20 is £218.9m. Appendix 3 provides an analysis by directorate of the movement since budget setting.

The Resources Available section of Table 2 explains how the Capital Programme will be funded in 2019/20. It shows 73% of the programme is funded by external grant monies, whilst 23% is funded from borrowing. The programme also includes funding from capital receipts of £3.25m.

**Table 2 – Movement in the Capital Budget**

CAPITAL BUDGET 2019-20 MOVEMENT	Qtr 1 Reporting £m
February 2018 Approved Directorate Programme	195.4
Net rescheduling of expenditure from 2018/19 to 2019/20	26.5
<b>Revised Quarter One Base</b>	<b>221.8</b>
Approved / Technical Changes (see Appendix 2)	3.9
"Net" Overspend (see Appendix 5)	0.1
"Net" Rescheduling into future years (see Appendix 4)	(6.9)
Revised Estimated Outturn 2019-20	218.9

  

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	49.7
Grants and Contributions	160.5
Capital Receipts	3.2
Revenue Contributions	5.6
Total Resources Available	218.9

## 2.5 Treasury Management

### Interest Rates

The current Bank of England Base Rate has been at 0.75% since August 2018. There is a great deal of uncertainty in both the global economy, as a result of US trade policy and the UK economy as there is even greater uncertainty surrounding EU exit.

All of this makes it very difficult to predict what will happen to interest rates, however, it is believed that it is unlikely that interest rates will rise unless there is some certainty with regards to the EU withdrawal agreement. Therefore, forecasts believe that interest rates will remain at 0.75% for the medium term, with risk to both the upside & downside of this forecast.

### Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2019/20 Capital Programme is £40.8m, taking into account borrowing set out in Section 2.4 above (total £49.7m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£8.9m). Although the Council's recent Capital Programmes have incorporated prudential borrowing as part of the overall resourcing package, no long-term borrowing has been undertaken for several years, due in part to the level of investment balances available to the authority. However, the anticipated future high level of capital spend combined with the new lower level of investment balances available mean that the Council will need to keep this under review over the next few years. The actual pattern of these factors and the level and expected movement in interest rates will dictate when the Council next seeks to borrow.

During 2019/20 interest rates for local authority borrowing from the Public Works Loans Board (PWL B) have varied within the following ranges:

<b>PWLB Loan Duration (maturity loan)</b>	<b>Minimum 2019/20 to P3</b>	<b>Maximum 2019/20 to P3</b>	<b>As at the End of P3</b>
5 year	1.58%	1.93%	1.72%
50 year	2.31%	2.61%	2.44%

The PWLB now allows qualifying authorities, including the City Council, to borrow at 0.2% below the standard rates set out above. This “certainty rate” initiative provides a small reduction in the cost of future borrowing.

Regular monitoring continues to ensure identification of any opportunities to reschedule debt by early repayment of more expensive existing loans replaced with less expensive new loans. The premiums payable on early redemption usually outweigh any potential savings.

### **Short Term (Temporary) Borrowing and Investments**

In managing the day to day cash-flow of the authority, short-term borrowing or investments are undertaken with financial institutions and other public bodies. The City Council does not currently hold any short-term borrowing.

Returns provided by the Council’s short-term investments yield an average interest rate of 1.23%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

Although the level of investments varies from day to day with movements in the Council’s cash-flow, investments held by the City Council identified as a snap-shot at each of the reporting stages were: -

	<b>As at 30<sup>th</sup> June 2018</b>	<b>As at 31<sup>st</sup> March 2019</b>	<b>As at 30<sup>th</sup> June 2019</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Banks and Building Societies	22.3	0.0	6.0
Money Market Funds	8.0	0.4	4.2
Local Authorities	21.5	0.0	0.0
Corporate Bonds	4.0	6.9	9.0
Registered Providers	5.0	0.0	10.0
<b>Total</b>	<b>60.8</b>	<b>7.3</b>	<b>29.2</b>

### **External Investments**

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

As at 30<sup>th</sup> June 2019 the pooled funds were valued at £30m, spread across the following funds: CCLA, Schroders, Investec, Columbia Threadneedle and M&G Investments.

### **Prudential Indicators and the Prudential Code**

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

The indicators, together with the relevant figures as at 30<sup>th</sup> June 2019 are included in Appendix 5. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2019/20. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30<sup>th</sup> June the value is -£28.1m (minus) compared to +£84.5m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30<sup>th</sup> June the value is £221.7m compared to £422.4m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

### **3. Results of consultation undertaken**

None

### **4. Timetable for implementing this decision**

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

### **5. Comments from the Director of Finance and Corporate Services**

#### **5.1 Financial implications**

##### **Revenue**

In overall terms, this report indicates that the Council's overall financial position for the current year is sound. The projected position for net expenditure to be £0.6m less than budget is an improvement on the £2m overspend position at the same period in 2018/19 and there is a strong expectation of achieving a better than balanced position at year-end. However, this picture incorporates corporate below budget positions that cannot be relied upon beyond 2019/20. There are a range of services that are reporting overspends, mostly within demand led budget areas where it is more difficult for the Council to exercise control and these are adding pressure to what the Council expects to be a challenging 2020/21 budget process.

Given the uncertainty facing local government finances beyond 2019/20, the Director of Finance and Corporate Services is clear that the Council needs to take measures to protect its financial position in the short-term to provide some protection against any financial shocks over the next few years. The Council is facing significant financial budget shortfalls over the medium term and an unpredictable picture in relation to how the Government will implement

the Spending Review, a new local government finance formula and a revised Business Rates retention scheme. Therefore, the Council will review any flexibility available in the current year ahead to prepare for the possibility of any potential future shocks. If the future financial position turns out to be better than anticipated any setting aside of one-off resources will remain available to invest in future projects and capital plans.

