



Audit and Procurement Committee

Time and Date

3.00 pm on Monday, 19th October, 2020

Place

This meeting will be held remotely. The meeting can be viewed live by pasting this link into your browser:

<https://youtu.be/uCCtq8fMTU0>

Public Business

1. **Apologies**

2. **Declarations of Interest**

3. **Minutes** (Pages 3 - 12)

To agree the minutes of the meeting held on 16th March 2020

4. **Exclusion of Press and Public**

To consider whether to exclude the press and public for the private items of business for the reasons shown in the reports.

5. **Outstanding Issues**

Report of the Director of Law and Governance

6. **Work Programme 2020/2021** (Pages 13 - 14)

Report of the Director of Law and Governance

7. **Internal Audit Annual Report 2019-2020** (Pages 15 - 32)

Report of the Director of Finance

8. **Annual Governance Statement 2019-2020** (Pages 33 - 60)

Report of the Director of Finance

9. **Revenue and Capital Outturn 2019/2020** (Pages 61 - 94)

Report of the Director of Finance

10. **2020/21 First Quarter Financial Monitoring Report (to June 2020)** (Pages 95 - 120)
Report of the Director of Finance
11. **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2019** (Pages 121 - 128)
Report of the Director of Streetscene and Regulatory Services
12. **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

13. **Consideration of Approval of Severance Package (1)** (Pages 129 - 134)
Report of the Director of Streetscene and Regulatory Services
(Listing Officer: D Blackburn, Tel: 024 7697 2207)
14. **Consideration of Approval of Severance Package (2)** (Pages 135 - 142)
Report of the Director of Finance
(Listing Officer: B Hastie, Tel: 024 7683 3710)
15. **Any other items of private business which the Chair decides to take as a matter of urgency because of the special circumstances involved.**

Julie Newman., Director of Law and Governance, Council House Coventry

Friday, 9 October 2020

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

Membership: Councillors M Ali, J Blundell, R Lakha (Chair), T Sawdon, B Singh (Deputy Chair) and R Singh

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

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Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 3.00 pm
on Monday, 16 March 2020

Present:

Members: Councillor R Lakha (Chair)
Councillor J Blundell
Councillor R Brown (Named Labour Group Substitute)
Councillor T Sawdon

Employees:

A Harwood, Place Directorate
B Hastie, Place Directorate
L Knight, Place Directorate
P Jennings, Place Directorate
S Newing, People Directorate
K Tyler, Place Directorate
A West, Resources Directorate

Others Present: A Sohal, M Stocks (Grant Thornton)

Apologies: Councillors M Ali and R Singh

Public Business

61. Declarations of Interest

There were no disclosable pecuniary interests.

62. Minutes of Previous Meeting

The minutes of the meeting held on 27th January 2020 were agreed and signed as a true record. There were no matters arising.

63. Outstanding Issues

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

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

RESOLVED that the Outstanding Issues report be noted.

64. **Work Programme 2019/20**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme of scheduled issues considered by the Committee during the 2019/20 municipal year.

RESOLVED that the Work Programme for 2019/20 be noted.

65. **Informing the Audit Risk Assessment for Coventry City Council Group 2019-20**

The Committee considered a report of the External Auditors, Grant Thornton, the purpose of which was to contribute towards the effective two-way communication between the Council's External Auditors and the Committee as 'those charged with governance'. The report covered some important areas of the auditor risk assessment where the auditor was required to make inquiries of the Committee under auditing standards.

The report indicated that Under International Standards on Auditing (UK) (ISA(UK)) auditors had specific responsibilities to communicate with the Audit and Procurement Committee. ISA(UK) emphasised the importance of two-way communication between the auditor and the Committee and also specified matters that should be communicated. This two-way communication assisted both the auditor and the Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enabled the auditor to obtain information relevant to the audit from the Committee and supported the Committee in fulfilling its responsibilities in relation to the financial reporting process.

As part of their risk assessment procedures, the auditors were required to obtain an understanding of management processes and the Committee's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Going Concern,
- Related Parties, and
- Accounting Estimates.

The report detailed a series of questions on each of these areas and the responses received from the Council's Group management.

The Committee were reassured by the auditor's clarification that the responses received had not flagged up any areas of concern/ risk.

RESOLVED that, having considered and agreed that the responses are consistent with their understanding, the Committee noted the contents of the report.

66. **PSAA Publications on Audit Market**

The Committee considered an item submitted by the External Auditor concerning a letter sent to the Council's Section 151 Officer which summarised the local audit position in relation to the three financial years spanning 2018-21. A copy of the PSAA 'Future Procurement and Market Supply Options Review' final report was also provided.

The letter informed that by this time of the year it would have been expected that the vast majority of audits of 2018/19 accounts to have been completed. However, at the end of January there remained nearly 80 opinions still outstanding. This presented a significant concern going forward. In response an independent research had been commissioned into the sustainability of the audit market.

One of the consequences of the multiple pressures and challenges which had arisen in the 2018/19 audits was an increase in the number of proposed fee variations for additional audit work.

The letter indicated that the PSAA was working with auditors to address two major concerns regarding the planned timetable for when audits would be taking place and any likely fee variations. In addition, the PSAA was currently consulting on the scale of audit fees for the current year, which had to be set ahead of the commencement of the 2019/20 audits. Reference was made to a potential series of new developments which were likely to impact on audit including revised auditing and accounting standards as well as a new Code of Audit Practice.

An appendix to the letter explained PSAA's approach to fees more fully and set out the importance of revising scale fees where new developments or other local factors had clear ongoing implications.

The Committee considered the PSAA 'Future Procurement and Market Supply Options Review' final report, which found that the sustainability of audit supply would be difficult to achieve and would depend to a great extent on factors outside the PSAA's control. Research had identified a lack of experienced local authority auditors as the main threat to the future sustainability of the market. It was not clear how the future supply chain of auditors would compensate for the retirement of the current cohort of partners, directors and senior managers. In addition, external auditing was seen as an increasingly unattractive career option, and local auditing was seen as unattractive in relation to corporate auditing. Also, it was difficult to bring non-approved firms into the market. The report set out the options available to the PSSA.

The Committee discussed the current situation regarding the future of audit supply and reference was made to a current Government review of the issue.

RESOLVED that:

- (1) The contents of the letter and PSSA report be noted.**
- (2) The results of the current review concerning the future of Local Government Audit be submitted to a future meeting.**

67. **2019/20 Third Quarter Financial Monitoring Report (to December 2019)**

The Committee considered a report of the Deputy Chief Executive (Place), which set out the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity at Quarter 3 of the 2019/20 financial year (to December 2019).

The Committee noted that the report had previously been considered by Cabinet at its meeting held on 18th February 2020

The report indicated that Cabinet approved the City Council's revenue budget of £231.5m on the 19th February 2019 and a Directorate Capital Programme of £195.4m. The headline revenue forecast for 2019/20 was for a net underspend of £1.9m. At the same point in 2018/19 there was a projected underspend of £1.8m. The headline capital position reports £20.6m of expenditure rescheduled into 2020/21.

The largest areas of budget pressure were within services for Children and Young People and Housing and Homelessness which were projecting overspends of £2.6m and £3.2m respectively. These were offset by a significant underspend within central and contingency budgets.

The Council's capital spending was projected to be £215.9m, a reduction of £2.8m since the quarter 2 forecast, which included major scheme expenditure including investment in the A46 Link Road, Whitley South infrastructure and the National Battery Plant.

RESOLVED that the proposals in the report be noted and the Committee indicate that they have no recommendations for Cabinet.

68. **Quarter Three Internal Audit Progress Report 2019/2020**

The Committee considered a report of the Deputy Chief Executive (Place) which provided an update on the internal audit activity for the period April to December 2019, against the Internal Audit Plan for 2019-20. This was the second monitoring report of the current year.

The report indicated that the key target facing the Internal Audit Service was to complete 90% of its work plan by the 31st March 2020. A chart set out in the report provided analysis of progress against planned work for the period April to December 2019. As at the end of this period the Service had completed 59% of the Audit Plan against a planned target of 75%. Whilst it was acknowledged that progress in quarter three remained below target, it was the Chief Internal Auditor's view that, based on an assessment of progress made at the end of January 2020, the Service was on track to meet its key target by the end of 2019-20.

At the meeting on 11th November 2019 the Committee noted that the Internal Audit Plan had been amended to 460 days which reflected the current best estimate of available resource. During quarter three close monitoring had continued and the plan had been amended to 440 days. This reduction had been accommodated by postponing a small number of audits until 2020/21 and changes in operational requirements.

In relation to the other Key Performance Indicators (KPIs) for the Internal Audit Service, the report included a summary of the performance for 2019-20 to date against the five KPIs, with comparative figures for the financial year 2018-19. Currently, all the indicators were close to / above target.

In relation to the other Key Performance Indicators (KPIs) for the Internal Audit Service, the report included a summary of the performance for 2019-20 to date against the five KPIs, with comparative figures for the financial year 2018-19. Currently, all the indicators were close to / above target. Performance Management continued to be a key focus.

The report set out a list of audits finalised between October and December 2019 along with the level of assurance provided. The following audits were currently in progress:

- Audits at Draft Report Stage – Sports and Arts grants process
- Audits On-going – Adult Social Care Workflow Processes, Health and Safety Audit Programme, IT Disaster Recovery and Business Continuity, Business Rates, CareDirector, Tribunals for Special School Places, Selective and Additional Licensing.

Details of a selection of key reviews completed in this period were set out at an appendix to the report. In all cases, the relevant managers had agreed to address the issues raised in line with the timescales stated. Following the findings of the audit review of St Osburg's Primary School, arrangements had been made with finance colleagues to support the School to address the issues raised. The Internal Audit Service would be undertaking a formal follow up review to obtain assurance that actions had been progressed before the end of this academic year. A request was made for a follow up report regarding St Osburg's Primary School.

RESOLVED that:

(1) The performance as at quarter three against the Internal Audit Plan for 2019-20 be noted.

(2) The summary findings of the key audit reviews be noted.

(3) An update on St Osburg's Primary School be included in a future progress report when appropriate.

69. Internal Audit Recommendation Tracking Report

The Committee considered a report of the Deputy Chief Executive (Place) which provided an update on progress made in implementing internal audit recommendations since the last update in March 2019.

The report indicated that the Public Sector Internal Audit Standards required that the "Chief Audit Executive (ie the Chief Internal Auditor) must establish a follow up process to monitor and ensure that management actions have been effectively implemented or that senior management have accepted the risk of not taking action." As reflected within its terms of reference, the Audit and Procurement Committee was required to receive reports on Internal Audit's follow up process.

The report provided an update as to progress in respect of the agreed management actions which have been followed up during the period March 2019 to February 2020.

Currently, there were three key considerations that would determine the follow up procedure adopted, namely:-

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

Overall it was believed that the procedure achieved the right balance between ensuring action was taken in response to risks identified by Internal Audit and allowing the Service to focus on identification of new risks.

The report and appendices set out the results from the latest follow up exercise, indicating that of the 188 actions followed up, 62% had been implemented based on both the formal and self-assessment follow up method. When analysed by follow up method, the results were that formal follow up method had a 63% implementation rate and self-assessment follow up method had a 61% implementation rate.

In relation to self-assessment, the implementation rate of 61% reflected a reduction when compared to the last three years. Whilst there could be a number of factors which had contributed to this, particular reference was made to the introduction of a new template form to assist managers to undertake the self-assessment and face to face meetings held in some cases may have assisted managers to reach more appropriate conclusions on the level of progress made. Given that the current rate of implementation was comparable to that of the formal follow up method, it was viewed that the self-assessment process was fit for purpose at the current time.

No validation checks had been undertaken on self-assessment responses in 2019-20 due to other priorities within the Internal Audit Service. Due to the reported rate of implementation, this was not considered a significant risk at the current time. In relation to dealing with outstanding actions, after the follow up had been completed, the results were collated within Internal Audit. If progress was not consistent with expectations, audit management would determine the next course of action, details of which were outlined in the report. Proposed actions for the audits where recommendations remain outstanding were highlighted within Appendices to the report.

The Committee agreed to highlight the importance of managers undertaking audits.

RESOLVED that:

(1) The progress made in implementing audit recommendations be noted and satisfaction with this and the proposed action by the Acting Chief Internal Auditor for Internal Auditor for audits where actions remain outstanding be confirmed.

(2) All managers be requested to ensure that the importance of audit work is acknowledged, with audits being carried out as required.

70. Code of Corporate Governance

The Committee considered a report of the Director of Finance and Corporate Services which summarised the outcome of review work carried out during the past year on the Council's Code of Corporate Governance which would inform the Annual Governance Statement to be presented to the Committee in June as part of its consideration of the Statement of Accounts for 2019/20.

The report indicated that the City Council had a range of measures in place to ensure that governance in the organisation was managed effectively and worked hard to ensure that these arrangements were robust and met best practice. This was achieved through a range of policies, plans, procedures such as the Constitution (including codes of conduct for Members and employees), the Council Plan, the Medium-Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption and managing risk. The Council updated its Code of Corporate Governance in April 2017 to reflect national guidance and best practice. A copy of the Code was set out at an appendix to the report. The Code provided a framework against which the organisation's governance arrangements could be assessed to ensure that the principles of the code were being met, that there were systems and processes in place to measure their effectiveness and that gaps in policies, performance or assurance were identified and appropriate actions developed.

The Council had introduced a Corporate Governance Board to ensure the Council's governance arrangements were kept under review and amended and updated to reflect best practice and ensure they were effective. Local authorities were required to conduct a review at least once every financial year of the effectiveness of their governance framework and to report on this review with its Statement of Accounts. The Committee was responsible for approving the Annual Governance Statement alongside the Statement of Accounts. The Code of Corporate Governance was one element in informing this process.

Progress made on strengthening the Council's governance arrangements and meeting the standards set out in the Code during the last year had included:

- Review and update of the Member Code of Conduct;
- Launch of a "Cause for Concern" page on the intranet to improve signposting for concerns including whistleblowing, fraud and corruption;
- Introduction of a new Equality, Diversity and Inclusion Policy
- A review of Contract Procedure Rules for consideration by Council;
- A review of Finance Procedure Rules for consideration by Council.

Further information about the measures undertaken in the past year and the actions planned for the coming year to strengthen the corporate governance arrangements were set out in a second appendix to the report.

RESOLVED that the progress and next steps being considered to maintain sound corporate governance arrangements be noted.

71. Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2019

The Committee considered a report of the Deputy Chief Executive (Place) which reported on the Council's use of the Regulation of Investigatory Powers Act 2000 (RIPA), which governed the acquisition and disclosure of communications data and the use of covert surveillance by local authorities.

The report indicated that the Council used powers under RIPA to support its core functions for the purpose of prevention and detection of crime where an offence may be punishable by a custodial sentence of 6 months or more or were related to the underage sale of alcohol and tobacco. There were three processes available to local authorities under RIPA: the acquisition and disclosure of communications data; directed surveillance; and covert human intelligence sources.

The report detailed the procedures that local authorities must follow when applying to use RIPA powers. The Council's Monitoring Officer maintained oversight of the RIPA arrangements and was responsible for the integrity of the Council's process for managing the requirements under RIPA.

2019 saw the implementation of Part 3 of the Investigatory Powers Act 2016 (IPA). The introduction of this legislation had seen the most significant change to the acquisition of communications data in recent years. The IPA consolidated all existing powers available to law enforcement and other agencies. It radically overhauled the way these powers were authorised and overseen. The legislation also ensured that the powers conveyed were fit for the fast-moving digital age that we live in. The IPA had introduced the Office for Communications Data Authorisation (OCDA) which was now responsible for independently authorising all applications for communications data. This had removed the requirement for local authorities to seek judicial approval for communications data. In addition, the legislation had broadened the range of communications data available including access to location data.

The acquisition of communications data was undertaken through the National Antifraud Network (NAFN). They acted as the single point of contact for many local authorities and ensured the application was RIPA/ IPA compliant.

Details of the applications that the Council had made under RIPA were detailed in the report. For the period 1 January to 31 December 2019 four direct surveillance applications were granted, three were cancelled and one was extant at the end of the year. The Committee noted that all of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime. There were no reported instances of the Council having misused its powers under the Act. No applications for the disclosure of communications data were made during the period.

The Committee questioned the officer on several issues, including the use of minors in connection with underage sales of alcohol and/or tobacco and the options for using surveillance to assist with the problems of fly-tipping.

RESOLVED that:-

- 1) The Council's use and compliance with the Regulatory and Investigatory Powers Act be approved.**
- 2) The Cabinet Member for Policing and Equalities be requested to consider the issue of using surveillance in response to incidents of fly-tipping.**

72. Post of Director of Law and Governance - Salary Approval

The Committee considered a report of the Chief Executive which sought approval for an annual salary package in excess of £100,000 for the post of Director of Law and Governance. This was in line with statutory guidance issued by the Secretary of State under Section 40 of the Localism Act 2011 and the Council's Pay Policy statement.

The report indicated that the Chief Executive had suggested changes in relation to the senior management structure in order to meet the changing organisational needs, secure sufficient capacity at a senior level and ensure it was fit for purpose. The post of Head of Legal Services had been amended to also include the responsibility, accountability and management of the governance of the Council. These additional duties had resulted in a proposed change in grade and therefore salary. These changes had been subject to consultation with both the officer concerned and the trades unions.

The Director of Law and Governance would now be responsible for:
Legal Services, including acting as City Solicitor
Act as Proper Officer for Registrars
Monitoring Officer
Governance, including Member Services

The Business Case for the post was set out at an appendix to the report, which identified that the post of Director of Law and Governance should be graded at Grade AD1, the salary range for which was £97,929 to £106,130.

The Committee discussed the reasons behind the change to the post, including the existing and new management structure, and the issue of Cabinet Member involvement in the process.

RESOLVED that:

- (1) Approval be given for a salary range of up to £106,130 pa for the post of Director of Law and Governance.**
- (2) Future reports to include details of existing and future management structures.**
- (3) For future reports, consideration to be given to the involvement of the relevant Cabinet Member(s).**

73. **Any other items of public business - Request for Additional Report**

The Chair, Councillor Lakha, placed on record his thanks to members and officers for all their work and support throughout the year.

He requested a report/ briefing note about the risk management/ mitigation concerning COVID-19 at an appropriate time in the new municipal year.

RESOLVED that a report/ briefing note concerning risk management/ mitigation relating to COVID-19 be submitted to a future meeting.

(Meeting closed at 4.15 pm)

Audit and Procurement Committee

19th October 2020

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor J Mutton

Director approving submission of the report:

Director of Law and Governance

Ward(s) affected:

N/A

Title:

Outstanding Issues

Is this a key decision?

No

Executive summary:

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

Recommendations:

The Committee is recommended to:

1. Consider the list of outstanding items as set out in the Appendices to the report, 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 to the report, be confirmed as discharged and removed from the outstanding issues list.

List of Appendices included:

Appendix 1 - Further Report Requested to Future Meeting

Appendix 2 - Information Requested Outside Meeting

Other useful background papers:

None

Has it or will it be considered by scrutiny?

No

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

No

Will this report go to Council?

No

**Report title:
Outstanding Issues**

1. Context (or background)

- 1.1 In May 2004, the City Council adopted an Outstanding Minutes system, linked to the Forward Plan, to ensure that follow-up reports can be monitored and reported to Members.
- 1.2 At their meeting on 25th January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, a report be submitted to each meeting detailing those additional reports requested to a future meeting along with details of additional information requested outside 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 to the report sets out items where additional information was requested outside 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

Service:

Law and Governance

Tel and email contact:

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

Enquiries should be directed to the above person.

| Contributor/approver name | Title | Service | Date doc sent out | Date response received or approved |
|--|--------------|----------------|--------------------------|---|
| Contributors: | | | | |
| - | | | | |
| Names of approvers: (Officers and Members) | | | | |
| - | | | | |

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Appendix 1

Further Reports Requested to Future Meetings

| | 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. | Corporate Risk Register Update The Committee's suggestion that consideration be given to Risk 020 relating to Brexit being rated as red and a report be prepared for Committee in due course. | Minute 54/19 27 th January 2020 | To be confirmed | Paul Jennings | | |

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

Information/Action Requested Outside Meeting

| | Subject | Minute Reference and Date Originally Considered | Information Requested / Action Required | Responsible Officer | Date Completed |
|----|---|---|---|-----------------------------------|----------------|
| 1. | Procurement and Commissioning Progress Report – Future Reporting Arrangements | Minute 22/18 16 th July 2018 and Minute 45/19 11 th November 2019 | Discussion be held with the Chair of the Committee to determine the most appropriate format and submission of future reports. To include clarity of the role of the Committee in considering the reports. | Karen Tyler/ Mick Burns | Ongoing |
| 2. | Corporate Risk Register Update | Minute 54/19 27 th January 2020 | 1) Members be provided with a copy of the current risk matrix rationale. 2) A position statement be circulated setting out the current situation in relation to the Council and Brexit preparations. | Roger Martin Paul Jennings | |

Work Programme 2020-21

19th October 2020

Internal Audit Annual Report 2019-20
Annual Governance Statement 2019-20
Revenue and Capital Out-turn 2019-20
Quarter One Revenue and Capital Monitoring Report 2020-21
RIPA (Regulation of Investigatory Powers Act) Annual Report 2020
Consideration of Approval of Severance Package (private)
Consideration of Approval of Severance Package (private)

30th November 2020

Audited Statement of Accounts 2019-20
Audit Findings Report 2019-20 (Grant Thornton)
Internal Audit Plan 2020-21
Annual Fraud and Error Report 2019-20 (including Whistleblowing)
Audit and Procurement Committee Annual Report 2019-20
Six monthly Procurement Progress Report 2020-21 (private)

25th January 2021

Third Quarter Internal Audit Progress Report 2020-21
Treasury Management update
Annual Audit Letter 2019-20 (Grant Thornton)
Quarter Two Revenue and Capital Monitoring Report 2020-21
External Audit Plan Year Ending March 2021 (Grant Thornton)
Half yearly Fraud and Error Update 2020-21

15th March 2021

Corporate Risk Register Update
Quarter Three Revenue and Capital Monitoring Report 2020-21
Complaints to the Local Government and Social Care Ombudsman 2019-20
Information Governance Annual Report 2020
Informing the Audit Risk Assessment for Coventry City Council Group 2020-21 (Grant Thornton)
Code of Corporate Governance

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

19th October 2020

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director Finance & Corporate Services

Ward(s) affected:

City Wide

Title:

Internal Audit Annual Report 2019-20

Is this a key decision?