Ahead of this the Council needs to ensure that it continues to hold a strong focus on managing services within existing budgetary limits. This includes continuing to implement transformational change to deliver existing savings plans, ensuring that demand for services is managed within existing policy parameters and identifying new ways of responding to service pressures to control costs.

In summary, the relatively positive position reported at quarter 1 should not deflect from the expectation of a very challenging outlook for the Council's revenue position and officer attention both at a corporate level and in several service areas is focussed strongly on responding to these challenges.

### **Capital**

The largest areas of rescheduling in the first quarter involve some of the strategic projects which will help to change the face of the city including the Coventry Station Masterplan, Whitley Depot and Friargate regeneration (building 2). The Whitley South project is anticipating accelerated spend as works progress on the highways' agreement putting the contractor in place to undertake significant works. None of the rescheduled programme will result in any funding being lost to the Council.

A small overspend of £0.1m is being predicted against the Salt Lane Car Park construction nearing completion, this represents <1% of the overall budget approved in January 2017 and is the outcome of additional costs for power and water supply requested by the Contractor. These costs are currently under review by the Project Team and will endeavour to reduce the financial risk.

The success of the City of Culture Bid from WMCA £31.6m and Arts Council funding £1.8m bring positive progress for the remainder of 2019/20 and the delivery of the City of Culture aspirations. Wider changes to the programme will be developed as projects are formalised.

## **5.2 Legal implications**

None

## **6. Other implications**

### **6.1 How will this contribute to the Council Plan ([www.coventry.gov.uk/councilplan/](http://www.coventry.gov.uk/councilplan/))?**

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible it will try to deliver better value for money and maintain services in line with its corporate priorities balanced against the need to manage with fewer resources.

### **6.2 How is risk being managed?**

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

### **6.3 What is the impact on the organisation?**

It remains important for the Council to ensure that strict budget management continues to the year-end. Any resources available at year-end will be managed to ensure the Council's financial resilience or used to fund future spending priorities.

### **6.4 Equalities / EIA**

No impact.

### **6.5 Implications for (or impact on) the environment**

No impact at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

### **6.6 Implications for partner organisations?**

No impact.

**Report author(s):****Name and job title:**

Paul Jennings  
Finance Manager, Corporate Finance

**Directorate:**

Place

**Tel and email contact:**

Tel: 02476 977228  
Email: paul.jennings@coventry.gov.uk

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Place	31/7/19	31/7/19
<b>Names of approvers for submission: (officers and members)</b>				
Barry Hastie	Director of Finance and Corporate Services	Place	2/8/19	2/8/19
Carol Bradford	Corporate Governance Lawyer	Place	31/7/19	31/7/19
Martin Yardley	Deputy Chief Executive Place	Place	2/8/19	2/8/19
Councillor J Mutton	Cabinet Member for Strategic Finance and Resources	-	12/8/19	13/8/19

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

Appendix 1 details directorates forecasted variances.

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

<b>Directorate</b>	<b>Revised Budget</b>	<b>Forecast Spend After Action/ Use of Reserves</b>	<b>Centralised Forecast Variance</b>	<b>Budget Holder Forecast Variance</b>	<b>Net Forecast Variation</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Public Health	1.3	0.9	0.0	(0.4)	(0.4)
People Directorate Management	1.4	1.5	0.1	0.0	0.1
Education and Skills	12.3	14.0	0.1	1.6	1.7
Children and Young People's Services	73.9	74.9	(1.7)	2.7	1.0
Adult Social Care	77.8	77.8	(0.7)	0.7	0.0
Customer Services & Transformation	14.5	15.8	(0.3)	1.6	1.3
<b>Total People Directorate</b>	<b>181.2</b>	<b>184.9</b>	<b>(2.5)</b>	<b>6.2</b>	<b>3.7</b>
Place Directorate Management	2.9	3.0	0.1	0.0	0.1
City Centre & Major Projects Development	7.1	7.3	0.1	0.1	0.2
Transportation & Highways	4.6	4.9	0.0	0.3	0.3
Streetscene & Regulatory Services	28.1	28.4	(0.4)	0.7	0.3
Project Management and Property Services	(7.9)	(8.0)	0.1	(0.2)	(0.1)
Finance & Corporate Services	7.2	7.2	(0.1)	0.1	0.0
<b>Total Place Directorate</b>	<b>42.0</b>	<b>42.8</b>	<b>(0.2)</b>	<b>1.0</b>	<b>0.8</b>
<b>Total Contingency &amp; Central Budgets</b>	<b>8.2</b>	<b>3.1</b>	<b>0.0</b>	<b>(5.1)</b>	<b>(5.1)</b>
<b>Total Spend</b>	<b>231.4</b>	<b>230.8</b>	<b>(2.7)</b>	<b>2.1</b>	<b>(0.6)</b>
<b>Resourcing</b>	<b>(231.4)</b>	<b>(231.4)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Reporting Area	Explanation	£m
People Directorate	The Directorate underspend against its salary budgets and turnover target is mainly due to continuing vacancies in Adult and Children's Social Care which accounts for the majority of the £2.5m underspend. This is partially offset by a non-salary overspend in Adult and Children's Social Care (e.g. agency, overtime). This position is reduced from 18/19 outturn (£5.5M) as a number of vacancies have been filled. It is expected that vacancy levels and agency costs will continue to reduce, which will continue to reduce the centralised salary underspend and the budget holder overspend through the year.	(2.5)
Place Directorate	The Directorate as a whole has a 'centralised' surplus of £180k net. In reality at Q1 however, the underlying position is a deficit of £440k, as the Streetpride service is holding a number of vacancies valued at £0.6m following a review, which are now being recruited to. There is an equal variation above which represents the temporary and agency staff being used to fill the vacant posts. The underlying projected salary deficit assumes all currently filled posts remain so which is unlikely, so this deficit is likely to reduce during the course of the year.	(0.2)
<b>Total Non-Controllable Variances</b>		<b>(2.7)</b>

People Directorate			
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.	(0.5)
Public Health	Other Variances Less than 100K		0.1
<b>Public Health</b>			<b>(0.4)</b>
Education and Skills	SEND & Specialist Services	The overspend relates to SEN Transport as a result of an increase in demand for SEN Transport, proportional to the increase in EHC Plans and special school placements. The overall number of pupils being transported has increased by 20% since 2017, and there has been a more than 50% increase in the use of external taxis	1.3

		linked to demand, provision changes, and the needs of pupils. Strategic Transport Group is in the process of reviewing this and considering ways in which costs can be reduced.	
Education and Skills	Employment & 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 Skills	Education Improvement & Standards	Schools trade union support is funded from maintained schools pooled resource, and individual buyback from non-maintained schools. There is a funding pressure as a result of maintained schools reducing the pooled budget from last September, and not all non-maintained schools buying into the service. The LA have been unable to reduce the expenditure level to match the income reduction. In addition, the governor supports traded service's buyback income is not covering expenditure levels. The service is exploring a number of options to reduce expenditure. This is offset by a small projected underspend in relation to the historic pension liabilities budget.	0.1
Education and Skills	Other Variances Less than 100K		
<b>Education and Skills</b>			<b>1.6</b>
Children and Young People's Services	LAC & Care Leavers	The variance is as a result of the placement pressures (£1.2m overspend). Children in external children's homes are above projected numbers and there have been some high cost placements. In addition, the numbers of looked after children continue to be over those originally projected. The supported accommodation continues to show an overspend as a result of high cost placements due to the needs of some young people (£0.5m). Finally, there is additional use of agency workers due to social work need within the permanence service. Care leaver allowances is forecasting a £0.2m overspend due to an increase in activity levels and equally, the Through Care budget is also forecasting an overspend (£0.3m) as a result of increase in activity.	2.7
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. We continue to recruit permanent social workers and reduce agency staff levels.	0.9

Children and Young People's Services	Commissioning , QA and Performance	The budget holder forecast is an overspend of £109k. It is offset by a £152k underspend on the centralised side, making a net underspend of £42k. The reason for the projected overspend of £109K is agency spend on staff and this is reflected in the £152K underspend on the centralised side which covers permanent salaries. The staff posts being covered by agency spend are Independent Reviewing Officers which perform a statutory function on behalf of the LA, these posts are currently being recruited to permanently.	0.1
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.	(1.0)
Children and Young People's Services	Other Variances Less than 100K		
<b>Children and Young People's Services</b>			<b>2.7</b>
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Costs of placements continue to be high with residential numbers higher than this time last year. Work is continuing to control spend and seek more cost-effective placement options.	0.8
Adult Social Care	All Age Disability and Mental Health Operational	There remain significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs. With DOLs being replaced by Liberty Protection Safeguards next year this remains an area of uncertainty. The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs which is expected to reduce as substantive posts are appointed to.	0.4
Adult Social Care	Internally Provided Services	Budget holder overspends on other pay, overtime and variable allowances due to the need to maintain staffing cover. This is partly offset by underspends on centralised salary costs due to a number of vacancies. Also overspends on Housing with Care client fee income of £100k.	0.3
Adult Social Care	Enablement & Therapy Services	Equipment service overspend of £68k results from increased demand for community equipment to help people live independently. Spending in this area reduces the overall spend in community purchasing as without equipment it is likely that a care service would be required.	0.1
Adult Social Care	Adult Social Care Director	Use of Improved Better Care Fund Protecting Social Care resources to manage Adult Social Care pressures.	(0.4)

Adult Social Care	Older People Community Purchasing	Whilst Placement costs for Older People remain challenging they are being managed within identified resource levels.	(0.5)
<b>Adult Social Care</b>			<b>0.7</b>
Customer Services & Transformation	Customer and Business Services	Housing and Homelessness is forecasting an overspend of £600K, which is in addition to the extra £3.4M allocated to the service in 2019/20. Significant work is underway focusing on reducing the gap between what we pay out for temporary accommodation compared with what we can reclaim through the Housing Benefit Subsidy grant. Business Services is in the process of being devolved and the savings target pressure of £172K will be delivered in full as part of these structural changes.	1.2
Customer Services & Transformation	HR and Workforce Development Management	The HR Service continues to face challenges linked to reducing trading income particularly from schools. In addition, there is a £33K pressure due to the number of DBS requests.	0.2
Customer Services & Transformation	ICT & Digital	The majority of the overspend relates to the need to accelerate the refresh of part of the PC estate to avoid potential significant ICT service problems within the service and possibly across the wider organisation. Action being taken to reduce the overspend includes reviewing sources of funding and reducing spend temporarily in other ICT areas e.g. mobile phones. There is also a net £40K under-recovery of traded income.	0.2
<b>Customer Services &amp; Transformation</b>			<b>1.6</b>
<b>Total Non-Controllable Variances - People</b>			<b>6.2</b>
Place Directorate	Place		
Service Area	Reporting Area	Explanation	£M
<b>Place Directorate Management</b>			<b>0.0</b>
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	St. Mary's trading deficit.	0.1
<b>City Centre &amp; Major Projects Development</b>			<b>0.1</b>
Transportation & Highways	Traffic	Bus gate and parking enforcement are projected to be c£0.5m lower than both budget and previous years as a result of both temporary bus gate closures and a lower activity trend generally.	0.6