No

Executive summary:

This report to the Audit and Procurement Committee has two purposes:

- To summarise the Council's Internal Audit activity for the period April 2019 to March 2020 against the agreed Audit Plan for 2019-20 and the Public Sector Internal Audit Standards.
- To provide the Audit and Procurement Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2019-20 (as documented in section 2.3 of this report).

Recommendations:

Audit and Procurement Committee is recommended to note and consider:

1. The performance of Internal Audit against the Audit Plan for 2019-20.
2. The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.
3. The summary findings of key audit reviews (attached at appendix two) that have not already been reported to Audit and Procurement Committee during municipal year 2019-20 and

which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.

4. The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's internal control environment.

List of Appendices included:

Appendix One - Audits completed in 2019-20

Appendix Two - Summary findings from key audit reports

Background papers:

None

Other useful documents:

Half Year Internal Audit Progress Report 2019-20

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12091&Ver=4>

Internal Audit Plan 2019-20 – Quarter Three Progress Report

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12093&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:

Internal Audit Annual Report 2019-20

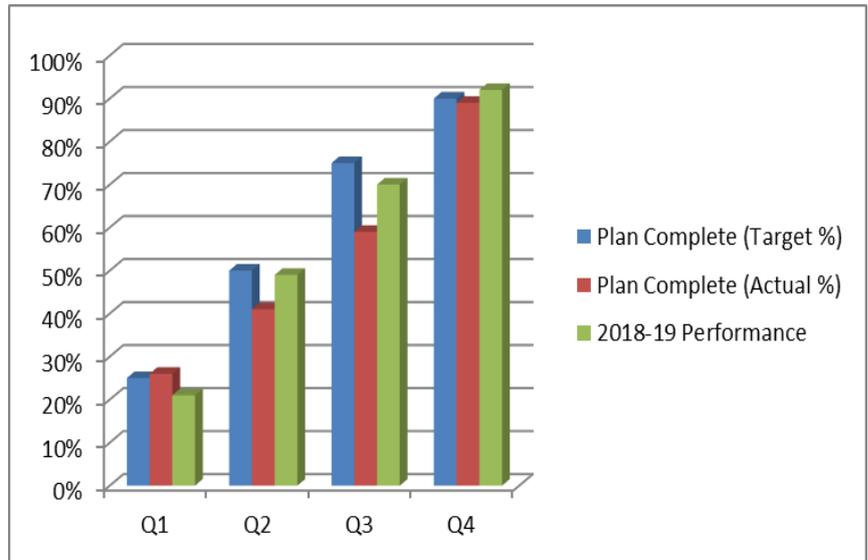
1. Context (or background)

- 1.1 The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2019-20 at its meeting on the 24th June 2019. During the last financial year, the Committee has received progress reports summarising completed audit activity in November 2019 and March 2020.
- 1.2 This report details the performance of the Internal Audit Service against the Plan for 2019-20, which is presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference - *“To consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts”*.
- 1.3 The report is split into the following sections:
- Assessment of the performance of the Internal Audit Service against its key targets.
 - The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.
 - A summary of the audit activity in 2019-20 and highlighting issues that have not been reported to the Audit and Procurement Committee previously and are relevant to the overall opinion.
 - The Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.

2. Options considered and recommended proposal**2.1 Performance of the Internal Audit Service**

- 2.1.1 The key target for the Internal Audit Service is to complete 90% of its agreed work plan by the 31st March 2020. During 2019-20, the audit plan was subject to revision due to unplanned absence in the Team / implementation of the restructure, which the Audit and Procurement Committee were previously advised of. As a result, the performance of the Service has been assessed against the revised audit plan of 440 days. As illustrated by the chart overleaf, the service delivered 89% of this plan.

Chart One: Performance of Internal Audit 2019-20



Whilst it is recognised that the performance is slightly below target, this was solely due to the impact of Covid-19 in March 2020 which led to delays in finalising two draft audit reports by the 31st March 2020 (both reports have since been agreed.) In respect of the other remaining four audits which formed part of the 2019-20 audit plan and which were not completed by the end of March 2020, two have now been finalised and two were postponed due the pandemic (and will be rescheduled as appropriate.)

2.1.2 In addition to the delivery of the Plan, the Service has a number of other key performance indicators (KPIs) which underpin its delivery. These KPIs are aimed at ensuring that the audit process is completed on a timely basis. The table below details the performance of Internal Audit for 2019-20, compared with performance in 2018-19.

Table One: KPIs for the Internal Audit Service

| Performance Measure | Target | Performance 2019-20 | Performance 2018-19 |
|--|--------|---------------------|---------------------|
| Planned Days Delivered | 100% | 95% | 94% |
| Productive Time of Team (% of work time spent on audit work) | 90% | 88% | 91% |
| Draft Report to Deadline (Draft issued in line with date agreed) | 80% | 85% | 84% |
| Final Report to Deadline (Final issued within 4 weeks of draft) | 80% | 88% | 82% |

| | | | |
|--|-----|-----|-----|
| Audits Delivered within Budget Days | 80% | 79% | 77% |
|--|-----|-----|-----|

Whilst all performance measures are close to or above target, these remain a key area of focus for the Service, as part of the Quality Assurance and Improvement Programme (see 2.2 below).

2.2 **Quality Assurance Improvement Programme**

2.2.1 The Public Sector Internal Audit Standards require that the Internal Audit Service develops and maintains a quality assurance programme that covers all aspects of the internal audit activity. In 2019-20, the Programme included the following:

- On-going supervision and review of audit work including the use of quality review checklists to provide a formal assessment of the quality of the work undertaken and identify areas for improvement.
- Results of staff performance appraisals.
- Support and induction for new members of staff.
- Continued focus on planning and time management to deliver audits in budget days through weekly team meetings.

2.2.2 As a result of the Programme, a number of improvement actions have been identified, which are summarised in table two below. These include actions where progress was delayed in 2019-20 due to the recruitment and induction of new staff, alongside responding to ad hoc requests for work from senior management during the year. Forthcoming progress against these actions will be included in future reports to the Audit and Procurement Committee.

Table Two: Internal Audit Improvement Actions

| Public Sector Internal Audit Standards | Specific Standard | Improvement Action |
|---|---|--|
| Code of Ethics | Competency | Development of a training strategy for Internal Audit and skills matrix |
| Attribute standards | Purpose, authority and responsibility | Review and update of the Internal Audit Charter |
| Attribute standards | Proficiency and due professional care | Continuing to develop knowledge of available technology based audit and data analysis techniques to perform audit work |
| Attribute standards | Quality Assurance and Improvement Programme | Planning for a full external assessment against the Public Sector Internal Audit Standards to be undertaken. |
| Attribute standards | Quality Assurance and Improvement Programme | Introduction of a formal mechanism for capturing customer feedback |
| Performance standards | Managing the Internal Audit activity | Review and update of the Internal Audit Manual |

2.2.3 In considering the results of the quality assurance and improvement programme, it has been concluded that the Internal Audit Service partially conforms with the Public Sector Internal Audit Standards and it is recognised that there are improvement opportunities to achieve full conformance. Where improvements have been identified, it is not considered that this impacts on the overall scope or operation of the internal audit activity.

2.3 **Audit Activity 2019-20**

2.3.1 Appendix One details the audit reviews that have been carried out in the financial year 2019-20 along with the level of assurance provided. Table three below provides definitions to support the level of assurance applied to audit reviews carried out by the Service.

Table Three: Definitions of Assurance Levels

| Assurance Opinion | What does this mean? |
|--------------------------|--|
| Significant | There is an appropriate level of control for managing all the significant inherent risks within the system. Testing shows that the controls are being applied consistently and system objectives are being achieved efficiently, effectively and economically. |
| Moderate | There are generally appropriate levels of control for managing the majority of the significant inherent risks within the system. Some control failings have been identified from the systems evaluation and testing that need to be corrected. The control failings do not put at risk achievement of the system's objectives. |
| Limited | There are weaknesses in the level of control for managing the significant inherent risks within the system. A number of control failings have been identified from the systems evaluation and testing. These failings show that the system is clearly at risk of not being able to meet its objectives and significant improvements are required to improve the adequacy and effectiveness of control. |
| No | There are major, fundamental weaknesses in the level of control for managing the significant inherent risks within the system. The weaknesses identified from the systems evaluation and testing are such that the system is open to substantial and significant error or abuse and is not capable of meeting its objectives. |

2.3.2 **Other** – A summary of the findings of key audits that have not already been reported to the Committee during municipal year 2019-20 are included at Appendix Two. In all cases, the relevant managers have agreed to address the issues raised in line with the timescale stated. These reviews will be followed up in due course and the outcome reported to the Audit and Procurement Committee.

2.3.3 **Follow up of Disclosures made in the Internal Audit Annual Report 2018-19** – In the previous annual report, the Chief Internal Auditor identified a number of areas where she believed significant control improvements were required. An update on each of these areas is provided below:

- **Homelessness** – This disclosure was based on the findings of the 2018-19 review of the Council's processes to prevent and relieve homelessness, along with the need for

the refreshed Housing and Homeless Strategy and new roles within the Service to become embedded. In 2019-20, there has continued to be a significant increase in demand. However, new initiatives such as the introduction of Housing First and the Council's new temporary accommodation solutions are expected to make significant inroads on the Council's financial pressures moving forward. This remains a key area of focus (including a further Internal Audit review planned in 2020-21) and as Covid-19 has added greater risk and complexity to this key activity, this issue has been considered in the preparation of the Annual Governance Statement for 2019-20.

- **Controls over accessing system data** – This disclosure was based on the findings of a review of the Council's arrangements to govern employee's use of ICT systems holding personal / sensitive data. During 2019-20, a working group was established to review standards and facilities in key systems and a protocol and checklist have been drafted. However, as a new corporate data access standard has yet to be implemented, this issue has been considered in the preparation of the Annual Governance Statement for 2019-20.
- **Delivery of the IT Strategy** – This reflected the requirement for an updated IT Strategy and the findings of a review of the Council's IT Strategy, Policies and Procurement undertaken in 2018-19. The updated Strategy was approved by Cabinet in October 2019 and is aligned to the One Coventry approach. It also reflects requirements stemming from the Medium-Term Financial Strategy, the One Coventry Council Plan, City of Culture and the Digital Coventry Strategy, whilst also recognising the need for robust cyber security arrangements. The Strategy now forms part of the business as usual activity of the Council.

2.4 **Annual Report - Opinion on the Overall Adequacy and Effectiveness of Coventry City Council's Internal Control Environment**

2.4.1 The Public Sector Internal Audit Standards (PSIAS) highlights that a key responsibility of Internal Audit is to provide an objective evaluation of, and assurance on, the effectiveness of the organisation's risk management, control and governance arrangements. It requires that the annual internal audit opinion provided by the Chief Internal Auditor is a key element of the framework of assurance that informs the Annual Governance Statement.

2.4.2 Given the above, an Internal Audit Charter was approved in April 2013, requiring the Internal Audit Annual Report to include the following information:

- An opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.
- Disclosure of any qualifications to that opinion, together with the reason for the qualification.
- Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on the work of other assurance bodies.
- Draw to the attention of the Audit and Procurement Committee any issues particularly relevant to the preparation of the Annual Governance Statement.

2.4.3 **Audit Opinion / Disclosures** – In the Chief Internal Auditor's view, sufficient assurance work has been carried out to allow her to form a reasonable conclusion on the adequacy and effectiveness of Coventry City Council's internal control environment. Whilst there has been some impact on the total number of individual audits carried out in 2019-20 as a

result of the revised audit plan of 440 days (in comparison to 480 days in 2018-19), sufficient assurance work across the areas which are key to forming the annual audit opinion (i.e. audits of key financial systems, reviews linked to the management of corporate risks and follow up reviews) has been carried out.

It is the Chief Internal Auditor's opinion that **moderate assurance** can be provided that there is generally a sound system of internal control in place designed to meet the Council's objectives. This means that there is generally an appropriate level of control for managing the majority of the significant inherent risks to the Council's objectives to a reasonable level. Through Internal Audit work, actions are agreed to improve the control environment and assist the Council in achieving its objectives. A defined process exists within the Service to gain assurance that all actions agreed have been implemented on a timely basis.

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

The audit opinion covers the adequacy and effectiveness of Coventry City Council's internal control environment during the financial year 2019-20. Due to the pandemic, it is inevitable that some changes to the normal operation of controls were required during March 2020. In response, a log of internal control issues which have arisen has been maintained by Internal Audit to ensure the ongoing effectiveness of the system of internal control, including agreeing compensating controls where required. Examples of this include:

- Advising on arrangements for issuing purchasing cards whilst staff are working from home to protect against fraud and misappropriation of cards.
- Agreement of controls to enable payments to be made to home support providers to support cashflow and who cannot submit invoices due to covid-19.
- Arrangements to enable the Schools Finance Team to undertake year end processes on behalf of schools whilst maintaining appropriate separation of duties and an audit trail of actions.

Whilst this approach has provided assurance that arrangements in March 2020 continued to be appropriate, there is clearly a risk that due to the on-going nature of the situation, the pandemic may impact on the annual audit opinion for 2020-21.

2.4.4 In addition to advising on internal controls as detailed above, the Internal Audit Service have contributed directly to the Council's response to the pandemic through:

- Providing support to services on the set up of grant schemes to minimise the risk of fraud and error.
- Undertaking a lead role in providing assurance on the Small Business Grant Fund, the Retail, Leisure and Hospitality Grant Fund and the Local Authority Discretionary Grant Fund to both the Council and the Department of Business, Energy and Industrial Strategy.
- Undertaking investigations in respect of grant funding where fraud is suspected.

- Development of a process to provide governance over requests to the Council to provide supplier relief in response to Procurement Policy Notes issued by the Cabinet Office and a member of the Supplier Relief Panel who consider all such requests.

More details on this work will be provided to the Audit and Procurement Committee in future reports covering the 2020-21 financial year.

2.4.5 **Audit work undertaken** – Appendix One details the audit reviews that have been carried out in the financial year 2019-20 along with the level of assurance provided. In considering the outcome of audit activity for 2019-20, an assessment is initially made of the number of 'limited' or 'no' assurance audits (as these require immediate improvements) in comparison with the results from the previous two years.

Table Four: Comparison of Audit Assurance Levels

| Financial Year | Number of Audits | Number of Audits With 'limited' or 'no' Assurance | Percentage of Audits with 'limited' or 'no' Assurance |
|----------------|------------------|---|---|
| 2019-20 | 49 | 8 | 16% |
| 2018-19 | 60 | 5 | 8% |
| 2017-18 | 65 | 7 | 11% |

Table four above indicates that there is a slightly higher percentage of audits with "limited" or "no" assurance in 2019-20 in comparison to the previous two years. However, in the Chief Internal Auditor's opinion this remains at an appropriate level in regards to providing an opinion of moderate assurance on the overall control environment, based on the definition of assurance in table three in section 2.3.1. Other factors that have been considered in the assessment of the control environment include:

- The impact that the weaknesses identified have on the overall Council control environment - When considering the eight reviews, they fall into one of the following categories:
 - Reviews that are focused on working practices in specific services / functions.
 - Reviews where issues have a corporate impact either in terms of finance, reputation and / or service delivery.
- Whether there is any specific change in audit focus / approach that may have impacted on the number of 'limited' or 'no' assurance audits – there are two aspects to this, namely:
 - A small number of fact-finding reviews have been undertaken as in some circumstances this approach is viewed as a more appropriate way of responding to identified /emerging risks. This includes reviews linked to providing advice around proposed changes to systems and the assessment of risks and as such, an assurance level is not provided given the specific scope of such reviews.
 - In 2019-20, the audit plan included a small number of reviews arising from specific requests from management to provide assurance as concerns already existed that improvements were required to manage risks effectively.

2.4.6 Issues relevant to the preparation of the Annual Governance Statement – In undertaking the assessment of the Council's internal control environment, the Chief Internal Auditor has identified a number of areas that, in her opinion, need to be considered when the Council produces its Annual Governance Statement for 2019-20.

From a general point of view, whilst any audit where '*limited*' or '*no*' assurance was provided requires attention, an assessment is also made as to whether the review has a significant corporate impact and consequently needs to be considered in the producing the Annual Governance Statement, or whether the review is limited to specific working practices in service areas which do not have a wider bearing on the Council's control environment.

In terms of key issues identified, the following are highlighted:

1. Health and Safety Audit Programme – This reflects the findings of a review of the Council's audit arrangements in regards to health and safety, which is summarised at Appendix Two. The review highlighted the need for improvements to the audit element of the Council's overall Audit, Inspection and Monitoring Programme which is in place to provide effective management of health and safety risks by providing independent assurance around compliance with legislation and identifying actions for improvement.

2. IT Disaster Recovery – This reflects the findings of a review of the Council's IT disaster recovery arrangements, which is summarised at Appendix Two and the recognition that further development of systems and arrangements is required to ensure the Council has effective and robust systems in place for IT disaster recovery and business continuity, especially given the reliance on IT within the modern working environment.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable associated with this report, although the opinion of the Chief Internal Auditor on the adequacy of the Council's internal control environment is a key source in the preparation of the Annual Governance Statement.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial Implications

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

5.2 Legal implications

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement alongside the Statement of Accounts. The opinion of the Acting Chief Internal Auditor on the adequacy of the Council's internal control environment as included in the Annual Report is a key source in the preparation of the Annual Governance Statement. Reporting on progress in regards to

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

6. Other implications

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

Internal Auditing is defined in the Public Sector Internal Audit Standards as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes". As such the work of Internal Audit is directly linked to the Council's key objectives / priorities with specific focus agreed on an annual basis and reflected in the annual Internal Audit Plan.

6.2 How is risk being managed?

In terms of risk management, there are two focuses:

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

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) climate change and the environment

No impact

6.6 Implications for partner organisations?

None

Report author(s):

Name and job title:

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Finance and Corporate Services

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| Contributor/approver name | Title | Service | Date doc sent out | Date response received or approved |
|---|--|--------------------------------|--------------------------|---|
| Contributors: | | | | |
| Michelle Salmon | Governance Services Officer | Law and Governance | 1/10/2020 | 1/10/2020 |
| Paul Jennings | Finance Manager Corporate Finance | Finance and Corporate Services | 1/10/2020 | 1/10/2020 |
| Names of approvers: (officers and members) | | | | |
| Barry Hastie | Director of Finance and Corporate Services | - | 1/10/2020 | 6/10/2020 |
| Councillor G Duggins | Cabinet Member for Policy and Leadership | - | 8/10/2020 | 8/10/20 |

This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix One – Internal Audit Reviews Completed in 2019-20

| Audit Area | Audit Title | Assurance |
|-----------------------------------|--|--------------------------------|
| 2018-19 B/Fwd | Housing Benefits | Significant |
| | Business Rates * | Moderate |
| | ICT Strategy, policies and procurement | Moderate |
| | Passenger Transport Follow Up * | Limited |
| Corporate Risk | Car park passes | Fact finding |
| | Health and Safety audit programme | Limited |
| | Management compliance with HR procedures – Children’s Services * | Limited |
| Council / Audit Priorities | System upgrades / development project and change management | Significant |
| | IT Disaster Recovery and business continuity | Limited |
| | Council Plan performance – data quality * | Moderate |
| Financial Systems | Agency Workers Contract | Moderate |
| | Accounts receivable | Significant |
| | Payroll | Significant |
| | Council tax | Significant |
| | Business rates | Moderate |
| | Housing Benefits | Significant |
| | CareDirector (income and expenditure) | Moderate |
| | Annual governance statement | n/a Annual Review |
| Regularity | Declarations of Interest | n/a Annual Review |
| | Risk Management | Moderate |
| | Coventry North Regeneration | Significant |
| | North Coventry Holdings | Moderate |
| | Growth Deal Hub Grant | n/a verification |
| | Disabled Facility Grant | n/a verification |
| | Additional Disability Grant | n/a verification |
| | S256 Health Grant | n/a verification |
| | Troubled Families Claims | n/a verification |
| | Sherbourne Fields Teaching Grant | n/a verification |
| | Teachers Pension Statements | n/a verification |
| | Post 16 School Funding | n/a verification |
| | Bus Subsidy Grant | n/a verification |
| | Parking Platform Grant | n/a verification |
| | Integrated Transport Block Grant | n/a verification |
| | Highways Maintenance Grant | n/a verification |
| | Directorate issues | Alder Moor Farm Primary School |
| Grange Farm Primary School | | Moderate |
| St Osburg’s Primary School * | | None |
| Coroners Review | | Fact Finding |
| Follow Up | Community Support Grant – controls over vouchers | Significant |
| | Tribunals for Special School Places | Significant |
| | Eric Williams House - Controls over Cash * | Moderate |
| | Trading Standards Exercise of Warrants | Fact Finding |
| | Grants Process (Cultural Grants) | Limited |
| | Additional and Selective Licensing | Fact Finding |
| Follow Up | Homelessness Prevention and Relief | Fact Finding |
| | Frederick Bird Primary School * | Significant |

| Audit Area | Audit Title | Assurance |
|------------|---|-----------|
| | S17 Children's Services Financial Culture | Moderate |
| | Access to Council Buildings | Limited |

(*) Audit findings reported to Audit and Procurement Committee during municipal year 2019-20