	Highways	A predicted over recovery of fees by highways due to one off increase in their capital programme.	(0.3)
<b>Transportation &amp; Highways</b>			<b>0.3</b>
Streetscene & Regulatory Services	Streetpride & Parks	This is mainly related to issues with Car Parking at Coombe. New pay machines and barriers are currently being installed.	0.8
Streetscene & Regulatory Services	Planning & Regulatory Services	This relates primarily to the one-off recovery of legal fees, together with vacancies in building control	(0.2)
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
<b>Streetscene &amp; Regulatory Services</b>			<b>0.7</b>
Project Management and Property Services	Other Variances Less than 100K		(0.2)
<b>Project Management and Property Services</b>			<b>(0.2)</b>
Finance & Corporate Services	Other Variances Less than 100K		0.1
<b>Finance &amp; Corporate Services</b>			<b>0.1</b>
<b>Total Non-Controllable Variances - Place</b>			<b>1.0</b>
Contingency & Central Budgets	Corporate Finance	Net Asset Management Revenue Account expenditure is anticipated to be £2m within budget because of lower costs of capital financing, higher investment income and higher loan income. Other corporate budgets reflect lower than budgeted pension costs linked to an early payment arrangement with the West Midlands Pension Fund (£1m), resources related to one-off funding for adults and children's social care (£1.15m) and projected additional savings from the Friargate Project (£0.75m) which will be built into 2020/21 Budget Setting.	(5.1)
<b>Total Non-Controllable Variances - Contingency &amp; Central Budgets</b>			<b>(5.1)</b>

## Approved / Technical Changes

SCHEME	EXPLANATION	£m
<b>PEOPLE DIRECTORATE</b>		
Woodlands Feasibility	This is due to a Feasibility Study to be undertaken in 19/20 before works commence in 2020/21	<b>0.3</b>
Disabled Facilities Grant	Additional Grant received from DFG	0.3
<b>SUB TOTAL - People Directorate</b>		<b>0.6</b>
<b>PLACE DIRECTORATE</b>		
Highways Investment	The West Midlands Combined Authority communicated on the 25th April 2019, that formal notification from the Department for Transport has been received resulting in a further £0.2m funding for Pot Hole Action Fund. In addition, £0.6m has been reduced from the programme to meet revenue patching works and a further £0.2m contribution received from Keepmoat Homes.	(0.2)
Ultra Low Emissions Bus Scheme (ULEB)	The City Council has been successful in obtaining the following funding to deliver the Ultra-Low Emission Bus Schemes, £2.255m from DfT and £0.237m from WMCA (Transforming Cities Fund). It is anticipated that £0.5m will be spent this financial year. Cabinet on the 12th February as part of the Coventry Local Air Quality Action Plan report noted the submission of these bids.	0.5
The Arches Spon End Pinchpoint - Transforming Cities Fund	West Midlands Combined Authority Board on the 9th November 2018 approved the allocation of £5.8m of Transforming Cities Fund for the delivery of the Spon End Pinch Point Scheme. It is anticipated that £2.3m will be spent this financial year.	2.3
Indoor Pitch Facility at Alan Higgs Centre (Loan)	Loan facility approval for £1.5m is not fully required, only £1.2m of the loan facility required therefore £0.3m removed from programme	(0.3)
Coombe Loan	Technical adjustment - to correct the draw-down of loan in 2018/19	(0.7)
Culture Capital Investment Fund	This is additional funding awarded from Arts Council as their contribution to the wider Programme	1.8
<b>SUB TOTAL - Place Directorate</b>		<b>3.3</b>

<b>TOTAL APPROVED / TECHNICAL CHANGES</b>		<b>3.9</b>
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**Appendix 3**

<b>DIRECTORATE</b>	<b>ESTIMATED OUTTURN QTR 1 £m</b>	<b>APPROVED / TECHNICAL CHANGES £m</b>	<b>OVER / UNDER SPEND NOW REPORTED £m</b>	<b>RESCHEDULED EXPENDITURE NOW REPORTED £m</b>	<b>REVISED ESTIMATED OUTTURN 19-20 £m</b>
PEOPLE	17.3	0.6	0.0	(3.5)	14.3
PLACE	204.5	3.3	0.1	(3.4)	204.6
<b>TOTAL</b>	<b>221.8</b>	<b>3.9</b>	<b>0.1</b>	<b>(6.9)</b>	<b>219.0</b>



## Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
<b>PEOPLE DIRECTORATE</b>		
Basic Need	£2.6m works underway to expand secondary schools – planning applications due in September which means much of the expenditure will be seen in 20/21.	-2.7
Condition	When budgets were set in 18/19 for the 19/20 works, the programme was based on 18/19 forecasts Since then Schools have submitted their requirement for works to be undertaken in 19/20 and they have been estimated less than anticipated.	-0.6
SEND	Grant was received in 18/19 but due to procurement issues the work is not due to start until 19/20	-0.3
<b>SUB TOTAL - People Directorate</b>		<b>-3.5</b>
<b>PLACE DIRECTORATE</b>		
City Centre Regeneration	It has been assumed that the only market-based acquisitions will be those incurred to date. Previously, we assumed there would be further opportunities to acquire properties on the market in the current financial year. When opportunities arise to acquire land in the market (rather than by CPO), forecasts will be revised to reflect.	-0.6
Friargate	Revised assumption, slipping the start date of Two Friargate from January 2020 to April 2020 having the impact of moving forecast spend into the next financial year.	-1.3
Coventry Station Masterplan	Since budget setting in February 2019, the programme has slipped as the preferred contractor for NUCKLE 1.2 turned down the contract offer and we are now out to tender again, along with design delays for phase 2 which has also delayed the formal contract award	-5.9
Housing Venture	Whitefriars Housing are claiming an alternative external grant towards the Garage/infill project, and as they can't drawdown 2 Grants at the same time, they are using the external grant first before using the S106 and receipts money that the Council is holding.	-0.8

Whitley Depot Redevelopment	The reason for the change in the cashflow prediction is that the project is running 9 months behind the original forecasts given in the Cabinet Report. Construction works are not now forecast to commence until Q4.	-2.1
Culture Capital Investment Fund	Increase from the estimated programme set in February 2019, in addition to the £1.8m Arts Council funding added to the programme in this Quarter, the accelerated spend is the additional match funding previously earmarked in 20/21 from the LEP Growth and CCC funding required to lever in funds and deliver the projects to the Estimated £5m this year. The five projects currently secured through CWLEP include the Cathedral, The Box at Fargo, Belgrade Theatre, Daimler Powerhouse and Drapers Hall.	0.4
Whitley South Infrastructure	Progress has been made with the technical and legal highway agreements meaning that the main contractor should be able to undertake significant works from August resulting in an acceleration of spend versus previous forecast.	5.1
Growing Places	Growing Places forecast increase due to potential accelerated spend on Commonwealth Games.	0.2
Duplex Fund	This scheme is the first of its kind in the UK and as such, a significant level of process has been necessary to ensure all required principles are in place and agreed by all parties. This has taken longer than anticipated. Consequently, the forecast has been amended to reflect the revised scheme timings and subsequent draw down of expenditure.	-0.2
Battery Plant	Given the complexity of the technology and the international nature of suppliers, there have been delays in procurement and placing orders. However, with such long lead times on delivery there is now an urgency to the orders. In addition, the project is now in the process of being awarded additional external funding which has led to changes in machinery specifications and changes in expenditure. Extensive forecasting and analysis have been undertaken for the new budget and the finances are being robustly monitored by Coventry City Council.	2.7
Vehicle & Plant Replacement	After having reviewed all the plant replacement, it was agreed that a lot of these are still in good condition and will not need to be replaced this year.	-1.1
Domestic Recycling with Nuneaton and Bedworth	The Nuneaton and Bedworth vehicles were more expensive when the tender submissions were received back. Typically, a refuse vehicle is about £165k each currently but these vehicles have a split body and collect different waste in 2 separate compartments, so that's why they are that much more expensive. As this is our first purchase of this vehicle type, having an accurate figure on the actual costs was difficult until we had been out to tender and received the submissions back.	0.2

<b>SUB TOTAL - Place Directorate</b>		<b>-3.4</b>
<b>TOTAL RESCHEDULING</b>		<b>-6.9</b>

## Appendix 5

### Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30th June 2019
<b>Ratio of Financing Costs to Net Revenue Stream (Indicator 1)</b> , illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers).	13.40%	13.44%
<b>Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 2)</b> , illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme.	Year 3 estimate / limit of £472.7m	£327.4m Gross borrowing within the limit.
<b>Authorised Limit for External Debt (Indicator 5)</b> , representing the "outer" boundary of the local authority's borrowing. Borrowing at the level of the authorised limit might be affordable in the short term, but would not be in the longer term. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.	£487.6m	£327.4m is less than the authorised limit.
<b>Operational Boundary for External Debt (Indicator 6)</b> , representing an "early" warning system that the Authorised Limit is being approached. It is not in itself a limit, and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.	£467.6m	£327.4m is less than the operational boundary.
<b>Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9)</b> , highlighting interest rate exposure risk. The purpose of this indicator is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.	£422.4m	£221.7m
<b>Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9)</b> , as above highlighting interest rate exposure risk.	£84.5m	-£28.1m
<b>Maturity Structure Limits (Indicator 10)</b> , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years	0% to 40% 0% to 20% 0% to 30%	18% 1% 6%

5 years – 10 years 10 years +	0% to 30% 40% to 100%	6% 70%
<b>Investments Longer than 364 Days (Indicator 11)</b> , highlighting the risk that the authority faces from having investments tied up for this duration.	£30m	£0.0m



Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

2nd September 2019

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership – Councillor G Duggins

**Director approving submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

City Wide

**Title:**

Annual Fraud and Error Report 2018-2019

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service for the financial year 2018-2019.

**Recommendation:**

The Audit and Procurement Committee is recommended to note and consider the anti-fraud and error activity undertaken in the financial year 2018-19.

**List of Appendices included:**

None

**Background papers:**

None

**Other useful documents:**

Half Yearly Fraud and Error Report 2018-2019

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=11822&Ver=4>

**Has it or will it be considered by scrutiny?**

No other scrutiny consideration other than the Audit and Procurement Committee.

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

No

**Will this report go to Council?**

No

**Report title:**

Annual Fraud and Error Report 2018-2019

**1. Context (or background)**

- 1.1 Fraud in the public sector has a national focus through the publication of "Fighting Fraud and Corruption Locally - The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy states that the level of fraud in the public sector is significant, the current trends in fraud activity includes areas for which Coventry City Council does not have responsibility, for example, social housing, and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.
- 1.2 This report documents the Council's response to fraud and error during 2018-2019 and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference '*to monitor Council policies on whistle blowing and the fraud and corruption strategy*'.

**2. Options considered and recommended proposal**

- 2.1 The Internal Audit Service is responsible for leading on the Council's response to the risk of fraud and error. The work of the team has focused on four main areas during 2018-2019, namely:

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

A summary of the key activity that has taken place during 2018-2019 is detailed below.

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

- Reviewing Council Tax Exemptions / Discounts – A rolling programme of reviews is undertaken on an annual basis to provide an appropriate response to the inherent risk of fraud / error in this area, as the Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. The work in 2018-19 has resulted in:
  - 129 exemptions / discounts have been removed from customers' accounts. These exemptions / discounts were removed on the basis that the customer failed to report a change in circumstances.
  - Revised bills have been issued amounting to approximately £142k.
  - £122k of this money has been paid to the Council to date. The outstanding balances are being recovered through agreed payment instalment arrangements or are subject to the Council's standard recovery arrangements in relation to Council Tax.