Appendix Two – Summary Findings from Key Audit Reports

| Audit Review / Actions Due / Responsible Officer(s) | Key Findings |
|---|--|
| <p>Health and Safety – Audit Programme</p> <p>June 2020 (delayed due to impact of Covid-19)</p> <p>Service Manager Occupational Health, Safety and Wellbeing Services</p> | <p>Overall Objective: To ensure that the Council has effective audit arrangements in place which provide appropriate assurance around compliance with health and safety and contributes towards the improvement of safe systems of work.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - The scope of the Health and Safety audit programme is effective and reflects the pragmatic assessment of risk. - The planned programme of audit work is complied with, with processes in place to ensure the quality of audits undertaken. - A robust framework is in place to monitor and report on the implementation of actions agreed as a result of each audit. <p>Opinion: Limited Assurance</p> <p>Agreed Actions – risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • Take steps to incorporate an assessment of the level of resources available into the audit planning process. (H) • Develop a systematic approach to using incident reporting data to inform the audit programme. (M) • Ensure that the annual audit programme accurately reflects the agreed approach to the audit of service area action plans. (H) • Ensure that the school audit programme is updated following each audit to accurately reflect when the next audit is due. (M) • Ensure that the annual audit programme is subject to review and approval by the Occupational Health, Safety and Wellbeing Service Manager. (H) • Ensure that completion of the audit programme is built into the overall plan of work for the Service, with appropriate priority given to completing the programme by the end of each year. (H) • Undertake systematic monitoring of progress made against the audit programme, including agreeing appropriate management actions where there is slippage against the plan and reporting on progress to the Health and Safety Strategy Group and the Joint Health and Safety Forum. (H) • Update the Audit Protocol to provide comprehensive guidance around the audit process. (M) • Ensure that an adequate audit trail is maintained to provide evidence of the quality assurance checks undertaken on completed audits. (M) • Take action to strengthen arrangements over the follow up process. (H) |

| Audit Review / Actions Due / Responsible Officer(s) | Key Findings |
|--|---|
| <p>Sports and Arts – Cultural Grants Process</p> <p>April 2020</p> <p>Head of Sport, Culture and Destination Services</p> | <p>Overall Objective: To ensure the Council has effective systems in place to provide robust governance over grant schemes to support cultural activities within the city.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - Appropriate arrangements are in place to govern the assessment and award of grant applications made which ensures that funding priorities are delivered. - Effective systems are in place to support the payment of grants which have been awarded, including the use of grant aid agreements and the authorisation of payments in accordance with the Council’s scheme of delegation. - Processes are in place to monitor the use of grants by organisations and gain assurance that grants have been spent on their intended purpose, including appropriate management oversight. <p>Opinion: Limited assurance</p> <p>Agreed Actions – risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> • As part of the fundamental review of the grants scheme, define / agree the role of the different officers in the Sports and Arts Service within the governance framework relating to grants, to put the Service in a position to ensure that funding priorities are clearly aligned to decision making and that any potential for vulnerability to fraud is mitigated. (H) • For all new grant schemes, ensure that a complete audit trail is maintained to support the decision-making process in relation to the grant awards made. (H) • Following the completion of the fundamental review of the grants scheme and the implementation of any outcomes from this, ensure that grant aid agreements (or equivalent) are put in place for all grants which are awarded. (H) • As part of the fundamental review of the grants scheme, determine formal arrangements for monitoring the use of core grants, including a process for providing assurance to senior management within the Sports and Arts Service on the results of this monitoring (H) • Develop a structured process for evaluating completed grant schemes and reporting the results of this to senior management within the Sports and Arts Service. (M) |

| Audit Review / Actions Due / Responsible Officer(s) | Key Findings |
|--|---|
| <p>IT Disaster Recovery and Business Continuity</p> <p>April 2021</p> <p>ICT Operational Delivery Manager / Resilience Team</p> | <p>Overall Objective: To ensure the Council has effective and robust systems in place for IT disaster recovery and business continuity.</p> <p>Key controls assessed:</p> <ul style="list-style-type: none"> - A robust IT disaster recovery process is in place including clear plans and other relevant process documentation, with roles and responsibilities assigned and risks identified and documented. - Business impact assessments have been used to inform disaster recovery arrangements, including the various recovery point and recovery time objectives and the maximum tolerable period of outage for the service, as expressed by the business. - IT disaster recovery plans are up to date and are able to serve the Council's wider business continuity management objectives, with IT processes which are sufficiently resilient to enable recovery to take place according to the requirements of the business. - IT disaster recovery plans are subject to appropriate testing to ensure they are effective, with the results of testing (and any real incidents) used to adapt plans and processes appropriately. - IT disaster recovery arrangements are appropriately joined up with the Council's wider business continuity management arrangements. <p>Opinion: Limited assurance</p> <p>Agreed Actions – risk level high (H) or medium (M):</p> <ul style="list-style-type: none"> - Further development planning between the ICT Service and the Resilience Team to take place to agree an appropriate business continuity template for IT disaster recovery processes which better suits the provider status that ICT has in the recovery process. (H) - Ensuring that the business understands what ICT is capable of in the event of serious outage and ICT can review business continuity plans to ensure they are reasonable, contain all the relevant systems and key dependencies and interdependencies are highlighted. (H) - Maintaining a schedule that clearly sets out the recovery source of all applications, data and other key devices and where these are missing, considering the risk implications of these. (M) - Making owners and users of the business systems that are not on out of office support aware of this and determining the associated risks with this. (M) - Introducing formal and regular disaster recovery testing arrangements. (M) - Establishing a formal process for business continuity and IT disaster recovery to work together to develop a fully aligned understanding of business requirements for ICT and what is possible in recovery time / point terms |

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| Audit Review / Actions Due / Responsible Officer(s) | Key Findings |
|---|---|
| | from ICT's point of view. - Ensure all business continuity plans are reviewed by ICT and challenged where appropriate as part of the annual business continuity plan review. (M) |



Coventry City Council

Public report

Report to

Audit and Procurement Committee

19th October 2020

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance and Corporate Services

Ward(s) affected:

City Wide

Title:

Annual Governance Statement 2019-20

Is this a key decision?

No

Executive summary:

The purpose of this report is to seek approval for the Annual Governance Statement, which forms part of the Statement of Accounts for 2019-20.

Recommendations:

Audit and Procurement Committee is recommended to consider and approve the Annual Governance Statement (attached at Appendix One), which accompanies the 2019-20 Statement of Accounts.

List of Appendices included:

Appendix One – Annual Governance Statement 2019-20

Background papers:

None

Other useful documents:

Annual Governance Statement 2018-19

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12088&Ver=4>

Annual Governance Statement 2018-19 – Update on Planned Actions

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12092&Ver=4>

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:

Annual Governance Statement 2019-20

1. Context (or background)

- 1.1 Coventry City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. In discharging this responsibility, the City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.2 To demonstrate such arrangements, the City Council has adopted a Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance 'Delivering Good Governance in Local Government' (2016).
- 1.3 The Annual Governance Statement ('AGS') explains how Coventry City Council has complied with the Code and in doing so, reflects the requirements of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement. The AGS also details key governance / control issues that the Council faces in the coming year.
- 1.4 As a result of the pandemic, the statutory date for the production of the draft Statement of Accounts and AGS for 2019-20 was delayed until the 31st August 2020. However, the Council have endeavoured to maintain business as usual in relation to this activity and worked in advance of this deadline. Notwithstanding this, the impact of the pandemic clearly created challenges in the Council's approach to producing the AGS at this time, both in undertaking the review of effectiveness and the ability to meaningfully identify the key governance issues for 2020-21. Consequently, an interim version was initially published in May 2020, with a clear intention that it would be updated further, in order for gaps in process to be addressed. It is also important that the Statement is current at the time of final publication, so this approach has allowed the Council to keep the Statement up to date in the intervening period, where there has clearly been much uncertainty and emerging actions/ issues which need to be considered. The Statement presented to the Audit and Procurement Committee as part of this report is now the final version of the AGS for 2019-20.

2. Options considered and recommended proposal

- 2.1 Whilst processes are in place to assess key elements of the system of internal control / governance framework through-out the year, for example through the work of Internal Audit, the Corporate Governance Steering Board and the Council's Audit and Procurement Committee, an annual review is also undertaken as part of the production of the AGS for the year. The purpose of the review is to provide assurance that arrangements continue to be fit for purpose and identify key governance issues for the forthcoming year. This annual review incorporates a number of processes with the outcomes reviewed and agreed by the Corporate Governance Steering Board, including:
 - The outputs from the Internal Audit Service, reflected in an annual report that identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.
 - Reports from external bodies during the year, including those from the Council's external auditors and other inspection agencies.

- Consideration of the Council's Corporate Risk Register.
- An annual review against the principles and best practice set out in the Code of Corporate Governance.

Consideration has also been given this year to the implications of the pandemic on the governance framework / system of internal control. Details of changes to existing arrangements and new areas of activity linked to the Council's response to the situation are provided in section 5.2 of the Statement, attached at Appendix One.

Whilst the review has in all significant aspects, been completed as normal for 2019-20, there are two areas which have not been carried out this year, due to the impact of Covid-19. Specifically:

- We have not undertaken an assessment of the role of the Chief Financial Officer and have relied on the assessment undertaken in 2018-19. Given that the postholder has not changed, and the new senior management structure within the Council has further strengthened governance in respect of reporting lines, this is not viewed as significant.
- We have not sought an annual assessment of the adequacy of internal controls / governance arrangements by the Chief Executive / Deputy Chief Executive. In addition to the impact of the pandemic, work is required to align the assessments to the new Council structure following the departure of the Place Deputy Chief Executive.

Given that the governance framework is assessed throughout the year and all other processes linked to the annual review have been undertaken as normal, it is viewed that these limitations do not have a significant impact on the ability to reach a conclusion on the adequacy of the governance arrangements in place for 2019-20.

2.2 A key element of the AGS is to identify the key governance / control issues that the Council faces in the coming year. Section 5 of Statement, attached at Appendix One, provides details of these areas. Whilst the process of identifying the issues is co-ordinated by the Chief Internal Auditor, it also incorporates the views and opinions of senior officers and the Council's Governance Steering Board. The key disclosures come from the following processes:

- A review of progress against disclosures highlighted in the Annual Governance Statement 2018-19.
- New disclosures identified as part of the assessment process outlined in section 2.1.

The outcomes from these processes are expanded upon below.

2.3 **Update on disclosures made in the Annual Governance Statement 2018-19** – An update on the progress against planned actions in relation to the disclosures made in the 2018-19 AGS is provided in section 5.1 of the Statement attached at Appendix One. A review of the ten disclosures highlighted in the AGS for 2018-19 has found that the disclosures fall into two categories, namely:

2.3.1 Closed from the 2018-19 Statement – One disclosure has been closed as it is no longer viewed as a significant governance / control issue facing the Council and will not be carried forward to the 2019-20 Annual Governance Statement:

- Delivery of the ICT Strategy: The revised ICT Strategy was approved by Cabinet in October 2019 and is aligned to the One Coventry approach. It also reflects requirements stemming from the Medium-Term Financial Strategy, the One Coventry Council Plan, City of Culture and the Digital Coventry Strategy, whilst also recognising the need for robust cyber security arrangements. The Strategy now forms part of the business as usual activity of the Council.

2.3.2 Carry forward to the 2019-20 Statement - A number of governance / control issues remain in the Annual Governance Statement. These are detailed in section 5.3 of the Statement attached at Appendix One, along with the actions the Council plans to take in 2020-21 in relation to these issues. In summary, the disclosures that have been carried forward to the 2019-20 Annual Governance Statement are as follows:

- Sustainable improvement in Children's Services.
- Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium-Term Financial Strategy.
- Raising educational standards.
- Implementation of the Information Management Strategy.
- Delivery of the People Plan.
- Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation.
- Development of a corporate data access standard.
- Governance over relationships with partners and outside bodies.
- Governance over the programme of capital projects.

2.4 **New Disclosures** – Seven new disclosures have been identified for the Annual Governance Statement 2019-20. These are also detailed in section 5.3 of the Statement attached at Appendix One, along with the actions the Council plans to take in 2020-21 in relation to these issues. These issues were identified as part of the review undertaken to support the production of the AGS as detailed in 2.1 and are summarised below:

- Developing a legacy for the City of Culture.
- Acting on the outcomes of the review of the Council's Scrutiny function.
- Strengthening arrangements linked to the programme of health and safety audits undertaken.
- Further development of the Council's IT disaster recovery plans and processes.
- Review and update of the Social Value and Sustainability Policy.
- Implementation of the Local Government Ethical Standards Best Practice from the Committee on Standards in Public Life.

- Implementation of the Redmond Review into the oversight of local audit and the transparency of local authority financial reporting.

2.5 Clearly, the pandemic will continue to have an impact in relation to the Council's governance framework and system of internal control during 2020-21, including challenges to the delivery of planned actions and emerging issues. The effect of the pandemic will continue to be monitored throughout the year and will be considered in the preparation of the Annual Governance Statement for 2020-21.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

4.1 There is no implementation timetable associated with this report.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial Implications

There are no specific financial implications associated with this report. Internal control / governance have clear and direct effects on finance within the Council. Since these vary widely, it is not useful to attempt to summarise them here, beyond noting that all systems and controls are designed to help improve value for money obtained, the probity and propriety of financial administration, and / or the management of operational risks.

5.2 Legal implications

The City Council is required by the Accounts and Audit Regulations 2015 to approve, and subsequently publish, the Annual Governance Statement alongside the Statement of Accounts.

6. Other implications

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

The governance framework comprises the systems and processes (i.e the internal control environment), and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

6.2 How is risk being managed?

The key risk that exists is that planned actions are not implemented. This risk is managed through the Council's governance framework which includes arrangements to provide oversight of planned actions through reporting to senior management and designated committees / boards. Defined processes also exist to gain assurance that agreed actions arising from the work of Internal Audit, External Audit or another external agency have been implemented on a timely basis.

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) climate change and the environment

No impact

6.6 Implications for partner organisations?

None

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| Paul Jennings | Finance Manager Corporate Finance | Finance and Corporate Services | 1/10/2020 | 1/10/2020 |
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| Barry Hastie | Director of Finance and Corporate Services | | 1/10/2020 | 6/10/2020 |
| Julie Newman | Director of Law and Governance | | 1/10/2020 | 2/10/2020 |
| Councillor G Duggins | Cabinet Member for Policy and Leadership | - | 8/10/2020 | 8/10/2020 |

This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix One – Annual Governance Statement 2019-20

1. Scope of responsibility

- 1.1 Coventry City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Coventry City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Coventry City Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Coventry City Council has an approved Code of Corporate Governance, which is consistent with the principles reflected in the CIPFA / SOLACE framework and guidance *Delivering Good Governance in Local Government (2016)*. A copy of the Code is available on our website at:
http://www.coventry.gov.uk/downloads/file/3639/code_of_corporate_governance_2017
or can be obtained from Democratic Services.
- 1.4 The Annual Governance Statement explains how Coventry City Council has complied with the Code and also meets the requirements of Regulation 6(1) (b) of The Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

2. The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Coventry City Council policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Coventry City Council for the year ended 31st March 2020 and up to the date of approval of the Statement of Accounts.

3. The governance framework

The key principles, approach and review processes that comprise the authority's governance arrangements are set out in the City Council's Code of Corporate Governance. Key elements include the following:

- 3.1 There is a governance / internal control environment that supports the Council in establishing, implementing and monitoring its policies and objectives. The Council's overarching objectives are contained in published policy documents including the Council Plan. These high-level plans are supported by a range of thematic policies, strategies and delivery plans, service plans, and detailed work programmes.
- 3.2 Coventry's Council Plan sets out the Council's long-term vision and priorities for the city for the period 2016-2024. In 2018, the Plan was reviewed and rebranded in line with the Council's emerging One Coventry approach and a revised performance management framework has been introduced to improve transparency and streamline performance reporting with more regular information updates about the performance of the city. To deliver the Council's long-term vision and priorities, the Council Plan affirms the Council's commitment to do this by maximising the use of its assets and reducing its operating costs, and through active communities and empowered citizens. The Council Plan is part of the Council's overall performance management framework designed to help the Council deliver its services and use its resources effectively in a planned and systematic way. A copy of the plan is available on our website at www.coventry.gov.uk/councilplan/ and the performance management framework is at: http://www.coventry.gov.uk/downloads/download/5245/performance_management_framework
- 3.3 Throughout this process, clear channels of communication exist with all sections of the community and other stakeholders, to ensure the Council considers local needs and communicates both expected and actual outcomes for citizens and service users. This is evidenced through the Council's formal decision-making and performance management processes.
- 3.4 In October 2015, Coventry City Council agreed to join the proposed West Midlands Combined Authority, which is a model of governance for local authorities to act together to drive economic prosperity for the area. A Combined Authority is a statutory body in its own right supported by a devolution agreement with the Government and a constitution which sets out the terms of their funding and powers.
- 3.5 In December 2017, it was announced that Coventry had been named the UK City of Culture for 2021. The aim of this programme is to encourage the use of culture and creativity as a catalyst for change, to promote the development of new partnerships and to encourage ambition, innovation and inspiration in cultural and creative activity. This activity will make significant contributions to the delivery of the Council Plan and corporate priorities. Coventry City of Culture Trust has been set up to organise and deliver this activity and has been formally incorporated and received charitable status. Financial responsibility for the Trust's activities lie with the Chair and Trustees, with an independent Audit Committee providing scrutiny and oversight. As accountable body and guarantor for delivery of the UK City of Culture 2021 programme, Coventry City Council is a principal partner in supporting the work of the Trust and ensuring that there is good governance around the Trust meeting the City of Culture programme delivery and legacy ambitions.
- 3.6 The control environment to ensure delivery of the Council's objectives is laid down in the Council's Constitution and performance management framework. The Constitution sets out how the Council operates, including:
- Roles and responsibilities of both Councillors and officers, including the Head of Paid Services, Monitoring Officer and Chief Financial Officer.

- How decisions are made and the procedures in place to ensure that these are efficient, transparent and accountable to local citizens. The Constitution includes the Council's senior management structure and a scheme of delegation which sets out the principles for decision making and responsibility for functions. The Council facilitates policy and decision making via a Cabinet structure with Cabinet Member portfolios. There are scrutiny boards covering all portfolios and an overarching Scrutiny Co-ordination Committee. The Member decision making, advisory and scrutiny bodies are shown at <http://www.coventry.gov.uk/howthecouncilworks>
- 3.7 Coventry City Council has developed a comprehensive set of policies and procedures, including those relating to the standards expected of Members and officers. These are subject to regular review to ensure the Council continues to enhance and strengthen its internal control environment. Systems exist to ensure compliance with policies and procedures, including statute and regulations. Internal Audit, through its annual risk-based plan assesses compliance with key procedures and policies.
 - 3.8 The Council has an Equality, Diversity and Inclusion Commitment which is available on our website at: [EDI Commitment | Equality and Diversity | Coventry City Council](#). This sets out the Council's commitment to meeting all areas of the public sector equality duty and to ensure equality of opportunity, both as a provider and commissioner of services and as a large employer. The commitment is implemented through setting equality objectives linked to the Council Plan. [Equality Objectives | Equality and Diversity | Coventry City Council](#). Progress is monitored and reported to the Cabinet Member (Policing & Equalities). The latest progress report can be found here (item 17): <https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=653&MId=11969&Ver=4>. In addition, the Council carries out Equality and Consultation Analysis on all key decisions taken by Cabinet or Cabinet Members.
 - 3.9 The Council's Risk Management Strategy defines processes for identifying, assessing, managing and monitoring financial and operational risks. The Strategy recognises the need for risk registers at directorate and corporate level which are updated and reviewed regularly. The Council is looking for continuous improvement throughout the Council in the management of risks, and this is being monitored through the Strategic Management Board.
 - 3.10 The Council, through its Whistleblowing and Complaints Procedures, has documented processes in place to deal with concerns raised by both employees and members of the public. These policies have been widely communicated and are subject to regular review to ensure they are working effectively. In addition, the Council's Fraud and Corruption Strategy reinforces the Council's commitment to creating an anti-fraud culture, whilst having effective arrangements in place in responding to allegations of fraud and corruption.
 - 3.11 An Audit and Procurement Committee provides independent assurance to the Council on various issues, including risk management and control and the effectiveness of the arrangements the Council has for these matters. The Committee's terms of reference were developed in conjunction with CIPFA guidance, and the Committee carries out a periodic self-assessment to measure its effectiveness, based on recommended CIPFA practice.
 - 3.12 For the financial year 2019-20, the Director of Finance and Corporate Services was the nominated Section 151 Officer, with the delegated responsibility for ensuring there are arrangements in place for proper administration of financial affairs. The Council last

carried out an assessment of the role of the Section 151 Officer against the requirements stated in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016) in March 2019. This assessment concluded that the Authority meets the five principles laid out in the CIPFA statement, namely:

- The Chief Financial Officer (CFO) in a local authority is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
- The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's overall financial strategy.
- The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.
- The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.
- The CFO in a local authority must be professionally qualified and suitably experienced.

The S151 Officer is a key member of the Corporate Leadership Team. During 2019-20, the senior management structure was reviewed. As from December 2019, the S151 Officer now reports directly to the Chief Executive and from March 2020 also became a member of the Council's Strategic Management Board. These changes further strengthen the arrangements that were already in place, with regular reviews of the senior management structure helping management team to focus on the current challenges and opportunities as well as to look ahead. Changes to the Strategic Management Board in 2019-20 have provided a more robust structure to support the delivery of priorities, with the Monitoring Officer and Director of Human Resources also joining the Board, alongside the S151 Officer. Improvements have also been made to the way the Corporate Leadership Team, which consists of all the Directors of the Council, works in collaboration to develop and deliver the One Coventry Plan.

3.13 The Annual Governance Statement also includes a review of the effectiveness of the system of internal control within group activities, where the Council is in a relationship with another entity to undertake significant activities. The following describes the group activities for the year ended 31st March 2020:

- The Coventry and Solihull Waste Disposal Company Limited is owned jointly by Coventry City Council, Solihull Metropolitan Borough Council, Warwickshire County Council and Leicestershire County Council. A formal agreement sets out the governance arrangements between the shareholders. The Company is subject to the Industrial Emissions Directive and the conditions of its Environmental Permit issued by the Environment Agency. Furthermore, the Company monitors its activities through an Environmental Management System accredited to the ISO 14001 standard, its Health and Safety Management System which is certified to the OHSAS 18001 standard and the Cyber Essentials accreditation it has achieved for its IT systems. The Company has appointed Ernst & Young LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st March 2019, did not highlight any concerns.