Given that on an individual basis, the amounts involved were not sizeable, these cases have been treated as an error (as oppose to fraud). The Council's approach to this reflects the need to use resources in the most cost-effective way. However, further investigation / action would be considered in the event that any individual case was considered to be significant (i.e. in excess of £10k).

- Council Tax Referrals – The Council receives referrals from both internal and external sources linked to concerns around the payment of council tax support or council tax discounts / exemptions. Table one below indicates the number of referrals by source in 2018-19.

**Table One – Council Tax Fraud Referrals Received 2018-19**

<b>Source</b>	<b>Referrals 2018-19</b>
Carried forward from 17/18	5
Housing Benefits	21
Other Council departments	11
Members of the public	0
Other	2
<b>Total</b>	<b>39</b>

Whilst a large number of these cases are passed to the Department of Work and Pensions to investigate under agreed arrangements (i.e. where housing benefit is also in payment), the Internal Audit Service validated 14 concerns in 2018-2019. Whilst the majority of these cases are linked to the payment of council tax / council tax support, five cases relate to the payment of housing benefit, where in light of the circumstances, it was more appropriate for the Council to take action directly, rather than pass the matter to the Department of Work and Pensions. In total, the 14 cases have resulted in revised bills / overpayments of around £36k being issued, of which £22k has been paid to date. The outstanding balances are being recovered through agreed payment instalment arrangements or are subject to the Council's standard recovery arrangements in relation to Council Tax / Housing Benefits.

- Other income – The work undertaken in relation to Council Tax has also led to:
  - Through establishing the true ownership of a property, this asset was then included within a service user's financial assessment to determine the contribution they should make to their care, and which had previously been disregarded. As a result, an overpayment of £22k was raised, along with ongoing charges of £1000 per month. In accordance with the rules around charges for social care costs, recovery of these monies has been deferred until the property is sold. Given the significant amount involved, further action in this case was considered, but taking into account all of the circumstances of the case, this has been treated as an error. This decision was based on the fact that there was no evidence that the true ownership of the property had been deliberately concealed, which was accepted given the unique factors of this case and the health of the service user.
  - The prevention of an exemption / discount from being awarded which the customer was not entitled to and which, if awarded, would have resulted in an overpayment of £1100 (plus an ongoing discount which the customer was also not entitled to).



- 2.3 National Fraud Initiative (NFI) –The NFI exercise is led by the Cabinet Office. The main exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. Our work in 2018-2019 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2018, with 12 datasets submitted. The first matches were released for investigation in February 2019 and will form part of the planned programme of work for 2019-2020. It should be noted that the Council has subsequently been informed that matches relating to immigration status, using data from the Home Office, will not now be released as part of this year’s exercise.
- 2.3.1 Whilst the NFI exercise takes place every two years, Council Tax matches relating to the award of single person discounts are received on an annual basis as they are matched to the new electoral register which is published each December. In 2018-2019, Internal Audit have followed up those matches relating to council tax bands D and above. In total 214 matches were reviewed and as a result ten single person discounts were cancelled in 2018-2019. This has resulted in revised bills being issued of around £11k.
- 2.4 Referrals and Investigations – From time to time, the Internal Audit Team receive referrals or are asked to assist with investigations relating to employee misconduct and other fraud against the Council involving external individuals. Table two below indicates the number of referrals by source in 2018-2019, along with figures for the previous three financial years.

**Table Two – Fraud Referrals Received between 2015-16 and 2018-19**

Source	Referrals 2015-16	Referrals 2016-17	Referrals 2017-18	Referrals 2018-19
Whistle blower	5	5	2	3
Manager	14	15	23	21
External	2	1	5	2
Total	21	21	30	26

It is important to note that there is no mechanism for determining the number of referrals the Council should receive on an annual basis and it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. Whilst the number of referrals received through the Council’s Whistleblowing policy has reduced over time, a campaign to encourage employees to raise issues (both through Whistleblowing and other mechanisms) is due to be publicised in the near future. It is also worth noting that this information only reflects referrals made in respect of concerns relating to fraud and corruption and does not include other matters raised under the Whistleblowing Policy. (Details of all concerns raised during 2018-2019 under the Whistleblowing Policy, including those referenced in this report, are provided in a separate report to the Audit and Procurement Committee.)

- 2.4.1 Of the 26 referrals received in 2018-2019, nine have led to full investigations. The reasons for referrals not resulting in a full investigation include (a) our initial assessment / fact finding does not find any evidence to support the allegations, (b) appropriate action has already been taken, and (c) the nature of the event means it is impractical to pursue further.
- 2.4.2 In addition to the nine investigations highlighted in para. 2.4.1 above, a further five investigations were carried forward from 2017-2018. Of the fourteen investigations, thirteen related to fraud / theft or other activities linked to obtaining a financial benefit, whilst the other case involved a code of conduct issue.

Three out of the total fourteen investigations are still on-going, whilst of the remaining eleven:

- In one case, the officer involved received a final written warning.
- In one case, the officer left their post during the disciplinary process.
- In one case linked to a Council supplier, this has been dealt with as a contract management issue.
- In one case linked to council tax, action was taken to correct the council tax liability on four accounts. (This case related to a wider fraud targeted at two high street banks where the individuals fraudulently applied to become liable for council tax in order to obtain proof of identity / address and open bank accounts for criminal purposes).
- In six cases, the allegation was found not to have been substantiated.
- In one case, action was taken to cease a direct payment being made to a service user within Adult Social Care.