- North Coventry Holdings (NCH) Limited is a wholly owned subsidiary of the Council. All the Directors of the Company are senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2019. The company's main purpose is to hold shares in Coventry North Regeneration Limited, although it is also engaged in providing business development services to the City Council.
- Coventry North Regeneration (CNR) Limited is a wholly owned subsidiary of NCH Limited. The main activity of the Company was the construction of the Ricoh Arena. All the Directors of the Company are also senior officers of Coventry City Council. All transactions are processed using the Council's financial systems and such activities are subject to an annual audit by the Council's Internal Audit Service. The Company has LDP Luckmans as its external auditors. There was an unqualified audit opinion for the last published Annual Report and Accounts, for the year ended 31st March 2019.
- Coombe Abbey Park Limited (CAPL) is a wholly owned subsidiary of the Council, which acquired 100% of the ordinary share capital of the company in December 2017. Three of the four Directors of the Company during 2019/20 are senior officers of Coventry City Council. As part of the original acquisition, the Council secured external independent advice from a number of sources to support the financial and legal due diligence assessment which resulted in a programme of changes including the restructuring of the Board, as well as recruitment of a new senior Operations Manager and finance staff. The Company has appointed RSM UK Audit LLP as its external auditors. The last published Annual Report and Financial Statements, for the year ended 31st December 2018, did not highlight any significant concerns.
- The UK Battery Industrialisation Centre Ltd was incorporated on 27th February 2018 and the Council is currently the sole shareholder with 1 share which has a nominal value of £1. The purpose of the company is to run the proposed National Battery Development Facility which is currently under construction. The Council has appointed two of its officers as directors on the board. The company will ultimately become a Joint Venture Private Limited Company with the Warwick Manufacturing Group. The City Council is initially purchasing all land and equipment in relation to the facility with funding coming from Innovate UK which is a Government backed agency. As a result, activity within the company has been minimal to date.
- The Friargate Joint Venture Project Ltd was incorporated 17th December 2018. This is a 50/50 joint venture with Friargate Holdings 2 Limited, established to develop new buildings within the Friargate district of the city. Each of, Coventry City Council and Friargate Holdings 2 Ltd have been issued 1 Ordinary Share for a value of £10m each. The Council has appointed three of its officers as directors of the board. The company is still very much in its infancy and as a result, activity within the company has been minimal to date.
- Tom White Waste Ltd is a wholly owned subsidiary of the Council, having acquired 100% of the shares in the company in March 2020. Two of the three Directors of the Company are senior officers of Coventry City Council, the third being a senior officer of North Coventry Holdings. The Council's decision to acquire was based on securing advice from independent external legal and financial advisers to carry out

the necessary due diligence to determine an appropriate investment cost and de-risk the Council from known and potential liabilities. The board are now reviewing the management structure based on this advice and the potential integration of the Council's existing commercial waste function. The company's existing auditors, Baldwins have been retained for the audit of 2019/20 financial accounts. Their previous audit for the published Annual Report and Financial Accounts dated 31 March 2019 delivered an unqualified opinion.

4. Review of effectiveness

4.1 Processes are in place to assess key elements of the governance framework throughout the year, for example, through the work of Internal Audit and the Council's Audit and Procurement Committee. A review of the effectiveness of the governance framework is also undertaken annually as part of the production of the Annual Governance Statement. This is informed by the work of senior managers within the authority, who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Arrangements to assess the effectiveness of the governance framework include:

- Regular and detailed monitoring of the Council's performance, by both Strategic Management Board and Members against targets and objectives set out in the Council's Plan.
- Regular meetings of the Council's Governance Steering Board to consider on-going and emerging governance issues and co-ordinate actions required. Updates on this work are provided to Strategic Management Board every month.
- Consideration of ethical governance matters by the Ethics Committee, including reflecting on national governance failings to identify if there are any lessons learnt for the Council to take forward.
- On-going reviews of the Council's Constitution, overseen by the Constitution Advisory Panel and subject to approval by Full Council. These reviews include areas such as standing orders, financial procedures and the scheme of delegation.
- Regular reviews of the Council's strategies and procedures to ensure they continue to reflect the needs of the Council.
- An annual review against the principles and best practice set out in the Code of Corporate Governance and which is used to identify improvements to strengthen the Council's governance arrangements.

4.3 The review of effectiveness has also been informed by:

- Reports from the external auditors and other inspection agencies.
- The Council's Corporate Risk Register.
- The work of the Internal Audit Service during 2019-20. The Service works to a risk-based audit plan, which is approved annually by the Council's Audit and Procurement Committee. An annual report is also produced and presented to the Committee. The

report identifies those issues, which in the opinion of the Chief Internal Auditor, should be considered when producing the Annual Governance Statement.

- 4.4 For 2019-20, there have been some limitations to the approach taken in conducting the review of effectiveness due to the impact of the coronavirus pandemic and a more focused review has been undertaken which has placed reliance on existing reports and assessments.
- 4.5 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Procurement Committee. This includes limitations to the review outlined above. We are satisfied that these limitations do not materially affect the overall outcome of the review and can provide reasonable assurance that the Council's governance arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

5. Significant governance issues

- 5.1 Table one below provides an update on the governance issues that were raised in the 2018-19 Annual Governance Statement.

Table one

| No | Governance issues identified in 2018-19 | 2019-20 update |
|----|---|---|
| 1 | Sustainable improvement in Children's Services | <p>The Children's Improvement Executive has been established with an independent chair and attended by member and exec level representation. It is meeting regularly and supporting the continued improvement of Children's Services.</p> <p>The revised Children's Services arrangements were launched within timescale and in accordance with statutory guidance. The review of the redesign has been completed and has seen resource shifted within Children's Services to reflect changes in demand. This has contributed to delivering required savings.</p> <p>Service performance reviews have been implemented and take place twice yearly. Quality Assurance visits involving the entire Children's Service senior leadership team have commenced. The first one took place at the Coundon office and included the lead member for Children's Services. Further visits are planned for 2020.</p> |
| 2 | Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium-Term Financial Strategy | <p>The Government Spending Round announced in September 2019 indicated an improved resource position for the Council compared with previous assumptions. This has been built into the Pre-Budget Report taken to Cabinet in November 2019. Together with a modest set of savings and additional income proposals this leaves the budget close to being balanced for 2020/21.</p> <p>The Provisional Local Government Settlement announced in December 2019 provides further grant funding above the levels assumed and the impact of this flexibility is being considered as part of the process to finalise the Council's 2020/21 Budget.</p> <p>There continues to be no information in relation to the future of local government spending beyond 2020/21. Without this, the</p> |

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| | | <p>risk remains that the Council is faced with significant future budget gaps. In order to address future budget pressure the Council is currently pursuing transformation programmes under the 'One Coventry' approach including the key themes of Commercialisation, Digitalisation and Place Based Services.</p> <p>The 2020/21 Budget Report was taken to Council in February 2020. The Budget Report contained a range of savings proposals which resulted in a balanced overall position which did not require the use of one-off reserves.</p> <p>The One Coventry themes remain in place, but the Council is also considering new circumstances emerging from the Covid situation including cost pressures and opportunities from new ways of delivering services.</p> |
| 3 | Raising educational standards | <p>Termly meetings continue to take place with Primary Networks and Secondary Collaboratives to both review and monitor data trends and predictions, which ensures city priorities are reflected at school level.</p> <p>Early Years: Good Level of Development (GLD) improved at a faster rate than national for the second consecutive year. Primary: Improvements at a faster rate than national in Key Stage 2 "Writing at expected standard and at greater depth" Secondary and 16-18: Key Stage 4 Progress 8 showed a small decline and with no national change. The gap has therefore widened marginally. However, the more acute measure of % of strong passes in English and Maths improved faster than national. For 16-18 year olds the trend was downward in English and upwards in Maths.</p> <p>Special Educational Needs (SEN): There is a widening gap at Early Years Foundation Stage for pupils identified at SEN support and with an Education, Health and Care Plan (EHCP). However, Key Stage 1 shows a narrowing of the gap in most subjects with SEN support above national in reach of Reading, Writing and Maths and also for Year 1 phonics. At Key Stage 2, the strengthening position continues with SEN support now within 1% of national for the combined measures of Reading, Writing and Maths. EHCP pupils narrowed the gap by over 2%. 10 SEN Support Key Stage 2 progress scores for Writing are now above national, and although remaining below for Reading and Maths, the gap has closed. EHCP Key Stage 2 progress scores remain below national, having considerably widened for all 3 subjects. This is viewed in the Coventry context of the needs of the EHCP cohort. At Key Stage 4 there was a widening of the gap for EHCP but the improvements in SEN Support saw the gap narrowed.</p> <p>Disadvantaged: The gap narrowed with national in all the Primary School Key Stages - Early Years Foundation Stage, Key Stage 1 and Key Stage 2. In secondary, Key Stage 4 progress slowed and with some national improvement, no change locally saw a small widening of the gap.</p> |
| 4 | Implementation of the Information Management Strategy | <p>A review has taken place of the Information Management Strategy and the latest version went to the Information Management Strategy Group for approval in October 2019. Contribution from the Group has been requested to ensure it</p> |

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| | | <p>accurately reflects the Group's intentions/objectives. Formal agreement is pending. (Meeting to approve was postponed due to the pandemic but has now been re-arranged.)</p> <p>The Information Management Training Strategy has been reviewed and its current progress mirrors that of the Information Management Strategy. As part of this, the mandatory Data Protection related training courses have been reviewed by the Data Protection Team (December 2019/January 2020) and a new course has been tested by the Team and other service areas, with very positive feedback received. The Information Governance recommendation is to switch training, this is subject to Senior Management Board approval.</p> |
| 5 | Delivery of the Workforce Strategy | <p>The new post of Director of Human Resources commenced in July 2019 and immediately developed a clear plan of action for HR over the next two years with the development and introduction of the People Plan (replacing the Workforce Strategy.) The Plan identified 6 key objectives across 5 areas of work, which has been remained the focus of work despite the pandemic. Maintaining some of the timelines for actions has been impacted as Human Resource has responded to the organisational need to support the workforce and services and continues to do so,</p> <p>The Human Resources scorecard to inform strategic decision making and to track progress has been embedded over 2019/20 and continues to be developed through the introduction of the new recruitment system which was introduced at the beginning of March 2020. The development of increased employee engagement has been enhanced by the introduction of the Staffapp, the launch brought forward to provide information to staff on Covid-19. The Health and Well-Being group have produced a Healthy Guide for all staff available online, as well as on the Staffapp and continue to develop a wider strategy.</p> <p>The Council is working hard to deliver its commitment to Equality, Diversity and Inclusion through establishing a project board and agreed action plan of priorities. The Council continues to build on its digitalisation programme through the introduction of Microsoft Teams to support staff to work more flexibly and efficiently. The Digiknow service is helping to share knowledge and skills through both face to face support at induction as well as video and e-learning to increase digital skill levels across the Council.</p> |
| 6 | Delivery of the ICT Strategy | <p>The revised ICT Strategy was approved by Cabinet in October 2019.</p> <p>The Strategy is based on the key principles of "Coventry as a Platform" which seeks to streamline and modernise processes and systems and the "Digital Workforce", ensuring staff have the relevant skills and tools to make the best use of the technologies available. The Strategy is aligned to the One Coventry approach and reflects requirements stemming from: - Medium Term Financial Strategy - One Coventry Council Plan - Coventry UK City of Culture 2021 - Digital Coventry Strategy for the city.</p> |

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| | | <p>The Strategy also recognises the priority of protecting the Council's technology estate, data and users from cyber-threats through robust and proactive approaches to the Council's cyber security measures.</p> <p>Consequently, as the Strategy now forms part of the business as usual activity of the Council, this has not been carried forward as a significant governance issue for 2020-21.</p> |
| 7 | Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation | <p>The new five-year Housing and Homeless Strategy was agreed by Council in March 2019. The revised strategy seeks to address the challenges and opportunities of the entire Housing System, from the prevention of homelessness to the provision of housing.</p> <p>Over 2019/20 there has continued to be a significant increase in demand, in line with the Housing Reduction Act (2017). However, new initiatives such as the introduction of Housing First and the council's new temporary accommodation solutions (e.g. Caradoc, Frank Walsh House) are expected to make significant inroads on the Council's financial pressures in late 2019/20 and over 2020/21, as well as providing more suitable temporary housing for residents.</p> |
| 8 | Development of a corporate data access standard | A working group has met to review standards and facilities in key systems. A checklist and protocol have been drafted for review. Once agreed, appropriate action will be taken to implement the standard for all systems holding personal data. |
| 9 | Governance over relationships with partners and outside bodies | Partners have welcomed and embraced the development of a One Coventry approach. The People Partnership has developed into a One Coventry partnership group which is leading the development of a One Coventry approach beyond the Council. A number of strategic plans are being aligned through the review of the One Coventry Council Plan and this is being used to achieve more strategic planning coherence with key partners. This is also supporting the revisions to governance arrangements for key priorities e.g., city of culture, health and wellbeing. |
| 10 | Governance over the programme of capital projects | Governance arrangements continue to be in place and embedded, including the City of Culture Readiness Board and the Place Programme Delivery Board which meet regularly. |

5.2 The Council recognises that the Annual Governance Statement should be current at the time of publication. Consequently, it is important to acknowledge that the coronavirus pandemic has had an immediate impact since March 2020 in respect of governance, both in terms of existing arrangements and new areas of activity linked to the Council's response to the situation. This includes:

- The Council has made use of provisions within its own constitution and the legislative framework in regards to decision making. Specifically, paragraph 3.8(a) of Part 2M of the Council's Constitution enables the Chief Executive, in consultation with the Leader to make decisions required in an emergency. All elected members have been informed of these decisions as they have been taken and to ensure transparency, these decisions are also formally reported to Council. In addition, all of the decisions have been published on the Council's website for public scrutiny. During this period,

the Council has continued to take decisions in line with its scheme of delegation, for example in relation to changes to arrangements for service delivery to reflect government guidance. Regular briefings have taken place with Cabinet Members individually and collectively and decisions taken by officers have been reported to all Members on a regular basis by the Director of Law and Governance as part of her briefings on the Council's response to the pandemic.

- On 4 April 2020, temporary regulations came into force which allow local authority meetings to be held remotely in line with national guidance on public health and restrictions on activity. The Council has developed a set of procedures and protocols to support the running of remote meetings in line with these regulations and an interim schedule of meetings in place. These interim arrangements will be kept under regular review in the light of local and national developments.
- Throughout the pandemic the Council has maintained and kept under review Covid 19 risk registers. Initially these concentrated on the delivery of the Council's statutory functions. The high-level themes were the safeguarding of vulnerable children, adult social care, decision making and governance, the financial implications, staff support and health and safety, data compliance and support for the homeless. As the pandemic has continued other risks have been considered such as the economic impact on the city and the reopening of schools. Data to support this process has been gathered through a series of virtual meetings with the Directors of the Council and the outcomes are reported to the senior management team. These are in addition to the service and corporate risk registers. Equality Impact Assessments are also being undertaken to identify and evaluate potential impacts on staff from protected groups and key protected groups from communities within the City.
- To manage the financial impacts of the pandemic and support the management and reporting of the numerous grant schemes, a number of Covid specific cost centres have been created in the Council's financial system. This is enabling specific Covid related costs to be easily identified and tracked enabling the relevant funding to be used to resource it. These are subject to regular review to ensure any new financial issues are linked into the wider COVID financial impact tracking.
- A log of internal control issues which have arisen during the pandemic is being maintained by the Internal Audit function to ensure the effectiveness of the overall system of internal control is kept under review and compensating controls agreed where required. This will also help to inform the focus of Internal Audit work in the forthcoming year.
- In July 2020, the Coventry, Solihull and Warwickshire Resilience Team with support from Public Health conducted a desk top exercise across the three beacon authorities to test their Local Outbreak Management Plans. The exercise used a number of different outbreak scenarios to facilitate a discussion on the potential responses and escalation options that may be required to deal with outbreaks in different settings and with varying degrees of complexity. The exercise provided an opportunity for the Council to incorporate lessons learnt from the initial pandemic into its future plans and arrangements.

5.3 The Council is seeking to continuously enhance its management arrangements to improve service delivery, efficiency and value for money, whilst achieving its objectives. The review of effectiveness and further consideration of the implications of the coronavirus pandemic has informed identification of the following key challenges for 2020-

21 (table two), along with the actions planned to address these matters to further enhance our governance arrangements.

Table Two

| Ref | Governance issue | Planned actions 2020-21 | Responsible officer | Timescale |
|------------|---|--|--|--|
| 1 | Sustainable improvement in Children's Services | <p>The new local arrangements for the multi-agency safeguarding partnership have been launched in line with revised statutory guidance. A review of the re-design of the service has been concluded and small service changes have now been made in response. A further phase of transformational activity will commence to support further improvement activity. Service Performance reviews take place twice a year as do Quality Assurance visits by the Children's Services Leadership Team.</p> <p>A comprehensive quality assurance system and annual schedule is evidencing improvement. This includes comprehensive auditing of cases on a monthly basis.</p> <p>A Children's Services workforce strategy has been implemented to ensure that a competent and confident workforce is available to meet the needs of vulnerable children and families, recognising the specific sector challenges regarding availability of social workers and the demand that the service experiences.</p> | Director of Children's Services | Ongoing |
| 2 | Ensuring delivery of the Council's vision and corporate objectives, in line with the Medium-Term Financial Strategy | <p>The 2020/21 budgetary control position is being closely monitored to ensure that the financial impact of COVID-19 can be managed alongside the other financial pressures being experienced by the Council. Early indications within period 2 and quarter 1 monitoring are that Government emergency funding should enable the Council to move towards delivering a balanced 2020/21 budgetary position.</p> <p>A re-valuation of the Council's 2021/22 financial position is being undertaken assessing a range of scenarios. This incorporates the current and future impact</p> | Director of Finance & Corporate Services | <p>July 2020</p> <p>September 2020</p> |

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| | | <p>of Covid and the potential outcomes from the forthcoming Government spending review. This position, including the need to manage cost pressures and identify savings proposals, will be considered by Corporate Leadership Team, Strategic Management Board and then Cabinet.</p> <p>These proposals will be formalised through the 2021/22 Pre-Budget Report.</p> | | November 2020 |
| 3 | Raising educational standards | <p>A decision has been made to delay the co-creation of the annual actions and key principles for Education Standards and Improvement until September 2020. Whilst the Council would normally have some indicative results for the key year groups that would set the direction for the improvement statements by this time, this year the information is not available as a result of COVID 19. Whilst there are 'outcomes' of a type for older children at GCSE and at A level, the Council does not have results for Reception Good Level of Development, Year 1 phonics or Key stage 1 or 2 Standard Assessment Tests, beyond school held predictions, which may not be an accurate reflection given the time some children have had out of school.</p> <p>Work has commenced on proposed actions from a secondary perspective, which are focused in some regard around the reset and recovery needed in September 2020, and feedback is being sought on these from Secondary Headteacher colleagues. The Council will work on developing these for all phases in September 2020.</p> | <p>Director of Education & Skills</p> <p>Head of Education Improvement & Standards 0-19</p> <p>Senior Adviser Education Improvement 11-19 (25)</p> | Ongoing |
| 4 | Implementation of the Information Management Strategy | <p>The following actions are planned for 2020/21:</p> <ul style="list-style-type: none"> Confirm and approve: the Information Management Strategy Group terms of reference, the updated Information Management Strategy and the new Training | <p>Senior Information Risk Owner/ Head of Information Governance / Information Management Strategy Group / Data Protection Team</p> | December 2020 |

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| | | <p>Strategy.</p> <ul style="list-style-type: none"> • The Senior Information Risk Owner and Head of Information Governance to drive the imbedding of Data Security and Information Risk Management across the organisation. • Implement new mandatory training; subject to Senior Management Board sign off. | | <p>December 2020</p> <p>March 2021</p> |
| 5 | Delivery of the People Plan | <p>During 2020/21 the following actions are planned:</p> <ul style="list-style-type: none"> • The further development and implementation of the workforce created values to embed the Council's One Coventry approach • Continued development of the Equality, Diversity & Inclusion Strategy and a related action plan • Introduction of an electronic case work system to improve the management of casework • Introduction of a new reward platform for employees • Extending the opportunities for talent mapping and career progressions at all levels across the organisation • Improved Employee Engagement which can be measured through job satisfaction • Continued development of employee relations including continuing to revise core policies and procedures and providing supporting training • The continuation of ensuring the safety and wellbeing of our employees • Increasing the numbers of apprentices joining the council and securing substantive roles. <p>The People Plan is in the process of being reviewed to ensure it continues to meet the organisational need post Covid-19.</p> <p>The introduction of the values was delayed to the pandemic but will be going to vote in September 2020 which will be the revised start of the employee engagement strategy.</p> <p>The pandemic has greatly impacted on the Human Resources service and resulted in some significant</p> | Director of Human Resources | On-going |

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| | | <p>changes; reduction in recruitment but increase in the volume of applicants and online interviewing for example, the work undertaken by Occupational Health to continue to provide support to staff remotely, extending service hours, development of Covid-19 specific risk assessments etc.</p> <p>The Council has continued to develop and deliver its commitment to Equality, Diversity and Inclusion through relaunching the employee support networks and introducing the women's network. As a result of an external survey of the Equality Diversity and Inclusion work to date, the Council is developing a strategy to address areas of weakness.</p> | | |
| 6 | Management of increasing demand in relation to homelessness and the associated costs of housing families in temporary accommodation | <p>A range of actions have been planned to mitigate the cost of temporary accommodation (TA). These actions have led to a forecast of a balanced budget at Quarter 1:</p> <ul style="list-style-type: none"> • Ensure 90% occupancy of Caradoc Hall and Cornerstone TA contract. • Delivery of up to 74 Private rented properties to end homelessness duties. • The purchasing of HMOs to accommodate single people in TA. • Continue no families in B&B accommodation and eliminate the use of B&Bs for single people. • Negotiated reductions in nightly rates and secured a number of HMOs through TA providers. • Implement the TA charging policy <p>The impact of Covid-19 has added greater risk and complexity and is an actively moving picture at this time.</p> <p>Although demand on the Housing service has reduced during the pandemic, it is anticipated that a sharp increase in demand for services will be forthcoming over the coming months.</p> <p>The service has made a number of operational changes to ensure that the ability to prevent homelessness increase significantly.</p> | <p>Director of Housing & Transformation</p> <p>Head of Housing & Homelessness</p> | Ongoing |

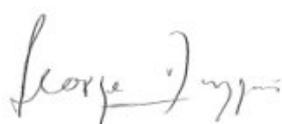
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| 7 | Development of a corporate data access standard | Development and implementation of a corporate access standard and protocol for all systems that hold personal data. | Members & Elections Team Manager | January 2021 |
| 8 | Governance over relationships with partners and outside bodies | <p>During 2020/21, the following actions are taking place:</p> <ul style="list-style-type: none"> • One Coventry approach continues to be developed through a shared partnership approach. • Covid-19 reset and recovery work utilised to confirm key shared priorities: <ul style="list-style-type: none"> ➢ Economic recovery aligned to the West Midlands Combined Authority and Coventry & Warwickshire Local Enterprise Partnership strategies. ➢ Health and Well-being recovery aligned to health and care system and Coventry & Warwickshire joint Health & Well-Being strategies. • Development of a CEO led Anchor Leaders group across Coventry and Warwickshire to consolidate partnership working and key mutual priorities for action. • One Coventry Plan refresh planned for 2020/21 to capture and consolidate changes resulting from Covid-19 and Council policy direction. | Deputy Chief Executive | On-going |
| 9 | Governance over the programme of capital projects | The Council has an ambitious programme of capital projects, which in 2020/21 will continue to accelerate in advance of the Council becoming City of Culture in Spring 2021. Whilst providing ongoing regeneration and redevelopment of the city and supporting business rate growth, the scale of the programme requires robust governance and strategic control to ensure that the programme is delivered successfully. This is particularly important as we deal with the effects of the Covid-19 epidemic. Governance arrangements are established with delivery overseen by project boards who report to the | Chief Executive | On-going |

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| | | <p>responsible cabinet members via established briefing and reporting mechanisms. Governance is also provided via the City of Culture Readiness Board and the Council's Capital Programme Delivery Board which is chaired by the Chief Executive. In 2020/21 the focus will be on ensuring that as the programme continues to move at pace, governance arrangements remain embedded and robust and programme delivery supports the Council's wider aspirations as well as supporting the local economy as we emerge from the Pandemic.</p> | | |
| 10 | City of culture legacy | <p>To date, circa £90million of direct investment has been secured for the city through being awarded the title of UK City of Culture 2021. Of this funding £45million is being invested in the city's infrastructure (improving public realm and highways) and £19million is to be invested in the city's cultural assets (performance spaces, heritage venues and creative hubs.) Work on both these investment programmes has commenced, with the Box at FarGo and Belgrade Theatre Phase 1 works already completed.</p> <p>Work will continue to secure further programme and legacy investment from private and public sector sponsors and partners. The range and quality of visitor accommodation available in the city is being improved, including through new hotel developments, alongside the city's food and beverage sectors.</p> <p>The city's Cultural Compact, which brings together the Council's key partners in delivery of the City of Culture Legacy meets regularly. The Compact is in the process of refreshing the cultural strategy, to take account of recent changes such as the impact of Covid-19 and the imperative of Black Lives Matters on the cultural sector, and to ensure that the development of the City of Culture legacy is clearly rooted in a shared set of priorities and action plans. This work is funded by Arts Council England and will be linked to</p> | Strategic Lead, City of Culture / Head of Service Sports, Culture, Destination & Business in-conjunction with key stakeholders /colleagues | On-going |

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| | | an annual action plan and reporting cycle. Also under way is a consultancy project commissioned by the City of Culture Trust, to investigate the routes to a sustainable and impactful legacy. This is intended to be completed by the Summer of 2021. | | |
| 11 | Acting on the outcomes of the review of the Council's Scrutiny function. | The planned final stage and subsequent follow up to the review planned for March 2020 was delayed by the Covid-19 situation. This is now being programmed again and will be built into the Scrutiny work programme which is being developed for this municipal year. | Members & Elections Team Manager | March 2021 |
| 12 | Strengthening arrangements linked to the programme of health and safety audits undertaken. | A revised audit strategy for 2020-22 has been developed and a new set of audit protocols have been put in place. Whilst a resource assessment to underpin a risk-based audit programme for 2020/21 was developed in March 2020, the production and delivery of the programme has been significantly impacted due to the coronavirus pandemic and the refocusing of the priorities of the Occupational Health, Safety and Wellbeing Service as a result. As such, it is recognised that embedding these arrangements may not be possible during 2020-21, although this will be kept under review for the remainder of the year. | Occupational Health, Safety & Wellbeing Services Manager | March 2021 |
| 13 | Further development of the Council's IT disaster recovery plans and processes | A working group will be established to enhance understanding between ICT and the Resilience Team of business needs / ICT capabilities, which will support the development of robust and realistic plans and ensure that the disaster recovery and business continuity processes are more integrated and aligned. ICT disaster recovery processes will be enhanced, with supporting documents formalised and testing arrangements agreed. | Head of ICT & Digital | March 2021 |

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| 14 | Review and update of the Social Value and Sustainability Policy | A working group will review the Policy, consult on the revised Policy and then propose a final version of a new Policy for approval by Cabinet. | Head of Procurement & commissioning | December 2020 |
| 15 | Implementation of the Local Government Ethical Standards Best Practice from the Committee on Standards in Public Life | Separate bodies which have been set up or are owned by the Council will be advised around the application of the Nolan principle of openness and requested to consider publication of their board agendas / minute and annual reports in an accessible place, whilst understanding any wider implications arising from this. | Director of Law & Governance | March 2021 |
| 16 | Implementation of the Redmond Review into the oversight of local audit and the transparency of local authority financial reporting | Senior management and key stakeholders will consider the findings of the Redmond Review and develop arrangements to ensure the effective implementation of the report's recommendations from the Council's perspective and any future legislation arising from this. | Strategic Management Board / Corporate Governance Group in-conjunction with key stakeholders | March 2021 |

5.4 We acknowledge that the coronavirus pandemic will continue to have an impact during 2020-21, including creating challenges to the delivery of some of the planned actions which are highlighted in table two above. Notwithstanding this, we are satisfied that these steps will address the need for improvements that were identified in our review and we will monitor their implementation and operation, as part of our next annual review.



Cllr George Duggins
Leader of Coventry City Council



Martin Reeves
Chief Executive of Coventry City Council

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Cabinet
Audit and Procurement Committee
Council

21st July 2020
19th October 2020
8th September 2020

Name of Cabinet Member:

Strategic Finance and Resources – Councillor J Mutton

Director Approving Submission of the report:

Director of Finance

Ward(s) affected: All

Title:

Revenue and Capital Outturn 2019/2020

Is this a key decision?

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

Executive Summary:

This report outlines the final revenue and capital outturn position for 2019/2020 and reviews treasury management activity and 2019/2020 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- A balanced revenue position after a recommended **£5.5m** is set aside in reserves for the Council's reset and recovery following the Covid-19 outbreak.
- Capital Programme expenditure of **£216m** which represents the largest programme in the modern era.
- An increase in the level of Council revenue reserves from £82m to **£90m** including the Covid funding and the net underspend contribution.

Further detail includes:

- A revenue overspend of £3.4m relating to housing and homelessness as a result of demand for temporary accommodation and the associated costs not recoverable from Housing Benefit.
- A revenue overspend of £2.5m across services for children and young people driven principally by the number and cost of children's placements.
- A net underspend across the rest of the Council and in particular a £12m position within central budgets resulting overwhelmingly from one-off circumstances.
- Identified expenditure and income loss related to the Covid-19 situation in March 2020 of £2.85m funded by Government emergency funding provided for this purpose.

- Receipt of overall Covid-19 funding of £10.4m of which £7.55m is proposed be set aside to deal with Covid costs in 2020/21.

The underlying revenue position has improved by £3.6m since Quarter 3 when an underspend of £1.9 was forecast. In particular the overall underspend and the improved position relates to improvements within Contingency and Central budgets which are set out in the report. In overall terms the favourable outturn position shown must be put in the context of the Covid-19 crisis. The human and public health impacts of this have been widely reported and some of these can be expected to continue for the foreseeable future. Councils have been assessing the estimated additional costs and lost income that have already been incurred or are expected and this task is essential to inform the Government's pledge to ensure that such costs are fully funded.

Given the huge uncertainties, it is difficult to provide robust estimates of the forward looking financial impact on the Council although even with optimistic forecasts of the lifting of restrictions, the overall cost could exceed £30m. Notwithstanding early Government commitments, there have been subsequent indications that councils may be expected to 'share the burden' of these costs. On this basis it is important that the Council continues to maintain a strong financial position to protect itself from what could be a very challenging financial environment which will certainly be felt well beyond financial year 2020/21. The recommended proposals, put forward through the Director of Finance, the Council's Section 151 officer, are reflected in the recommendations below and explained in section 5.1.

Recommendations:

Cabinet is recommended to approve:

- 1) The setting aside of £5.5m (section 2.1 and Appendix 1) into a Reset and Recovery reserve available from the year-end revenue bottom line.
- 2) The final capital expenditure and resourcing position (section 2.3 and Appendix 2), incorporating expenditure of £215.9m against a final budget of £235.1m; £19.0m expenditure rescheduled into 2020/21 and a net underspend £0.2m.
- 3) The outturn Prudential Indicators position in section 2.4.4 and Appendix 3.

Cabinet is requested to recommend to the Council:

- 4) Approval of reserve contributions of £5.5m to a Reset and Recovery reserve and £7.55m to fund costs resulting directly from Covid-19.

Audit and Procurement Committee is recommended to:

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

Council is recommended to:

- 1) Approve reserve contributions of £5.5m to a Reset and Recovery reserve and £7.55m to fund costs resulting directly from Covid-19.

List of Appendices included:

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

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

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

Yes - Audit and Procurement Committee 19th October 2020

Will this report go to Council?

Yes – 8th September 2020

Report title: Revenue and Capital Outturn 2019/2020

1. Context (or background)

- 1.1 This report sets out the Council’s revenue and capital outturn position for 2019/2020 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £231.5m and a Capital Programme of £195.3m.
- 1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

- 2.1.1 Table 1 below summarises the outturn position, an underspend of £5.5m. Local Government accounting rules require this underspend to be contributed to the Council’s General Fund Balance.

Table 1 Summary Outturn Position

| Quarter 3 Forecast Variation £m | Service Area | Net Budget £m | Outturn Position £m | Variation £m | Variation % |
|---------------------------------|--|---------------|---------------------|---------------|-------------|
| (0.4) | Public Health | 2.9 | 2.1 | (0.8) | (28%) |
| 0.0 | People Directorate Management | 1.5 | 1.4 | (0.1) | (7%) |
| 1.4 | Education & Skills | 13.9 | 15.2 | 1.3 | 9% |
| 2.6 | Children & Young People | 72.2 | 74.7 | 2.5 | 3% |
| 0.0 | Adult Social Care | 77.5 | 77.5 | 0.0 | 0% |
| 3.3 | Housing & Transformation | 13.6 | 16.7 | 3.1 | 23% |
| 0.4 | Human Resources | 1.3 | 1.6 | 0.3 | 23% |
| 0.1 | Place Directorate Management | 2.5 | 2.4 | (0.1) | (4%) |
| 0.2 | Business, Investment and Culture | 7.9 | 8.1 | 0.2 | 3% |
| 0.2 | Transportation & Highways | 4.6 | 4.7 | 0.1 | 2% |
| 1.7 | Streetscene and Regulatory | 28.5 | 29.6 | 1.1 | 4% |
| (0.8) | Project Management & Property | (7.9) | (9.0) | (1.1) | (14%) |
| (0.6) | Finance & Corporate Services | 7.3 | 7.1 | (0.3) | (4%) |
| (10.0) | Contingency & Central budgets* | 5.6 | (6.4) | (12.0) | (214%) |
| | Contribution to Reset & Recovery Reserve | | 5.5 | 5.5 | |
| (1.9) | Total* | 231.4 | 231.4 | 0.0 | |

*The position is shown after reserve contributions recommended in this report amounting to £13.05m of which £7.55m relates to Covid-19 Grant Funding and £5.5m reflects underspent budget across the Council's bottom line.

The quarter 3 position reflected an underspend of £1.9m. Prior to the recommended £5.5m contribution to the Reset and Recovery reserve the outturn position showed an additional favourable movement of £3.6m. This included:

- Streetscene & Regulatory - £0.6m favourable
- Contingency and Central Budgets - £2.0m favourable

The reasons for these variations are explained below.

2.1.2 Directorate Positions

Contingency and Central (£12.0m Underspend)

There are a number of previously reported under-spends within Contingency & Central budgets (including the Asset Management Revenue Account) and in total there was further improvement of £2.0m between quarter 3 and year-end.

The quarter 3 position included an underspend due to amounts no longer due to be paid to the West Midlands Pension Fund (WMPF). The Fund has not required employer pension contributions resulting from higher payroll figures to be paid over to it although the Council had budgeted for these. This has increased the in-year underspend since Quarter 3 and allows the Council to release resources previously set aside on the balance sheet up to a

combined year-end value of £7m. Revised arrangements for 2020/21 mean that the WMPF will expect these amounts to be paid on an annual basis in future.

Other variations include previously reported uncommitted resources related to one-off social care funding (£1.1m); Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.3m); projected additional savings from the Friargate Project (£0.7m); lower than budgeted levy costs (£0.6m); and a £0.7m contribution to reserves for managing the costs of major projects approved at quarter 2.

The net Asset Management Revenue Account position is an underspend of £2.4m. The overall favourable position reflects, £2.2m higher than budgeted investment and loan repayment income, £0.4m lower than budgeted capital financing costs and a net shortfall of £0.2m in budgeted dividend income. The dividend position includes a £0.8m shortfall from Coombe Abbey Park Limited (£0.3m outstanding from 2018/19 and none of the budgeted £0.5m received for 2019/20) offset by £0.3m of Covid-19 grant and £0.3m of additional dividends from other sources.

People (£6.3m Overspend)

The People Directorate continued to face significant financial challenges in 2019/20 and this is likely to continue. The largest outturn pressure was in Housing & Homelessness (temporary accommodation) £3.4m. Work is underway, overseen by Strategic Housing Board, to reduce the cost of supporting families and individuals in temporary accommodation. This pressure is a result of the level of activity transferring to the Council from the previously outsourced contract, the additional and less costly temporary accommodation solutions not being available as early in the financial year as previously forecast and a sustained increase in activity particularly within the non-family cohort. There was also an overspend in Children's Services largely as a result of increased costs of looked after children (LAC) and leaving care placements (£2.1m). This was due to delays in the delivery of children's placement transformation and a higher unit cost of placements, partly attributable to the youth violence problems. Children's Transformation Board continues to monitor the progress of LAC placement transformation and associated budget reductions and take remedial action as necessary. There is also a £1.0m outturn overspend in Special Education Needs transport which is linked to increasing demand and changes in provision. The Budget report has identified additional resource for the above 3 areas in 2020/21. Adult Social Care is showing a balanced position, although there is increasing pressure surrounding packages of care alongside increasing demand in Deprivation of Liberty safeguards (DOLs) which are managed in year using iBCF protecting social care resources. The Public Health underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.

Place (balanced position)

The broadly break even contains a number of compensating variations. Pressures resulting towards the end of the year from Covid 19 impacts have been offset by the emergency grant funding so do not feature below.

Most spend pressures relate to a variety of service areas which have required the use of agency staff to maintain service continuity or deal with higher than normal service activity levels, including parking enforcement, streetpride, domestic refuse, Revenues and Benefits and Legal. In most cases this is offset by underspends within salary budgets. Other spend pressures are a higher than budgeted cost of waste disposal (£0.45m) and the higher cost of domestic refuse collection (£0.2m) due to higher fleet costs and collections over the Christmas period. These were offset by some large underspends, in fleet due to reduced

capital financing costs (£0.3m), operational property due to a one off business rate refund (£0.4m) and fewer community support grants (£0.2m)

There were income shortfalls as follows: St Marys Guildhall commercial catering due to reduced trading (£0.2m), Bus Lane Enforcement (£0.5m) and Bereavement income (£0.3m) due to reduced activity. Commercial Waste (£0.3m) and Pest Control (£0.1m) are also still achieving less than the growth aspirations set. These were however offset by increased income in a number of areas, the largest being in car parking/parking enforcement of (£0.4m), Planning & Regulatory fees (£0.5m), Commercial Property income (£0.2m), Repair and Maintenance trading income (£0.4m) and over recovered housing benefit (£0.3m).

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2019/20 is £90m, compared with £82m at the end of 2018/19. Balances generated from capital receipts and capital grants to fund future capital projects have increased from £23m to £33m and reserve balances belonging to or earmarked to support schools have decreased from £26m to £21m. The total reserve movement in 2019/20 is summarised in the table below.

2.2.2 The reserve balances include £9m set aside as part of the Council's three long-term Private Finance Initiative models, £9m set aside to fund costs arising from early retirement and redundancy decisions, £8m set aside to provide protection against the potential future loss of Business Rates income, £6m of revenue to support future capital projects, £4m set aside for the Council's contribution to the UK City of Culture, £4m earmarked to support future commercial projects and £3m to support the Adult Social Care Better Care Fund model.

2.2.3 In line with the recommended actions within this outturn report there are also £7.55m of reserves resulting from the payment by the Government of Covid grant prior to 31st March which will be required to fund the financial impact of Covid in 2020/21. A further £5.5m has been set aside to aid the Council's and the city's reset and recovery phase as lockdown measures are eased.

2.2.4 Analysis of these balances will be undertaken as part of a wider exercise examining the Council's financial position in 2020/21 and going forward. The outcome of this will be brought to Cabinet later in the year.

Table 2 Summary of Reserve Movements in 2019/20

| | Balance at 31st March 2019 £000 | (Increase)/ Decrease | Balance at 31st March 2020 £000 |
|----------------------|--|-------------------------|---|
| General Fund Balance | (10,277) | 0 | (10,277) |
| Adult Social Care | (3,534) | 521 | (3,013) |
| Public Health | (788) | (568) | (1,356) |
| Troubled Families | (1,095) | 594 | (501) |
| Leisure Development | (1,334) | 510 | (824) |
| Kickstart Project | (1,278) | 1,278 | 0 |
| City of Culture | (4,750) | 750 | (4,000) |

| | | | |
|---|------------------|-----------------|------------------|
| Potential Loss of Business Rates Income | (7,735) | 0 | (7,735) |
| Early Retirement and Voluntary Redundancy | (10,070) | 747 | (9,323) |
| Covid-19 Government Funding | 0 | (7,558) | (7,558) |
| Reset and Recovery | 0 | (5,467) | (5,467) |
| Commercial Developments | (4,000) | (419) | (4,419) |
| Insurance Fund | (1,698) | 977 | (721) |
| Management of Capital | (5,399) | (165) | (5,564) |
| Private Finance Initiatives | (10,169) | 702 | (9,467) |
| Other Directorate | (9,489) | (1,799) | (11,288) |
| Other Directorate funded by Grant | (1,564) | 502 | (1,062) |
| Other Corporate | (8,589) | 1,243 | (7,346) |
| Total Council Revenue Reserves | (81,769) | (8,152) | (89,921) |
| <u>Council Capital Reserves</u> | | | |
| Useable Capital Receipts Reserve | (21,467) | (9,632) | (31,099) |
| Capital Grant Unapplied Account | (1,894) | 60 | (1,834) |
| Total Council Capital Reserves | (23,361) | (9,572) | (32,933) |
| <u>School Reserves</u> | | | |
| Schools (specific to individual schools) | (20,308) | 2,301 | (18,007) |
| Schools (related to expenditure retained centrally) | (6,084) | 2,786 | (3,298) |
| Total Schools Reserves | (26,392) | 5,087 | (21,305) |
| Total Reserves | (131,522) | (12,637) | (144,159) |

2.3 Capital Outturn

2.3.1 The capital outturn position for 2019/20 is shown in summary below and in greater detail in Appendix 2:

Table 3: Capital Outturn Summary

| Final Budget £m | Final Spend £m | Net Rescheduling Now Reported £m | Under- spends £m | Total Variance £m |
|--------------------|-------------------|--|------------------------|-------------------------|
| 235.1 | 215.9 | (19.0) | (0.2) | (19.2) |

The quarter 3 monitoring report to Cabinet on 18th February 2020 approved a revised capital budget of £215.9m for 2019/20. Since then there has been a net programme increase of c£19.1m giving a final budget for the year of £235.1m. Since February, a total of £19m net rescheduled spending has arisen within the capital programme. A scheme by scheme analysis is included in Appendix 2 and this is summarised in the table below.

Table 4: Summary of Rescheduling

| Project | (Rescheduling) /Accelerated Spend £m | Explanations |
|--|--------------------------------------|--|
| Schools | 0.4 | Significant progress in the completion of two secondary school expansions within the Basic Need and SEND funded projects |
| ICT Programme | (0.6) | There has been general delays within the programme including works at Revenue and Benefits delivered by Capita, the renegotiation of the network lease for with City Fibre and the new data centre. |
| Alan Higgs 50m Pool | (0.9) | The Contractor was delayed in delivering practical completion of the new 50m Pool at Alan Higgs and as a consequence there has been expenditure slippage. |
| Whitley Depot Redevelopment | (0.3) | The 2019/20 cashflow was based on being able to tender the main contract works and make an award of contract by the end of Jan 2020. This has been delayed as the prices came in over budget and work continues to negotiate savings and review options. |
| UK Central & Connectivity | (12.2) | A46 Link Road Phase One (Stoneleigh Junction) delayed due to a need to re-tender the construction contract, delays in completing land acquisition, and in securing Technical Approvals from Highways England. Full funding approval secured from DfT in February 2020. |
| City Centre South and Friargate | 1.3 | Accelerated works on the CCC planning application and Coventry Point and design development process on Friargate |
| Highways, Transport and Vehicles | (6.5) | £2.2m slippage on the Arches Spon End Pinchpoint, delayed which negotiation to secure funding and Air Quality changing the scope of works. In additional this section captures £2.9m of slippage across the Highways and Transportation capital schemes including £1.4m delay in clean bus technology. |
| Coventry Station Masterplan | 0.2 | Westminster car park income and S106 added to the CSMP budget to fund car park compensation costs to the Train Operator and new funds identified for Station Square addition to the scope of works. In addition small increase from Qtr3 forecast £200,000 |
| Growth Deal – 3 rd Party Projects | (0.5) | The Duplex Investment Scheme launched in October 2019, has not seen the take up as predicted in Qtr 3. In additional the Stanks delayed by £0.2m linked to a bond agreement with new contractors |
| Whitley South Infrastructure | (3.7) | The project progress was slower than anticipated with inclement weather hindering site works in early spring and technical difficulties delaying the bridge installation. |
| Housing Infrastructure | (2.4) | There has been a delay in moving this project forward as a result of discussions with Homes England on additional secured funding (now £15.6M) and contractual reviews with the developer and their consultants. |
| Heatline | (0.3) | No expenditure as the outstanding balance is the final contract payment which is to be contractually retained until the works are complete. Engie have still not finalised the connection and commissioning of The wave. Until this work is complete no further payments are due. |

| | | |
|---|--------|--|
| Acquistion Costs Temporary Accomodation (Homeless) | (0.2) | Funding to be used to bring an additional 8 units in to temporary accomodation via Citizen |
| Battery Plant and Equipment | 6.7 | The project was awarded an additional £3.1m from Innovate UK in order to keep pace with technology in the battery industry, and the drawdown of existing funding was accelerated at the request of the funder so that the full £111.1m could be drawn down by the end of the financial year. |
| Coombe | (1.0) | This programme covers 3 aspects of works within Coombe; £0.2m reduction requirement in the loan facility, £0.6m delays in the tendering process for the adventure play and £0.2m delay in seeking planning for the car park |
| St Marys Guildhall | 0.4 | Accelerated spend for works at St Marys as part of the City of Culture programme |
| TOTAL | (19.0) | |

Table 5: Over and Underspends in the Capital Programme

| Project | Over/ (Under)spend | Explanations |
|------------------|-----------------------|--|
| Pathways to Care | (0.2) | The underspend is due to accruals in 18/19 that did not come to fruition offsetting the actual spend incurred in year. |
| Total | (0.2) | |

2.3.2 The 2019/20 and future programme continue to maintain a significant investment in the City's Capital investment incorporating expenditure on the following key programmes and schemes:

- Since the original investment for the UK Battery Industrialisation Centre further funding has been awarded by Innovate UK bringing their total grant to £111m alongside a loan from the WMCA of £18m. The full £111m has been claimed from Innovate UK as at the end of 2019/20 and the legal agreement for the draw down of the £18m is in progress. This new research facility on the outskirts of Coventry will play a key national role in the emerging battery industry and is now due to open by the end of this year, delayed slightly by the shipment delays due to COVID19. Extensive forecasting and analysis has been undertaken for the new budget and the finances are being robustly monitored.
- Te Wave City Centre Destination Leisure Facility opened during 2019/20 as did the 50m Swimming Pool at the Alan Higgs Centre. Plans are also progressing on new indoor bowls facilities within the city.
- In July 2016 the Council approved the site at Whitley South to be used to develop the expansion plants of JLR by developing the public infrastructure to accommodate the proposed research and development campus, accommodate a number of small and

medium sized enterprises together with a hotel and car show room. The contract for the construction in in place and works are progressing, with completion due in 2020.