2.4.3 Proactive work – The Council's response to fraud also considers an element of proactive work to ensure that all key fraud risks are considered. In 2018-2019, this work has included:

- Review and update of the Council's Fraud and Corruption Strategy, which was considered by the Audit and Procurement Committee in June 2018 and approved by the Cabinet Member for Policy and Leadership in July 2018.
- A fraud awareness e-learning tool has been made available to staff. This both highlights some of the common types of fraud in local government and provides details of how concerns can be reported.
- Face to face awareness sessions have also been undertaken with staff from Adult Social Care in relation to direct payment fraud.
- The Council was part of a group of West-Midlands authorities who took part in a pilot data matching project run by the Cabinet Office to detect fraud and error in Business Rates. This involved review of around 470 matches. As well as assisting the Cabinet Office to shape the future direction of this activity as part of the main National Fraud Initiative, the project resulted in revised bills being issued in seven cases, totalling around £20k. Given the value of the individual cases, these have been classed as an error.

2.5 Actions taken to prevent fraud / error - As part of the work carried out by Internal Audit which is linked to fraud and error, consideration is given as to whether control improvements can be made to prevent further incidents from occurring in the future. During 2018-2019, this has included the following:

- The annual review form for Disabled Persons Relief in respect of Council tax has been amended to ask for confirmation that the individual is still resident in the property.
- Awareness has been raised with staff within Council Tax regarding fraudulent attempts to obtain liability for council tax and the need to remain alert for this moving forward.

- Through the termly Finance and Audit newsletter, awareness has been raised with schools around specific fraud risks which could affect them and how they should report concerns around fraudulent activity.

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

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

In the period April 2018 to March 2019, no significant frauds have been identified.

### **3. Results of consultation undertaken**

3.1 None

### **4. Timetable for implementing this decision**

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

### **5. Comments from the Director of Finance and Corporate Services**

5.1 Financial Implications

All fraud has a detrimental financial impact on the Council. In cases where fraud is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified. In total, during 2018-2019, around £230k was identified from the work of Internal Audit in relation to fraud and error and is subject to the Council's standard arrangements for recovery of monies owed.

5.2 Legal implications

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

All cases are conducted in line with the Data Protection Act 2018 and if appropriate are referred to the Police for investigation.

## **6. Other implications**

### **6.1 How will this contribute to achievement of the Council's plan?**

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

### **6.2 How is risk being managed?**

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

- Through the Internal Audit Service's work on fraud, which is monitored by the Audit and Procurement Committee.
- Through agreed management action taken in response to fraud investigations and / or proactive reviews.

### **6.3 What is the impact on the organisation?**

#### Human Resources Implications

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

### **6.4 Equality and Consultation Analysis (ECA)**

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

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

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

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

### **6.5 Implications for (or impact on) Climate Change and the environment**

No impact

### **6.6 Implications for partner organisations?**

None

**Report author(s):**

**Name and job title:**

Karen Tyler  
Chief Internal Auditor

**Directorate:**

Place

**Tel and email contact:**

Tel: 024 76972186  
Email: Karen.tyler@coventry.gov.uk

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Place	13/8/2019	13/8/2019
Paul Jennings	Finance Manager Corporate Finance	Place	13/8/2019	13/8/2019
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Director of Finance and Corporate Services	Place	13/8/2019	20/8/2019
Adrian West	Members and Elections Team Manager	Place	13/8/2019	13/8/2019
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	13/8/2019	19/8/2019

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Coventry City Council

## Public report

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### Report to

Audit and Procurement Committee

2<sup>nd</sup> September 2019

### Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

### Director approving submission of the report:

Deputy Chief Executive (Place)

### Ward(s) affected:

City Wide

### Title:

Whistleblowing Annual Report 2018-2019

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### Is this a key decision?

No

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### Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the concerns raised under the Council's Whistleblowing Policy during 2018-2019 and the Council's response to the issues, including any organisational learning to prevent similar reoccurrences.

### Recommendations:

Audit and Procurement Committee is recommended to note and consider the summary of whistleblowing concerns raised during 2018-2019 and confirm its satisfaction with the actions taken to respond to the issues raised.

### List of Appendices included:

None

### Background papers:

None

### Other useful documents:

Whistleblowing Policy 2017

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MID=11091>

**Has it or will it be considered by scrutiny?**

No other scrutiny consideration other than the Audit and Procurement Committee

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

No

**Will this report go to Council?**

No



**Report title:**

Whistleblowing Annual Report 2018-2019

**1. Context (or background)**

1.1 Whistleblowing is the making of a protected disclosure as found in Part IVA of the Employment Rights Act 1996 (and as amended by the Public Interest Disclosure Act 1998) and is reflected in the Council's Whistleblowing Policy 2017. This qualifies employees (including agency workers) for legal protection against detriment or unfair dismissal if they make a disclosure in the public interest. To qualify, the disclosure must also fall within one of the following grounds:

- A criminal offence
- Breach of any legal obligation
- Miscarriages of justice
- Danger to health and safety
- Damage to the environment
- The deliberate concealing of information about any of the above

1.2 The Council's Whistleblowing Policy makes it clear that all concerns raised about actual or potential misconduct or wrongdoing in the Council are taken seriously. For matters relating to fraud and corruption, these are considered by the Chief Internal Auditor. All other concerns which fall under one of the grounds listed above are considered by the Council's Monitoring Officer.

1.3 This report provides a summary of the concerns raised under the Council's Whistleblowing Policy during 2018-2019 and the Council's response to the issues and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference *"to monitor Council policies on whistleblowing and the fraud and corruption strategy"*.

1.4 In order to protect the confidentiality of whistleblowers and other parties involved, no information is included in this report that could lead to the identification of a whistleblower or the subject of the whistleblowing or compromise the confidentiality of an on-going investigation.