- The Council has also invested in the B&M property adding to its commercial property portfolio and acquired 100% of the ordinary share capital of Tom White Waste Ltd (TWW) following the decision by Cabunet on 25th February.
- Connecting Coventry is a strategic transport programme of £620m investment in transport infrastructure in Coventry over the next 10 years. In 2019/20 £19.3m of spend has been incurred within the Programme including the A46 link road, Very Light Rail and Coventry Station Master Plan. The primary source of funding going forward will be a mixture of WMCA – Devolution Deal, along with Local Growth Deal, DfT, Highways England and private investment
- Public Realm City of Culture works continue at a pace, with significant works happening around the Retail and Leisure Quarter. The £45m programme continues with capital works at Upper Precinct and Bull Yard that will include highly aesthetic fountains, open space and a creative play area. Works already completed at Hertford Street include re-locating the street traders amongst a spacious new surfaced area
- Demolition of the Coventry Point building is well under way as part of the City Centre South (CCS) regeneration project designed to transform the southern part of Coventry city centre. The scheme has undergone several delays over several years, affected by the changing nature of city centres and retail environments in particular. The current Covid-19 impact on these environments is a further factor that will need to be addressed as the Council seeks to take the project forward in 2020/21.
- During this year the Coventry One Strategic Plan and Education Capital Programme set out the pupil forecast for primary and secondary across the city between 2019-2024 with 2019/20 being the first year of the secondary expansion programme. The Council has received confirmation recently of overall funding of up to c£60m over the coming 5 years.

2.3.3 The funding in respect of this capital expenditure of £215.8m is summarised in Table 6 below. The Programme has been resourced c62% from capital grants and where possible the use of these grants has been maximised to defer the Council's requirement for prudential borrowing in year.

Table 6: Capital Funding

| | Funding the Programme £m | Available Resources £m | Resources Carried Forward £m |
|--------------------------------|-----------------------------|---------------------------|---------------------------------|
| Prudential Borrowing | 66.1 | 66.1 | 0 |
| Grants and Other Contributions | 132.9 | 126.4 | (6.4) |
| Revenue Contributions | 6.4 | 6.4 | 0 |
| Capital Receipts | 8.2 | 39.3 | 31.0 |
| Capital of Management Reserve | 2.1 | 7.7 | 5.6 |
| Total Resourcing | 215.8 | 246.0 | 30.2 |

2.4 Treasury Management Activity

2.4.1 The bank of England held interest rates steady at 0.75% for much of the year, however, COVID-19 swiftly changed interest rate policy decisions and as such rates were cut to 0.25% in March, quickly followed by rates being cut to a historic low of 0.1%

COVID-19 has meant that the global economic outlook is extremely weak and it is likely to be some time before demand returns to pre-crisis levels. As such current forecasts indicate that interest rates will remain at 0.1% with more interest rate cuts looking more likely than a rate rise. As such zero or negative interest rates cannot be ruled out.

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

Table 7: PWLB Interest Rates

| PWLB Loan Duration (standard rates) | Minimum in 2019/20 | Maximum in 2019/20 | Average in 2019/20 |
|--|-------------------------------|-------------------------------|-----------------------------------|
| 5 year | 1.20% | 2.65% | 1.97% |
| 20 year | 1.85% | 3.40% | 2.69% |
| 50 year | 1.77% | 3.25% | 2.60% |

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

2.4.2 Long Term Funding - At outturn, the Capital Financing Requirement (CFR), which indicates the authority's underlying need to borrow for capital purposes, has increased by £53.3m:-

Table 8: 2019/20 Capital Financing Requirement (CFR)

| | £m |
|---|--------------|
| Capital Financing Requirement at 1 st April 2019 | 440.3 |
| Borrowing required to finance 2019/20 Capital Programme | 66.2 |
| PFI & Finance Leases liabilities | 0.2 |
| Donated Assets | (0.2) |
| Provision to Repay Debt (Minimum Revenue Provision) | (11.5) |
| Provision to Repay Debt (Capital Receipts Set Aside) | 0.0 |
| Repayment of Transferred Debt | (1.3) |
| Reduction of Provision and other restatements | (0.1) |
| Capital Financing Requirement at 1st April 2020 | 493.6 |

No new long term borrowing was actually taken out during 2019/20, however, some borrowing will be required in the future to support current capital expenditure plans and the

need for any such borrowing will be kept under review in 2020/21. Within 2019/20, the movements in long-term borrowing and other liabilities were:-

Table 9: Long Term Liabilities (debt outstanding)

| Source of Borrowing | Balance at 31st March 2019 £m | Repaid in Year £m | Raised in Year £m | Balance at 31st March 2020 £m |
|--|----------------------------------|----------------------|----------------------|----------------------------------|
| PWLB | 196.6 | (6.2) | 0 | 190.4 |
| Money Market | 38.0 | 0 | 0 | 38.0 |
| Stock Issue | 12.0 | 0 | 0 | 12.0 |
| Other | 0.4 | 0 | 0 | 0.4 |
| sub total ~ long term borrowing | 247.0 | (6.2) | 0 | 240.8 |
| Other Local Authority Debt | 13.1 | (1.4) | 0 | 11.7 |
| PFI & Finance Leasing Liabilities | 67.7 | (2.5) | 0 | 65.2 |
| Total | 327.8 | (10.1) | 0 | 317.7 |

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

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

| Period | Long Term Borrowing £m |
|-----------------|---------------------------|
| Under 12 Months | 38.4 |
| 1 – 2 years | 0.0 |
| 2 – 5 years | 9.7 |
| 5 – 10 years | 12.0 |
| Over 10 years | 180.7 |
| Total | 240.8 |

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

2.4.3 Short Term In House Borrowing and Investments - The Treasury Management Team acts on a daily basis to manage the City Council's day to day cash-flow, by borrowing or investing for short periods. By holding short term investments, such as money in call accounts, authorities help ensure that they have an adequate source of liquid funds. A total of £131.5m of short term borrowing was taken out during the year at an average interest rate of 0.89%, with £60m still outstanding at 31st March 2020. This borrowing was all taken out with other local authorities & public sector bodies and was required to manage short term cash flow shortages throughout the financial year. During the year the Council held significant short

term investments, as set out in Table 11. The average short term investment rate in 2019/20 was 1%.

Table 11: In House Investments at 31st March 2020

| | At 30 th June 2019 £m | At 30 th Sept 2019 £m | At 31 st Dec 2019 £m | At 31 st Mar 2020 £m |
|------------------------------|--|--|---------------------------------------|---------------------------------------|
| Banks and Building Societies | 6.0 | 5.0 | 0.0 | 0.0 |
| Local Authorities | 0.0 | 0.0 | 0.0 | 0.0 |
| Money Market Funds | 4.2 | 0.4 | 5.2 | 5.4 |
| Corporate Bonds | 9.0 | 9.0 | 5.8 | 0.0 |
| Registered Providers | 10.0 | 10.0 | 10.0 | 10.0 |
| Total | 29.2 | 24.4 | 21.0 | 15.4 |

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

Table 12: External, Pooled Investments as at 31st March 2020

| | Date Invested | Cost £m | Value £m | Annualised Return % |
|-----------------------------------|---------------|-------------|--------------|---------------------|
| CCLA | Nov 2013 | 12.0 | 12.13 | 4.71% |
| Schroder Income Maximiser | Aug 2018 | 4.5 | 2.78 | 6.41% |
| Threadneedle Strategic Bond Fund | Aug 2018 | 1.5 | 1.42 | 2.68% |
| Investec Diversified Income Fund | Aug 2018 | 4.5 | 4.06 | 4.07% |
| M&G Optimal Income Fund | Aug 2018 | 1.5 | 1.34 | 3.00% |
| M&G Strategic Corporate Bond Fund | Aug 2018 | 3.0 | 2.73 | 3.58% |
| M&G UK Income Distribution Fund | Aug 2018 | 3.0 | 2.35 | 4.13% |
| Total | | 30.0 | 26.81 | 4.41% |

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

These pooled investments saw a significant drop in value incurred mostly during the period covered by the Covid event towards the end of the financial year. As at 31st March 2020 the accumulated deficit on these pooled funds is £3.2m. Some of this value was recovered in the early weeks of the new financial year and there is every expectation that the full value will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow these 'losses' to be held on the Council's balance sheet and not counted as a revenue loss although this is due to change in April 2023. These investments will continue to be monitored closely. The annualised return %s shown in the table above refer to an income return that has continued to be received from these investments despite the drop in capital value.

2.4.4 Prudential and Treasury Indicators - The Local Government Act 2003 and associated CIPFA Prudential and Treasury Management Codes set the framework for the local government capital finance system. Authorities are able to borrow whatever sums they see fit to support their capital programmes, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of prudential and treasury indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

Revenue Related Prudential Indicators

Within Appendix 3 the Ratio of Financing costs to Net Revenue Stream (Ref 1) highlights the revenue impact of the capital programme. This shows that the revenue costs of financing our capital expenditure as a proportion of our income from government grant and Council Tax. The actual is 12.84%, as against 13.43% as forecast in the Treasury Management Strategy. This reflects a lower level of borrowing than anticipated to fund the Capital Programme and higher levels of investment balances.

Capital and Treasury Management Related Prudential Indicators

These indicators, set out in Appendix 3, include:

- **Authorised Limit for External Debt** (Ref 5) ~ This represents the level of gross borrowing which could be afforded in the short term, but is not sustainable. It is the forecast maximum borrowing need, with some headroom for unexpected movements and potential debt restructuring. This is a statutory limit. Borrowing plus PFI and finance lease liabilities at £372.3m was within the limit of £487.6m.
- **Operational Boundary for External Debt** (Ref 6) ~ This indicator is based on the probable level of gross borrowing during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. Borrowing plus PFI and finance lease liabilities at £372.3m was within the boundary of £467.6m.
- **Gross Debt v "Year 3" Capital Financing Requirement** (Ref 2) ~ The Council needs to be certain that net external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the current year plus the estimates of any additional capital financing requirement for the next two financial years. The CFR is defined as the Council's underlying need to borrow, after taking into account other resources available to fund the Capital Programme. This indicator is designed to ensure that over the medium term, net borrowing will only be for a capital purpose. Gross debt is within the "year 3" or 2021/22 CFR limit of £472.7m.

- **Debt Maturity Structure, Interest Rate Exposure and Investments Longer than 364 Days** (Ref 8 - 10) ~ The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Councils overall financial position. Treasury Management activity was within these limits. The Debt Maturity PI (Ref 9) indicates that there is a potential 31.9% of total debt that needs to be refinanced in 2020/21, compared to the PI limit of 50% in the 2020/21 Treasury Management Strategy. The potential refinancing need includes LOBO loans for which the lender effectively has a call option, which if exercised would require the Council to repay the loan. If these loans were required to be repaid, the City Council would look to refinance these at lower borrowing costs or through the use of investment balances in the first instance.

2.4.5 Commercial Investment Strategy

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares.

During 2019/20 commercial investment through the Council's capital programme totalled £20.6m primarily through the purchase of shares in TWW (£14.6m) and commercial property acquisition within the city (£5.4m).

As at the end of 2019/20, the council had cumulatively invested the following sums in commercial assets, each being within the limits set in the strategy: loans provided £17.4m (2019/20 strategy limit £32m) and shares £46.1m (2019/20 strategy limit £50m).

The Council's investment in commercial assets is proportionate, with commercial income totalling £22.2m in 2019/20 (equivalent to 3% of the Council's gross spend in 2019/20) and commercial assets valued at £350m (24% of the Councils total asset base of c£1,440m). However, whilst this level of exposure is proportionate to the size of the Council, the financial impact of Covid19 will be significant in budgetary terms with income inevitably falling in 2020/21, as organisations struggle to pay dividends and others face pressure in paying rents. Identifying and managing this impact has been central to budget monitoring in the early stages of the current financial year, and will continue to be so as budget monitoring progresses.

3. Results of consultation undertaken

3.1 None

4. Timetable for implementing this decision

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

5. Comments from Director of Finance and Director of Law and Governance

5.1 Financial implications

The final revenue outturn picture for 2019/20 is balanced after making a year-end contribution of underspend of £5.5m to a Reset and Recovery reserve. In overall terms the favourable outturn position must be put in the context of the emerging Covid-19 crisis. The human and public health impacts of this have been widely reported and some of these can be expected

to continue for the foreseeable future. Councils have been assessing the estimated additional costs and lost income that have already been incurred or are expected and this task is essential to inform the Government's pledge to ensure that such costs are fully funded. Given the huge uncertainties, it is difficult to provide robust estimates of the forward looking financial impact on the Council although even with optimistic forecasts of the lifting of restrictions, the overall cost will exceed £30m. Notwithstanding early Government commitments, there have been subsequent indications that councils may be expected to 'share the burden' of these costs. On this basis it is important that the Council continues to maintain a strong financial position to protect itself from what could be a very challenging financial environment which will certainly be felt well beyond financial year 2020/21.

The Council continues to face some volatility in several service areas and recurring overspends in Children's and Housing services are indications of the demand pressures that have existed in recent years. Early indications in 2020/21 are that these services will also come under budgetary pressure during the period marked currently by the Covid-19 pandemic although additional budgetary resource has been provided in these areas through the 2020/21 Budget Setting process.

There have been some significant budgetary underspends in particular within Contingency and Central budgets. Many of these relate to areas that are difficult to predict, are awaiting the progressing of future projects or which are one-off in nature. Where any of these indicate savings within the 2021/22 budget preparations then these will be captured. The overall level of underspend at £5.5m (prior to the final reserve contribution) still represents a relatively modest % variation on the Council's net budget and as a favourable variance is clearly preferable to the Council overspending its budget.

Looking ahead, the Covid reserve contributions and the wider increase in reserve balances are significant elements of the outturn position. The emerging financial position in 2020/21 is evidence of the type of event that can impact upon an organisation such as the Council and provides justification for the careful management of its financial position and the strength of its balance sheet. Further reports in 2020/21 will set out this position as it develops.

The level of expenditure across a broad number and type of capital schemes has once again demonstrated the Council's appetite to embark on ambitious and innovative projects and its success in attracting grant funding to do this. The largest programme of spend within the modern era has been 62% funded from external grant whilst the £66m of prudential borrowing that has been applied to the programme will be funded by financially sustainable models. The programme's coverage of projects affecting the city centre skyline, transport infrastructure and local economic circumstances continues to be something that the Council is keen to continue although circumstances over the next 12 months will bring new challenges.

Although the Council has undertaken some borrowing to fund its capital expenditure this has been undertaken on a short-term basis at this stage, taking advantage of relatively low interest rates available from other local authorities. The Council's Capital Financing Requirement (one measure of the need to borrow) has increased in the year which reflects the Council's planned investment in schemes that are funded from business case based prudential borrowing. In other areas the Council continues to undertake prudent treasury activity and pursue commercial activity that is ambitious but proportionate to the size of its asset base and overall budget. The impact of Covid poses a financial risk to a number of aspects of the operations of local government and in this context strong due diligence will continue to be vital in any future investment activity.

5.2 Legal implications

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

6. Other implications

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

The Council monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the Council Plan. As far as possible we will try to deliver better value for money in the services that we provide in the context of managing with fewer resources.

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be very important in the light of the uncertainty being faced with regard to the level of funding available to local government over the next few years and the immediate impact and aftermath of the Covid-19 situation.

6.4 Equalities / EIA

No specific impact

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

None

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| Helen Williamson | Lead Accountant | Finance | 12/6/20 | 12/6/20 |
| Paul Hammond | Accountant | Finance | 10/6/20 | 10/6/20 |
| Michael Rennie | Lead Accountant | Finance | 16/6/20 | 16/6/20 |
| Names of approvers for submission: (Officers and Members) | | | | |
| Barry Hastie | Director of Finance | Finance | 16/6/20 | 16/6/20 |
| Carol Bradford | Corporate Governance Lawyer | Law and Governance | 16/6/20 | 16/6/20 |
| Councillor J Mutton | Cabinet Member for Strategic Finance and Resources | - | 22/6/20 | 22/6/20 |

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Appendix 1 Revenue Variations

Appendix 1 details directorate forecast variances.

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

| Directorate | Revised Budget | Spend After Action/ Use of Reserves | Centralised Variance | Budget Holder Variance | Net Variation |
|--|----------------|-------------------------------------|----------------------|------------------------|---------------|
| | £m | £m | £m | £m | £m |
| Public Health | 2.9 | 2.1 | (0.1) | (0.7) | (0.8) |
| People Directorate Management | 1.5 | 1.4 | 0.0 | (0.1) | 0.0 |
| Education and Inclusion | 13.9 | 15.2 | (0.1) | 1.4 | 1.3 |
| Children and Young People's Services | 72.2 | 74.7 | (2.0) | 4.5 | 2.5 |
| Adult Social Care | 77.5 | 77.5 | (0.4) | 0.4 | 0.0 |
| Housing & Transformation | 13.6 | 16.7 | (0.5) | 3.6 | 3.1 |
| Human Resources | 1.3 | 1.6 | 0.2 | 0.1 | 0.3 |
| Total People Directorate | 182.9 | 189.2 | (2.9) | 9.2 | 6.3 |
| Place Directorate Management | 2.5 | 2.4 | 0.0 | (0.1) | (0.1) |
| City Centre & Major Projects Development | 7.9 | 8.1 | 0.1 | 0.1 | 0.2 |
| Transportation & Highways | 4.6 | 4.7 | 0.1 | 0.1 | 0.2 |
| Streetscene & Regulatory Services | 28.5 | 29.6 | (0.2) | 1.3 | 1.1 |
| Project Management and Property Services | (7.9) | (9.0) | 0.0 | (1.1) | (1.1) |
| Finance & Corporate Services | 7.3 | 7.1 | (0.1) | (0.2) | (0.3) |
| Total Place Directorate | 42.9 | 42.9 | (0.1) | 0.1 | 0.0 |
| Total Contingency & Central Budgets | 5.6 | (0.8) | 0.0 | (6.4) | (6.4) |
| Total Spend | 231.4 | 231.4 | (3.0) | 3.0 | 0.0 |
| Resourcing | (231.4) | (231.4) | 0.0 | 0.0 | 0.0 |
| Total | 0.0 | 0.0 | (3.0) | 3.0 | 0.0 |

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

| | Centralised Variance Explanation | £m |
|-----------------------------------|--|--------------|
| | These are underspends against a combination of salary budgets and turnover savings target. They result from vacancies across Council services although the level of vacancies has been reducing. Some of these vacancies will be covered from agency and overtime to ensure services can be maintained. These costs are included within the service positions described below. | (3.0) |
| Total Centralised Variance | | (3.0) |

Budget Holder Variance

| 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. | (0.7) |
| Public Health | | | (0.7) |
| People Directorate Management | | | 0.0 |
| Education and Skills | SEND & Specialist Services | The 2019/20 academic year, brought a significant increase in the number of pupils entitled to home to school/college travel assistance. The average unit cost of journeys were further exacerbated, by an increase in the number of pupils attending special schools both within and outside of the City. Consequently, the capacity of the Council's in-house fleet was temporarily exhausted, requiring an interim response of short term taxi commissions to meet demand. This resulted in inflating mid-year unit costs, which were subsequently mitigated by a further investment in fleet expansion. The requirement to provide personalised arrangements for children who are unable to travel safely on a mini-bus has also increased significantly, all reasonable measures were put into place to monitor and challenge this element of provision whilst, ensuring the Council continues to meet its statutory duty and secure the safety of pupils and staff. It is envisaged that Covid19 safety measures, will place further pressure on fleet capacity throughout 2020. The Educational Psychology Service offers both a statutory and traded function. During the 2019/20 financial year the service experienced significant staffing challenges partly through vacancy and recruitment challenges which have now been addressed but predominately because of a disproportionate level of maternity/paternity absence. It was therefore necessary to secure agency psychologists to secure the statutory function. This cost, led to an overspend which was offset by a corresponding under spend against centralised salaries resulting in an overall balanced budget. | 1.2 |
| 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 | Other Variances Less than 100K | | (0.1) |
| Education and Inclusion | | | 1.3 |

| | | | |
|---|-------------------------------------|--|------------|
| Children and Young People's Services | Children's Services Management Team | The service has delivered savings as a result of service changes and review. These support the delivery of the Children's Services Transformation programme in the current and future years. | (0.9) |
| Children and Young People's Services | Help & Protection | The budgetholder variance relates to an overspend in the costs of agency staff covering vacancies across the service, which is more than offset by underspends across centralised salary budgets. We continue to recruit permanent social workers and reduce agency staff levels as part of workforce transformation. Other significant variances are an underspend on Section 17 costs (£0.4M), as a result of a review of procedure and process, and an overspend in Children's Disability Team (£0.4M) largely as a result of activity pressure on packages of support. | 0.8 |
| Children and Young People's Services | Commissioning, QA and Performance | The budget holder variance relates to an overspend in the costs of agency staff covering vacancies across the service, which is offset by underspends in the centralised staffing budget. 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. | 0.2 |
| Children and Young People's Services | LAC & Care Leavers | The variance is largely as a result of the placement pressures (£1.9M net overspend). Children in external children's homes are above projected numbers and there have been some high cost placements as a consequence of youth violence, and an overspend on LAC transport. Supported accommodation continues to show an overspend as a result of activity and high cost placements (£0.2M), but there has been significant work in year to move care leavers into their own accommodation. Work is underway to understand the impact of this on 20/21 financial year in the context of the Children's Transformation Programme. There are a number of other variances across the service as a result of activity pressure (care leavers, permanence allowances of £0.3M) and agency costs of in excess of £0.5M partially offset by a centralised salary underspend. Work has been done to realign staffing resource across the whole service, which should reduce this pressure moving forward. | 4.3 |
| Children and Young People's Services | Other Variances Less than 100K | | 0.1 |
| Children and Young People's Services | | | 4.5 |
| Adult Social Care | Strategic Commissioning (Adults) | The majority of the underspend relates to Carers budgets. Work is underway as part of the Carers Strategy to maximise the Carers offer within the resources available. | (0.2) |

| | | | |
|--------------------------|---|---|------------|
| Adult Social Care | Adult Social Care Director | The majority of the underspend represents the use of iBCF resources to manage the financial position. These resources are available to manage Adult Social Care pressures. The level of demand is increasing at higher than levels estimated at the start of the year. The contributory factors to this are described in the specific sections below. This rising demand on the grant, which is cash limited, will reduce the ability to absorb further increases in subsequent years. | (2.7) |
| Adult Social Care | Older People Operational | Additional costs of agency staff pending recruitment but overall staffing slightly underspent. | 0.1 |
| Adult Social Care | All Age Disability and Mental Health Operational | There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs. The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs, recruitment to posts is ongoing. | 0.6 |
| Adult Social Care | Older People Community Purchasing | Although numbers of new starts in residential/nursing provision are decreasing, the overall length of stay of residents has been increasing and continuing to build financial pressure. Strategies to reduce admissions are working and this will continue to be a focus in the coming year. | 0.3 |
| Adult Social Care | All Age Disability and Mental Health Community Purchasing | Demand for Mental Health services continues to apply pressure to the budget. Additional costs have been incurred following an ordinary residence claim being awarded against Coventry City Council. In Learning Disability, work continues to seek ways to reduce expenditure across commissioned services, particularly residential and nursing provision.. | 2.4 |
| Adult Social Care | Other Variances Less than 100K | | (0.1) |
| Adult Social Care | | | 0.4 |
| Housing & Transformation | Customer and Business Services | Vacancies were held post Business Services change to align the work and understand where best to place the resource, recruitment was under way and was planned to be staggered however this activity ceased in light of the recent challenges, it will be reviewed again once things are more stable. Some of the posts have recently been handed back to services. There is a restructure of the PA function underway which will introduce new roles and will result in some redundancies, again recruitment to the new positions is on hold and notice periods have been extended based on the current position. | 0.3 |
| Housing & Transformation | ICT & Digital | Work has been undertaken around both mobile and fixed line telephony which has resulted in some one-off reductions in spending in 2019-20. In addition there have been some "windfall" benefits mostly one-off. | (0.3) |
| Housing & Transformation | Housing & Homelessness | The overspend of £3.4m is due to a combination of increase in activity as a result of demand and activity transferring to the council from the previously outsourced contract, and the delays in less costly Temporary Accommodation solutions being available. The majority of this overspend is driven by the gap between what we pay out for temporary accommodation compared with what we can reclaim through the Housing Benefit Subsidy grant. Although an additional £3.4m was allocated to the service in 2019/20 in recognition of the increased demand, this has been further exacerbated by an increase in activity in the last 12 months particularly in the number of non-families in temporary accommodation, which has increased 3-fold during the financial year, and | 3.6 |

| | | | |
|--|---------------------------------|--|------------|
| | | stands at 386 households at the end of March 2020. Family households also increased and stands at 385 households at the end of March 2020. We are now in a position where we understand the causes of the long standing financial pressures, and have a number of strategies in place to significantly reduce the cost over the medium-term. This is through a combination of increasing prevention, reducing activity and considerably decreasing the cost of provision. For example, Caradoc Hall (102 units) is now open and fully occupied and Frank Walsh House (44 units) will be available to house families later in the year. We have Cabinet approval to implement a charging policy and purchase further properties to provide lower cost temporary accommodation options for non-families, with the aim of them opening later in the 2020/21 financial year. | |
| Housing & Transformation | | | 3.6 |
| Human Resources | Workforce Transformation | The HR service continues to faces challenges with external income from both schools and other contracts particularly within Employment Practice and Occupational Health. | 0.1 |
| Total Budget Holder Forecast Variances - People | | | 9.2 |

| Place Directorate | Place | | |
|---|--------------------------------|--|--------------|
| Service Area | Reporting Area | Explanation | £M |
| Place Directorate Management | Directorate & Support | Recovery of salary costs from capital projects | (0.1) |
| Place Directorate Management | | | (0.1) |
| Business, Investment & Culture | Other Variances Less than 100K | | 0.1 |
| Business, Investment & Culture | | | 0.1 |
| Transportation & Highways | | | 0.1 |
| Streetscene & Regulatory Services | Planning & Regulatory Services | Additional income primarily due to increased Planning Application fees, increased activity in the Building Control service due to the collapse in the Approved Inspector Insurance Market, recovery of enforcement costs in Environmental Health and s106 Monitoring Fee income | (0.5) |
| Streetscene & Regulatory Services | Streetpride & Parks | There have been a number of pressures across this service, primarily income and agency cover related. Bereavement Services income was £340k lower than budget due to falling death rates. Failing equipment resulted in Coombe Car Parking income and enforcement pressures of £130k. Trees & Woodlands spent an extra £54k due to emergency works following the storms in Jan - March. Streetpride experienced higher Fleet costs of £276k due to an ageing fleet and the need to spot hire to cover maintenance issues. Overtime and agency costs of £217k were incurred to cover vacancies, this was more than offset by vacancy savings of £442k | 1.0 |

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|---|--------------------------------|--|--------------|
| Streetscene & Regulatory Services | Waste & Fleet Services | <p>There are a number of variations in this area as follows:</p> <p>£288k in Commercial Waste whilst it continues towards its growth aspirations.</p> <p>£354k in Domestic Waste, primarily due to increased casual / agency costs to cover vacancies / sickness, additional bin purchases & the cost of Christmas cover</p> <p>(£537k) in Fleet due to lower capital financing costs (£321k), over achievement of income on disposals and training and other savings on Vehicle Hire and Fuel.</p> <p>£149k in Passenger Transport, mainly due to staff shortages and the need to use casuals / overtime to cover these.</p> <p>£451k in Waste Disposal, due to higher tonnages disposed of and higher gate fees and loss of rebate income for the co-mingled recycling contract, there were also additional costs in relation to the CSWDC shutdown and diversion.</p> | 0.7 |
| Streetscene & Regulatory Services | Environmental Services | Primarily an income shortfall against budget in Pest Control whilst it continues its drive to grow together with some low level overtime & agency costs to cover vacancy and sickness absence. | 0.2 |
| Streetscene & Regulatory Services | Other Variances Less than 100K | | (0.1) |
| Streetscene & Regulatory Services | | | 1.3 |
| Project Management and Property Services | Project Management | This variation reflects an underperformance against the income target due to vacancies | 0.2 |
| Project Management and Property Services | Commercial Property | This reflects additional income resulting from a £120k charge for time spent on property acquisition and disposals and £50k Commercial Property income above target. | (0.2) |
| Project Management and Property Services | Facilities & Property Services | Building compliance and Repair and maintenance collective trading surplus's of £562k together with a £434k back dated business rate refund | (1.0) |
| Project Management and Property Services | Other Variances Less than 100K | | (0.1) |
| Project Management and Property Services | | | (1.1) |
| Finance & Corporate Services | Legal Services | This reflects the cost of agency and external cover for vacant posts and the use of external counsel in Legal Services, together with underlying cost pressures within coroners due to price and volume increases. | 0.6 |
| Finance & Corporate Services | Revenues and Benefits | There is a surplus as a result of an increase in housing benefit overpayment recovery. This is offset by additional costs required to administer an increasing council tax base and a reduction in court cost income. In addition there was a lower than anticipated demand for community support grants resulting in an underspend. | (0.3) |

| | | | |
|---|-----------------------------------|--|--------------|
| Finance & Corporate Services | Democratic Services | A combination of one-off savings whilst restructures were implemented and additional income from schools appeal works. | (0.2) |
| Finance & Corporate Services | Other Variances Less than 100K | | (0.3) |
| Finance & Corporate Services | | | (0.2) |
| Total Budget Holder Forecast Variances - Place | | | 0.1 |
| Contingency & Central Budgets | Corporate Finance | <p>Underspend of £7m due to amounts no longer due to be paid to the West Midlands Pension Fund (WMPF). The Fund has not required employer pension contributions resulting from higher payroll figures to be paid over to it although the Council had budgeted for these.</p> <p>Other variations include previously reported uncommitted resources related to one-off social care funding (£1.1m); Coventry and Warwickshire Business Rate Pool income in excess of budget (£1.3m); projected additional savings from the Friargate Project (£0.7m); lower than budgeted levy costs (£0.6m); and a £0.7m contribution to reserves for managing the costs of major projects approved at quarter 2.</p> <p>The net Asset Management Revenue Account position is an underspend of £2.4m which reflects, £2.2m higher than budgeted investment and loan repayment income, £0.4m lower than budgeted capital financing costs and a net shortfall of £0.2m in budgeted dividend income. The dividend position includes a £0.8m shortfall from Coombe Abbey Park Limited (£0.3m outstanding from 2018/19 and none of the budgeted £0.5m received for 2019/20) offset by £0.3m of Covid-19 grant and £0.3m of additional dividends from other sources.</p> | (6.4) |
| Total Budget Holder Forecast Variances - Contingency & Central Budgets | | | 2.9 |

Appendix 2 Capital Programme Change and Analysis of Rescheduling

| SCHEME | APPROVED CHANGES £m | (RESCHEDULING) / ACCELERATED SPEND £m | (UNDERSPEND) / OVERSPEND £m | EXPLANATION |
|-----------------------|------------------------|---|---------------------------------|--|
| Condition | | (0.2) | | This is due to difficulties with completion of a couple of projects, where there were access restrictions, so works have been programmed for Summer 2020 and the works added to the 2020/21 Condition Programme |
| Basic Need | | 0.4 | | Two secondary expansion projects and the Keys project have completed (with accounts for these being finalised) and some costs for the larger secondary expansion projects (including two which kickstarted in January 2020), thought to be seen in the next financial year, were seen in the final quarter. There have also been programme pressures within a couple of the secondary projects, which have incurred additional design fees (still within project budget but not forecast to be spent within the financial year). |
| SEND | | 0.2 | | Project completion within this financial year (and accounts finalised for these projects) and progression of other projects since January. There have been pressures within a couple of projects, which have incurred further works (still within project budget but not forecast to be spent within the financial year). |
| Superfast Broadband | | (0.2) | | This is part of the renegotiation of the network lease agreement with City Fibre. The payment schedule was only agreed/finalised towards end of FY19/20 hence this reschedule amount which will be required FY20/21 |
| ICT | | (0.3) | | The bulk of the reschedule relates to some work to move the Revenues and Benefits system to be hosted by Capita. There have been several delays on the project and this was compounded – towards the end of last year, by the COVID 19 situation. Expected full spend in 2020/21 |
| Whitley Depot ICT Hub | | (0.2) | | We are currently finalising the lease for a new data centre. There was a possibility that this would have been done before year end but will now take place 2020/21 hence the rescheduling. |
| Growing Places | | (0.1) | | The Commonwealth Games Project (CWG) which consists of improvements in Leamington Spa for the hosting of the Bowls Competition has not drawn down as much funds as previously forecasted due to unforeseen delays with the project, such as |

| | | | | |
|-------------------------------------|--|--------|-------|--|
| | | | | inclement weather delaying works on the greens. |
| Vehicle & Plant Replacement Leasing | | (0.1) | | 4 vehicles were due to be delivered in 2019/20. These have been delayed because of COVID-19 lockdown. |
| Alan Higgs | | (0.9) | | The Contractor was delayed in delivering practical completion of the new 50m Pool at Alan Higgs and as a consequence there has been expenditure slippage and works taken out the contract to provide the client with programme and cost certainty, which will now be undertaken post practical completion i.e. in the next financial year. |
| Pathways to Care | | | (0.2) | The underspend is due to accruals in 2018/19 that did not come to fruition and not as many projects in 2019/20 being undertaken by Foster Carers |
| Whitley Depot Redevelopment | | (0.3) | | The 2019/20 cashflow was based on being able to tender the main contract works and make an award of contract by the end of January 2020. This would have enabled two months valuation payments to be made for the construction works by the year end. The tendering contractors all requested more time to tender and the tender return date was put-back. The tenders submitted all greatly exceeded the approved budget. Time has been spent to date identifying and negotiating savings with the tendering contractors. It has still not been possible to make an award of contract within budget and approval is now required to be obtained to secure additional funding. |
| UK Central & Connectivity | | (12.2) | | A46 Link Road Phase One (Stoneleigh Junction) delayed due to a need to re-tender the construction contract, delays in completing land acquisition, and in securing Technical Approvals from Highways England. Full funding approval secured from DfT in February 2020. |
| City Centre South | | 0.8 | | Variance is due to accelerated spend on the CCS planning application and Coventry Point |
| Friargate | | 0.5 | | Variance is due to accelerated spend on the Two Friargate design development process |
| Highways Investment | | (0.6) | | Four schemes not completed due to third party clashes and other operational issues, these schemes will be completed in 2020-21. Also continuation of RFCC flood alleviation project delivery for Butt /Washbrook Lane/The Windmill Hill. |

| | | | | |
|---|-----|-------|--|---|
| Whitefriars Housing Estates | | 0.7 | | Accelerated spend to ensure work continuity for the DLO workforce. |
| Clean Bus Technology Fund | | (1.4) | | Some delays in bus companies procuring and completing the works, but all work is in hand and will be completed Summer 2020. |
| Early Measures Fund | | (0.4) | | Implementation of Ball Hill junction improvement partially completed, but remaining element on hold pending completion of scheme review. |
| ULEB | | (0.5) | | Awaiting for the signed agreement from National Express [NX]. Once this is in place claim 1 will be processed, anticipated early in 2020. |
| Integrated Transport Programme | | (0.5) | | Schemes that are currently in development stage and will move to delivery in early part of 2020-21. |
| Better Street Community Project | | (0.3) | | The funding agreement for the Better Streets Community Fund projects is now in place and projects are progressing towards implementation in 2020-21. |
| Coventry Station Masterplan | 0.2 | 0.2 | | Westminster car park income and S106 added to the CSMP budget to fund car park compensation costs to the Train Operator and new funds identified for Station Square addition to the scope of works. In addition small increase from Qtr3 forecast £200,000 |
| GD08 - Business Innovation Fund (Duplex Fund) | | (0.3) | | The Duplex Investment Scheme launched in October 2019. A formal PR launch was delayed due to the December General Election so take up of the scheme was not as high as predicted in Q3. This was compounded by contractual obligations and a grant agreement for each business requiring completion before Grant funding from Local Growth Fund could be drawn down. The Duplex project will claim its full LGF allocation in quarter 1 of 2020-21. |
| GD14 - A46 N-S Corridor (Stanks) | | (0.2) | | The Stanks project rescheduling is a result of a number of issues linked to confirmation of a bond agreement with the new contractors, delay to expenditure following a revised schedule of works and issues with unchartered utilities on site. The project's initial completion date of May 2020 was also delayed to September 2020. |
| Whitley South Infrastructure - Facility A and B (Roxhill) | | (3.7) | | The project progress was slower than anticipated with inclement weather hindering site works in early spring and technical difficulties delaying the bridge installation. The delays resulted in less spend than anticipated within the year. |

| | | | | |
|--|-----|-------|--|--|
| Housing Infrastructure Fund | | (2.4) | | There has been a delay in moving this project forward as a result of discussions with Homes England on additional secured funding (now £15.6m) and contractual reviews with the developer and their consultants. This was to ensure that there is no risk to the Council for any level of overspend on the project. The planning application being submitted by the developer, which was a key item to progressing to tender stage, was delayed by 3 months and in turn delayed an award of contract which would have seen a substantial payment (circa £800k) being paid out to secure a manufacturing slot for the bridge beams. The scheme is moving forward, however the impact of Covid-19 is slowing the process down. |
| Public Realm 5 - City of Culture | 1.9 | (0.6) | | This is the impact of COVID-19 on the programme and Eurovia closing the Precinct site down in March 2020. Eurovia as of week commencing 4th May have re-opened the site and commenced work. Analysis of the impact on the programme is being worked through currently. |
| Heatline | | (0.3) | | No expenditure as the outstanding balance is the final contract payment which is to be contractually retained until the works are complete. Engie have still not finalised the connection and commissioning of The wave. Until this work is complete no further payments are due. |
| Acquisition Costs Temporary Accommodation (Homeless) | | (0.2) | | Funding to be used to bring an additional 8 units in to temporary accommodation via Citizen |
| Battery Plant and Equipment | | 6.7 | | The project was awarded an additional £3.1m from Innovate UK in order to keep pace with technology in the battery industry, and the drawdown of existing funding was accelerated at the request of the funder so that the full £111.1m could be drawn down by the end of the financial year. |
| Coombe Loan | | (0.2) | | Reduction in the anticipated drawn down of the loan facility |
| Coombe new Play facility | | (0.6) | | The tendering timetable for the adventure play facility has been delayed due to the COVID-19 crisis as prospective providers have been unable to work up and submit tenders. The situation is being constantly reviewed and the procurement process will be initiated as soon as possible following Government Advice. |

| | | | | |
|--|-------------|---------------|--------------|--|
| Coombe CarPark Remodelling | | (0.2) | | This is linked to the development of the proposed Adventure Play facility at Coombe Park. The remodelling of the car park requires planning permission from Rugby Borough Council and early outline submissions have been rejected and has needed the drawing up of revised layouts to meet Rugby Planning requirements and allow the submission of a full planning application. This has resulted in the delay and prevented the scheme from being undertaken as planned. The scheme will be going ahead and capital funding will need to be rescheduled into the 20/21 financial year. |
| The Arches Spon End Pinchpoint | | (2.2) | | In isolation this scheme received funding to deliver the project and should have proceeded, however the speed at which the Air Quality Forward Funding project came along promoted a joined up scheme with the section of Spon End/The Butts down to Junction 7. The works have now evolved into a larger project which will bring forward efficiencies and reduced impact on the highway. The current Spon End scheme is currently out for consultation with the Air Quality. Land acquisition discussions are currently taking place and should see some significant spend August 2020 and onwards. |
| St Marys Guildhall | | 0.4 | | Accelerated spend for works at St Marys as part of the City of Culture programme |
| OLEV Onstreet Residential Chargepoints - Phase 2 | 0.3 | | | £0.3m awarded in Quarter 4 from the Office for Low Emission Vehicles (OLEV) for installing onstreet residential chargepoints. |
| Share Purchase of TWW Ltd | 14.6 | | | Cabinet approval on 25th February 20, for the commercial acquisition of shares |
| Interest Capitalisation | 2.5 | | | This is in respect to the accounting policy referring to the prudential borrowing costs associated with schemes: City Centre Destination Facility, Whitley South, Coventry Station Masterplan and Salt Lane Car Park. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period or more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing. |
| Miscellaneous | (0.3) | | | |
| TOTAL CHANGES | 19.2 | (19.0) | (0.2) | |

Appendix 3

Summary Prudential Indicators

| | | Per Treasury Management Strategy 19/20 £000's | Actual 19/20 £000's |
|----------|--|--|------------------------------------|
| 1 | Ratio of financing costs to net revenue stream: | | |
| | (a) General Fund financing costs | 31,122 | 29,775 |
| | (b) General Fund net revenue stream | 231,815 | 231,815 |
| | General Fund Percentage | 13.43% | 12.84% |
| 2 | Gross Debt & Forecast Capital Financing Requirement | | |
| | Gross debt including PFI liabilities | 403,900 | 372,259 |
| | Capital Financing Requirement (forecast end of 21/22) | 472,677 | 472,677 |
| | Gross Debt to Net Debt: | | |
| | Gross debt including PFI liabilities | 403,900 | 372,259 |
| | less investments | -75,000 | -61,995 |
| | less transferred debt reimbursed by others | -14,300 | -11,870 |
| | Net Debt | 314,600 | 298,394 |
| 3 | Capital Expenditure (Note this excludes leasing) | | |
| | General Fund | 196,170 | 215,867 |
| 4 | Capital Financing Requirement (CFR) | | |
| | Capital Financing Requirement | 479,238 | 493,613 |
| | Capital Financing Requirement excluding transferred debt | 467,564 | 481,743 |
| 5 | Authorised limit for external debt | | |
| | Authorised limit for borrowing | 422,350 | 422,350 |
| | + authorised limit for other long term liabilities | 65,213 | 65,213 |
| | = authorised limit for debt | 487,564 | 487,564 |
| 6 | Operational boundary for external debt | | |
| | Operational boundary for borrowing | 402,350 | 402,350 |
| | + Operational boundary for other long term liabilities | 65,213 | 65,213 |
| | = Operational boundary for external debt | 467,564 | 467,564 |
| 7 | Actual external debt | | |
| | actual borrowing at 31 March 2020 | | 306,979 |
| | + PFI & Finance Leasing liabilities at 31 March 2020 | | 65,205 |
| | + transferred debt liabilities at 31 March 2020 | | 11,870 |
| | = actual gross external debt at 31 March 2019 | | 384,054 |

| | | |
|---|--------------------|---------------|
| 8 Interest rate exposures | | |
| Upper Limit for Fixed Rate Exposures | 422,350 | 290,335 |
| Variable Rate | | |
| Upper Limit for Variable Rate Exposures | 84,470 | -45,352 |
| 9 Maturity structure of borrowing - limits | upper limit | actual |
| under 12 months | 40% | 31.9% |
| 12 months to within 24 months | 20% | 0.5% |
| 24 months to within 5 years | 30% | 5.1% |
| 5 years to within 10 years | 30% | 4.6% |
| 10 years & above | 100% | 57.9% |
| 10 Investments longer than 364 days: upper limit | | |
| | 30,000 | 0 |

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Cabinet
Audit and Procurement Committee

25th August 2020
19th October 2020

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor J Mutton

Director Approving Submission of the report:

Director of Finance

Ward(s) affected:

City wide

Title:

2020/21 First Quarter Financial Monitoring Report (to June 2020)

Is this a key decision?