**2. Options considered and recommended proposal**

2.1 During 2018-19, the Council received six whistleblowing disclosures. Of these, three were made by third parties and as such, the legal protection afforded to employees who raise concerns does not extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way as disclosures made by employees and consequently have made every reasonable effort to protect all individuals under the whistleblowing process.

2.2 A summary of the disclosures made by type and directorate is provided in Table One below.

**Table One – Whistleblowing Disclosures 2018-19**

Number	Nature of concern (grounds for whistleblowing)	Directorate
1	Health and Safety	Place
2	Health and Safety	People
3	Breach of a legal obligation	People
4	Corruption	n/a related to a third party organisation
5	Fraud	Place
6	Fraud	People

- 2.3 Whilst all concerns are taken seriously, the response will differ on a case by case basis. In some cases, if the disclosure has been made anonymously and insufficient details have been provided, the Council may be restricted in the action it can take. However, typically a preliminary fact-finding investigation will be undertaken which if required, will result in a full investigation and formal action being considered. A summary of the responses to the disclosures made in 2018-19 are provided in Table Two below.

**Table Two – Responses to Whistleblowing disclosures 2018-19**

Number	Response
1	Preliminary investigation - Referred to the Council's disciplinary investigation procedure
2	Preliminary investigation – not substantiated, but alternative management action taken
3	No further action – historical issue already investigated and no new information provided to warrant re-opening the case.
4	No further action – raised anonymously and did not relate to the Council.
5	Preliminary investigation – not substantiated, but alternative management action taken
6	Investigation on-going

- 2.4 **Learning from disclosures** – Where appropriate, responsible officers will identify learning points from any issues raised and ensure that they are acted upon to prevent similar issues recurring. If required, this includes consideration of whether there are any systematic improvement actions for the wider organisation. In two cases considered in 2018-19, management action was agreed to make improvements. Whilst these actions were specific to the concerns raised, rather than organisation wide improvements, opportunities to learn from disclosures will continue to be considered as part of the investigation process and will be included in future reports to the Audit and Procurement Committee.
- 2.5 **Benchmarking** - The Chartered Institute of Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker provides annual benchmarking information relating to counter fraud activity across all local authorities. In the 2018 survey, respondents reported a total of 560 whistleblowing cases. The figures reported indicate that the number of disclosures received by the Council is comparable to the national average of 3.8 whistleblowing disclosures per local authority. It is also worth noting that employees do not

have to use the Whistleblowing Policy to raise concerns and are able to resolve matters using other routes if they wish to do so, for example through discussion with their line manager or reporting concerns to one of the “prescribed persons” set out in the Public Interest Disclosure (Prescribed Persons) Order 2014, such as the Health and Safety Executive.

**2.6 Promotion of whistleblowing arrangements** – As highlighted in section 2.4 above, the number of whistleblowing disclosures made is consistent with nationally reported figures, which suggests that there is good awareness of the process. Notwithstanding this, the following actions are planned in 2019-20 to ensure that the Council’s whistleblowing arrangements are sufficiently promoted:

- A campaign is planned to promote to employees’ different ways in which they can raise concerns about work, including how to raise an issue through the whistleblowing process.
- A review of information available on the Council’s website relating to promoting whistleblowing to members of the public.

### **3. Results of consultation undertaken**

3.1 None

### **4. Timetable for implementing this decision**

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

### **5. Comments from the Director of Finance and Corporate Services**

5.1 Financial Implications

There are no specific financial implications associated with this report. Effective whistleblowing arrangements assists the Council to ensure that any misconduct / wrongdoing that could have a detrimental financial impact on the Council is appropriately dealt with.

5.2 Legal implications

Review of the Council’s arrangements for whistleblowing on an annual basis ensures that the organisation continues to meet its statutory obligations in respect of whistleblowing legislation and represents good governance.

### **6. Other implications**

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

The Whistleblowing Policy assists in contributing to the objective of being locally committed as detailed in the Council’s plan. The policy helps to achieve this by encouraging the raising of concerns in order to help to protect our most vulnerable people.

## 6.2 How is risk being managed?

The legislation gives all employees protection from suffering any detriment as a result of making a protected disclosure. Whilst members of the public are not protected by law, the Council treats all whistleblowers in the same way. Information is available to employees and members of the public on how they can access the Council's whistleblowing process and the Council considers actions to raise awareness. Assurance that concerns are dealt with effectively is provided to the Council's Audit and Procurement Committee through this annual report.

## 6.3 What is the impact on the organisation?

Where an investigation establishes that misconduct / wrongdoing has taken place, appropriate action would be taken, including, where appropriate use of the Council's formal disciplinary procedure and / or referring matters to third party organisations including the police.

## 6.4 Equality and Consultation Analysis (ECA)

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

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

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

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

## 6.5 Implications for (or impact on) Climate Change and the environment

No impact

## 6.6 Implications for partner organisations?

None

**Report author(s):****Name and job title:**

Karen Tyler - Chief Internal Auditor

Julie Newman – Head of Legal Services and Monitoring Officer

**Directorate:**

Place

**Tel and email contact**

Tel: 024 7697 2186

Email: [Karen.tyler@coventry.gov.uk](mailto:Karen.tyler@coventry.gov.uk)

Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Directorate or organisation</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Place	13/8/2019	13/8/2019
Paul Jennings	Finance Manager Corporate Finance	Place	13/8/2019	13/8/2019
<b>Names of approvers: (officers and members)</b>				
Barry Hastie	Director of Finance and Corporate Resources	Place	13/8/2019	20/8/2019
Adrian West	Member and Elections Team Manager	Place	13/8/2019	13/8/2019
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	13/8/2019	19/8/2019

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