No

Executive Summary:

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2020. The headline revenue forecast for 2020/21 is for net expenditure to be £28.2m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net over-spend is **£6.7m**. The Government has indicated that further funding will be available to compensate councils for the loss of income as a result of Covid which will improve this overall position. At the same point in 2019/20 there was a projected underspend of £0.6m.

Excluding the effects of Covid there are overspends in excess of £1m in each of Children's and Young People, Streetscene and Regulatory, and Highways and Transportation.

Early forecasts indicate that the Council's capital spending is projected to be £271.8m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, Coventry Station Masterplan, Whitley South infrastructure, Public Realm, Secondary Schools expansion and the National Battery Plant. This level of expenditure, if achieved, would exceed that reported in 2019/20.

Recommendations:

The Cabinet is requested to:

- 1) Approve the Council's revenue monitoring position incorporating the application of Covid emergency funding.
- 2) Approve the revised forecast estimated outturn position for the year of £271.8m incorporating: £10.5m net increase in spending relating to approved/technical changes, £9.3m net rescheduling of expenditure from 2021/22 and £0.1m overspend.

- 3) Consider any recommendations from Audit and Procurement Committee in due course.

The Audit and Procurement Committee is requested to:

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

List of Appendices included:

| | |
|------------|---|
| Appendix 1 | Revenue Position: Detailed Directorate breakdown of forecast outturn position |
| Appendix 2 | Capital Programme: Analysis of Budget/Technical Changes |
| Appendix 3 | Capital Programme: Estimated Outturn 2020/21 |
| 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, 19th October 2020

Will this report go to Council?

No

Report title:

2020/21 First Quarter Financial Monitoring Report (to June 2020)

1. Context (or background)

- 1.1 Cabinet approved the City Council's revenue budget of £238.8m on the 25th February 2020 and a Directorate Capital Programme of £232.7m. This is the first quarterly monitoring report for 2020/21 to the end of June 2020. 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 2020/21 revenue forecast is for expenditure to be £6.7m above budget. This is after applying £21.5m of emergency received or due from Government for the purpose of managing the estimated cost of COVID-19 to the Council. The reported forecast at the same point in 2019/20 was an underspend of £0.6m. Capital spend is projected to be £271.8m, an increase of £39m 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.

Revenue Position - The revenue forecast position is analysed by service area below. The position shown for each service area assumes that all Covid costs are met. However, the current position is that there is a shortfall of £4.6m within 2020/21 and this has been included as pressure at a whole-Council level towards the bottom of the table.

Table 1 - Forecast Variations

| Service Area | Revised Net Budget £m | Forecast Spend £m | Less Covid Impact £m | Net Forecast Spend £m | Forecast Variation £m |
|------------------------------------|----------------------------------|------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Adult Social Care | 78.4 | 82.7 | (4.3) | 78.4 | 0.0 |
| Business Investment & Culture | 5.2 | 5.8 | (0.3) | 5.5 | 0.3 |
| Children & Young People's Services | 72.2 | 75.5 | (1.5) | 74.0 | 1.8 |
| Contingency & Central Budgets | 15.5 | 12.0 | (1.9) | 10.1 | (5.4) |
| Education and Inclusion | 14.2 | 14.8 | (0.2) | 14.6 | 0.4 |
| Finance | 3.1 | 3.6 | (0.3) | 3.3 | 0.2 |
| Housing Transformation | 14.0 | 18.3 | (3.6) | 14.7 | 0.7 |
| Human Resources | 1.1 | 1.5 | (0.2) | 1.3 | 0.2 |
| Legal and Governance Services | 3.6 | 4.3 | (0.2) | 4.1 | 0.5 |
| Directorate Management | 1.4 | 1.5 | 0.0 | 1.5 | 0.1 |
| Project Management & Property | (3.2) | 3.4 | (6.5) | (3.1) | 0.1 |
| Public Health | 0.6 | 0.7 | 0.0 | 0.7 | 0.1 |
| Streetscene and Regulatory | 28.0 | 34.0 | (4.2) | 29.8 | 1.8 |
| Transportation & Highways | 4.6 | 8.7 | (2.9) | 5.8 | 1.2 |
| Covid Grant Shortfall | | | | 4.6 | 4.6 |

| | | | | | |
|--------------|--------------|--------------|---------------|--------------|------------|
| Total | 238.8 | 267.0 | (26.1) | 245.5 | 6.7 |
|--------------|--------------|--------------|---------------|--------------|------------|

2.2 An explanation of the major forecast variances is provided below. Further details are provided in Appendix 1 to the report.

Directorate - Covid-Related

Most of the variations reported at quarter 1 are as a direct result of the COVID-19 impacts across the City Council totalling c£26m. Of these a significant proportion relate to income which has not been achievable under lockdown or which may not be achievable in subsequent months whilst recovery takes place. The largest of these expected pressures relates to c£6m potential rent losses and associated pressures in respect of the Council's commercial property portfolio and £2.2m in respect of significantly reduced car parking, bus gate and parking enforcement activity. Other lower but still significant Covid related income shortfalls are expected in other service areas including land charges, highways, revenues, planning, commercial waste, parks, Adult Education, the Outdoor Education Service and other school traded services which collectively are forecast to result in a c£3.7m pressure.

Covid has also resulted in expenditure pressures across all services. The largest of these is expected in Adult Social Care at £4.3m as a result of supporting providers with the additional costs of PPE, staffing and other related costs as well as the emergency provision of food to those shielding and in need. Others include the impact on looked after children and leaving care placements amounting to £1.5m; the cost of housing rough sleepers during lockdown, and expected activity increase in housing of £1.3m; purchase of emergency mortuary equipment at £1.2m; and PPE, social distancing/safe working costs of c£3m.

Directorate - Non-Covid

An underlying pressure exists in relation to car parking and bus gate enforcement where pre-Covid activity levels were already lower than budgeted income levels by some £1.2m. St Marys Guildhall income is also under achieving by £0.2m whilst the capital improvement works take place and pest control by £0.1m whilst it works towards growth aspirations. There is also a £0.2m pressure in ICT due to a worsened trading position with schools.

Significant spend pressures include the costs of looked after children placements (£1.6m) as a result of delays in the delivery of Children's placement transformation and a higher unit cost of placements partly attributable to the youth violence in the city. There is a £0.8m pressure in waste disposal caused by higher gate fees and tonnages, and the £0.4m annual cost of managing and securing the Fairfax Street site whilst an alternative use is sought following its closure. Other pressures include: accelerated demand for ICT kit and a price increase (£0.2m); agency staff and external advocacy fees in legal in order to manage higher children's services casework activity levels (£0.4m); the expected cost of maintaining Christmas refuse collections (£0.2m), and agency staff in the revenues team to reflect a higher council tax base (£0.2m). Continuing increased demand and cost within Mental Health and Learning Disability services are applying further pressure to the Adult Social Care position, with this being managed within year from a mixture of grants and reserve movements.

The council overall is forecasting an underspend against its salary budgets and turnover target which is mainly due to continuing vacancies across Children's Social Care. This is partially offset by a non-salary overspend (e.g. agency, overtime). Significant work continues to be undertaken to reduce the use of agency staff, but despite continuing recruitment the turnover rate remains high.

Contingency and Central Budgets

An £1.9m estimated under-achievement of dividends resulting from the impact of Covid has been assumed at this stage. Other than this, central budgets are forecast to underspend by

£5.4m including £2.3m on the Asset Management Revenue Account (AMRA) and £3.1m within other central budgets. The AMRA underspend is the result of lower than budgeted capital financing costs and higher than budgeted income from the Council's pooled investment funds. Within central budgets there is an expected c£2m underspend on the Council's superannuation budgets and an assumed over-achievement of Business Rates Pool income this year.

Covid-Related Grants

A range of grant funding allocations have been announced to manage the financial impact of COVID-19 and deliver services to mitigate or address the effects of the pandemic. This includes £24.4m in three allocations of overall emergency funding plus grants to address specific priority areas. It is assumed that the large majority of this funding will be utilised to deliver the specific purposes highlighted by grant determinations, subject to local requirements. Most of the funding has already been received and the current list of grants is shown below.

Table 2: Covid Funding Allocations

| | £000 |
|--|---------------|
| Emergency Funding 1st Allocation | 10,407 |
| Emergency Funding 2nd Allocation | 10,377 |
| Emergency Funding 3rd Allocation | 3,606 |
| Adult Social Care Infection Control Fund | 2,687 |
| Test and Trace Support Grant | 2,041 |
| Hardship Fund | 3,732 |
| Emergency Assistance Grant for Food & Essential Supplies | 479 |
| Re-Opening High Streets Safely Fund | 334 |
| Covid Rough Sleeper contingency fund | 17 |
| Total | 33,680 |

- 2.3 **Capital Position** - The 2020/21 capital outturn forecast for quarter one is a revised outturn position of £271.8 compared with the original programme reported to Cabinet in February 2019 of £232.7m. Table 3 below updates the budget to take account of a £10.6m increase in the programme from approved/technical changes, £19m of expenditure has been brought forward from 2019/20 and £9.3m now planned to be accelerated from future years, a small overspend of £0.1m This rescheduling £9.3m and a small under/overspend are 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 2020/21 is £271.8m. Appendix 3 provides an analysis by directorate of the movement since budget setting.

The Resources Available section of Table 3 explains how the Capital Programme will be funded in 2020/21. It shows 76% of the programme is funded by external grant monies, whilst

17% is funded from borrowing. The programme also includes funding from capital receipts of £13.8m.

Table 3 – Movement in the Capital Budget

| CAPITAL BUDGET 2020-21 MOVEMENT | Qtr 1 Reporting £m |
|---|-----------------------|
| February 2020 Approved Directorate Programme | 232.7 |
| Net rescheduling of expenditure from 2019/20 to 2020/21 | 19.0 |
| Revised Quarter One Base | 251.8 |
| Approved / Technical Changes (see Appendix 2) | 10.6 |
| "Net" Overspend (see Appendix 3) | 0.1 |
| "Net" Rescheduling into future years (see Appendix 4) | 9.3 |
| Revised Estimated Outturn 2019-20 | 271.8 |

| RESOURCES AVAILABLE: | Qtr 1 Reporting £m |
|---|-----------------------|
| Prudential Borrowing (Specific & Gap Funding) | 45.0 |
| Grants and Contributions | 206.3 |
| Capital Receipts | 13.8 |
| Revenue Contributions and Capital Reserve | 6.7 |
| Total Resources Available | 271.8 |

2.4 Treasury Management

Interest Rates

The current Bank of England Base Rate has been at 0.10% since March 2020. The medium-term outlook is increasingly weak. While measures to counteract the impact of COVID-19 are being eased, it is likely to be some time before demand returns to previous levels. As a result current forecasts predict the base rate will remain at 0.10% for the medium term. There is a significant chance that the rate could fall lower, with negative interest rates a possibility.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2020/21 Capital Programme is £34.2m, taking into account borrowing set out in Section 2.4 above (total £45.0m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£10.8m). 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 2020/21 interest rates for local authority borrowing from the Public Works Loans Board (PWL B) have varied within the following ranges:

| PWL B Loan Duration (maturity loan) | Minimum 2020/21 to Q1 | Maximum 2019/20 to Q1 | As at the End of Q1 |
|---|-----------------------------|-----------------------------|------------------------|
| | | | |

| | | | |
|---------|-------|-------|-------|
| 5 year | 1.94% | 2.19% | 1.94% |
| 50 year | 2.33% | 2.65% | 2.48% |

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. As at 30/06/2020 The City Council held £94m of short term borrowing from other public bodies at an average interest rate of 0.95%.

Returns provided by the Council’s short-term investments yield an average interest rate of 0.83%. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers and companies in the form of corporate bonds.

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

| | As at 30th June 2019 | As at 31st March 2020 | As at 30th June 2020 |
|------------------------------|--|---|--|
| | £m | £m | £m |
| Banks and Building Societies | 6.0 | 0.0 | 0.0 |
| Money Market Funds | 4.2 | 5.4 | 37.0 |
| Local Authorities | 0.0 | 0.0 | 0.0 |
| Corporate Bonds | 9.0 | 0.0 | 0.0 |
| Registered Providers | 10.0 | 10.0 | 10.0 |
| Total | 29.2 | 15.4 | 47.0 |

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 30th June 2019 the pooled funds were valued at £30m, spread across the following funds: CCLA, Schrodgers, 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 30th June 2020 are included in Appendix 5. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2020/21. 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 30th June the value is -£60.3m (minus) compared to +£87.9m 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 30th June the value is £324.5m compared to £439.5m 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

3.1 None

4. Timetable for implementing this decision

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

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial implications

Revenue

The impact of COVID-19 has been dramatic and far-reaching across the whole economy and all elements of the public sector. Numerous councils have given stark warnings about the vulnerability of their financial positions and the shortfall of Government funding compared to the costs that they have incurred or the income that they have lost.

In this context, the Council is in a relatively strong position compared to that reported by some councils and on current estimates is moving towards achieving a relatively secure financial position for 2020/21. The table below shows the current position indicating an unfunded Covid pressure of £4.6m.

| | £m |
|--|--------|
| Confirmed Covid Emergency Funding | (24.4) |
| Amount Committed for 2019/20 Outturn Pressures | 2.9 |

| | |
|-------------------------------------|--------|
| Remaining to Fund 2020/21 Pressures | (21.5) |
| 2020/21 Pressures | 26.1 |
| Unfunded Balance | 4.6 |

The Government has indicated that the sector will be able to claim further grant to recompense it for part of its income pressures and guidance on the process to be followed is awaited. Although it is not possible to give a precise estimate on the amount that the Council will be able to claim, it is a reasonable assumption that it will be at least half of the unfunded balance (somewhere between £2m and £3m).

This picture needs to be balanced by the degree of risk and uncertainty that remains. The threats of a second spike of cases or a prolonged period of continuing partial lockdown conditions remain. These would signal a continued need to incur additional expenditure, such as support to external Adult Social Care providers, or suffer continued income losses such as from Council owned car parks. Even if the public health position improves this is likely to be marked by other areas of increased cost such as SEND Home to School Transport (provided on a social distancing basis) or the emergence of additional costs of looked after children for example. This combination of possibilities threatens a heightened level of volatility in the Council's financial planning even over the very short term, meaning that financial forecasting to the end of the year will continue to be challenging.

Putting aside the impacts of Covid, the Council's overall financial position includes an overspend of £2.1m at quarter 1. Although trends in previous years provide an expectation for this position to improve as the year progresses, the interaction with Covid makes it more difficult to have confidence that same will happen for 2020/21 outturn. The position includes some issues that will be difficult to remedy, such as across car parking, enforcement and waste management and it will be important for the Council to undertake strong budget management across all areas to enable it to move the budgetary position towards balance. Cabinet is reminded that at 2019/20 outturn it earmarked £5.5m for Covid Reset and Recovery and this remains a currently uncommitted resource that could be applied to help manage the overall budgetary position if necessary.

In overall terms the financial position outlined, although not without risk, provides sufficient evidence to enable the Director of Finance to provide a clear statement that it will not be necessary to issue a Section 114 notice (which would restrict the Council's ability to make any discretionary spending decisions).

At this early stage it is important to flag that next financial year is also at a heightened position of risk. The Budget Report approved in February 2020 included an indicative gap for 2021/22 of £19m. The combination of uncertainty facing local government finance beyond the current year and the continued (and potentially permanent) impacts of Covid mean that many of the fundamental elements of the financial plan are fluid at present. One example of this is the Council Tax and Business Rates 'Collection Fund'. In accounting and financial planning terms, the impact of Covid on collection of these tax-revenues within the current year will not be felt until 2021/22. An initial planning estimate of this impact is £6m although this is likely to be revised through this year. The other elements of the Budget that could similarly be subject to significant change means that the Council will enter its most challenging budget setting process for some years.

Capital

The Council's capital programme plans continued to be progressed despite the lockdown conditions in place during the first quarter. Although there was an impact on some areas of

the programme (in particular some city centre public realm works) most schemes worked at or approaching full capacity. The programme continues to reflect major schemes that are being delivered over several years such as the UK Battery Industrialisation Centre, Whitley South Infrastructure, Public Realm and the Coventry Station Masterplan, all of which now have a very visible physical presence in the city. Other areas of the programme which have been in an earlier planning stage such as the City of Culture Capital Programme and the second Friargate building should see significant project progress during 2020/21. The current forecast programme, if achieved, will surpass the very large programme achieved in 2019/20.

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. Some key projects are accelerating their programmes; including the Coventry Station Masterplan and the school's secondary schools' expansion programme funded through Basic Need Grant. 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. In addition, external contractor delays in revisiting incorrectly installed ductwork has put time and costs into the program of works. The Council is seeking where possible to recover these fees. These costs are currently under review by the Project Team and will endeavour to reduce the financial risk.

5.2 Legal implications

None

6. Other implications

6.1 How will this contribute to the Council Plan (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. The impact of Covid has represented a heightened level of financial risk over this period. The Council has sought to take a proportionate approach to supporting key sectors, partners and vulnerable groups ensuring that a fundamental safety net is provided but doing so in a financially sustainable way, ensuring that the Council can maintain legacy support within the broad financial envelope indicated by Government emergency funding announcements.

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. The Council continues to monitor any systemic changes to the financial position represented by Covid and these will be reflected in the forthcoming Budget process.

6.4 Equalities / EIA

No impact.

6.5 Implications for (or impact on) climate change and 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:**

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Service:

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| Contributor/approver name | Title | Service | Date doc sent out | Date response received or approved |
|---|--|--------------------|--------------------------|---|
| Contributors: | | | | |
| Michelle Salmon | Governance Services Officer | Law and Governance | 28/7/20 | 29/7/20 |
| Helen Williamson | Lead Accountant Capital | Finance | 27/7/20 | 27/7/20 |
| Paul Hammond | Accountant | Finance | 27/7/20 | 27/7/20 |
| Names of approvers for submission: (officers and members) | | | | |
| Barry Hastie | Director of Finance | - | 28/7/20 | 29/7/20 |
| Carol Bradford | Corporate Governance Lawyer | Law and Governance | 28/7/20 | 29/7/20 |
| Councillor J Mutton | Cabinet Member Strategic Finance and Resources | - | 22/7/20 | 22/7/20 |

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

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

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

| Directorate | Revised Budget | Forecast Spend After Action/ Use of Reserves | Centralised Forecast Variance | Budget Holder Forecast Variance | Net Forecast Variation | Less Covid Impact | Other Variance |
|--|----------------|--|-------------------------------|---------------------------------|------------------------|-------------------|----------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Adult Social Care | 78.4 | 82.7 | 0.1 | 4.2 | 4.3 | 4.3 | 0.0 |
| Business Investment & Culture | 5.2 | 5.9 | 0.2 | 0.4 | 0.6 | 0.3 | 0.3 |
| Children and Young People's Services | 72.2 | 75.5 | (2.2) | 5.5 | 3.4 | 1.5 | 1.8 |
| Contingency & Central Budgets | 14.1 | 10.6 | 0.0 | (3.5) | (3.5) | 1.9 | (5.4) |
| Education and Inclusion | 14.2 | 14.7 | (0.5) | 1.1 | 0.6 | 0.2 | 0.4 |
| Finance | 3.1 | 3.6 | (0.1) | 0.6 | 0.5 | 0.3 | 0.2 |
| Housing & Transformation | 14.0 | 18.3 | 0.1 | 4.3 | 4.3 | 3.6 | 0.7 |
| Human Resources | 1.1 | 1.5 | 0.2 | 0.2 | 0.4 | 0.2 | 0.2 |
| Law and Governance | 3.6 | 4.4 | (0.0) | 0.8 | 0.7 | 0.2 | 0.5 |
| People Directorate Management | 1.4 | 1.5 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Project Management & Property Services | (3.2) | 3.4 | 0.0 | 6.6 | 6.6 | 6.5 | 0.1 |
| Public Health | 0.6 | 0.7 | (0.0) | 0.1 | 0.1 | 0.0 | 0.1 |
| Streetscene & Regulatory Services | 28.0 | 34.0 | 0.1 | 6.0 | 6.0 | 4.2 | 1.8 |
| Transportation & Highways | 4.6 | 8.8 | (0.0) | 4.2 | 4.1 | 2.9 | 1.2 |
| Total Spend | 237.3 | 265.6 | (2.1) | 30.3 | 28.2 | 26.1 | 2.1 |
| Ringfenced_Funding | 1.4 | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Budget Resources | (238.8) | (238.8) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Covid Grant Shortfall | | | | | 4.6 | | 4.6 |
| Total | 0.0 | 28.2 | (2.1) | 30.3 | 32.8 | 26.1 | 6.7 |

| | Explanation | £m |
|---|--|-----------|
| Total Non-Controllable Variances | The council overall is forecasting an underspend against its salary budgets and turnover target which is mainly due to continuing vacancies across Children's Social Care. | (2.1) |

| People Directorate | | | |
|-------------------------|----------------------------|--|-------|
| Service Area | Reporting Area | Explanation | £M |
| Education and Inclusion | SEND & Specialist Services | The Qtr. 1 forecast for SEN Home to School Transport is projecting a £959k under spend for 2020/21. The forecast includes reduced spending during the spring/summer term due to Covid-19. It includes a contingency for any supplier relief claims from private providers holding contracts with the Council and assumes a return to normal numbers from September 2020. The forecast also assumes a return to our standard operating model for delivering transport from September, i.e. the ratio of journeys provided via in house routes, taxis and personal transport budgets returns to normal. A percentage has been built into the forecast to account for a slight increase in special school places from September 2020. SEND Support Services are forecasting an over spend of £221k which is offset in part by a centralised under spend of £129k. Due to social distancing measures resulting from Covid-19, the SEND Support Service has not been able to deliver in full on its traded offer to schools during the Summer Term. The Council is working with schools to recover the full cost of the Service Level Agreement, but there is a risk that this will not be possible and income for Q1 will therefore be reduced. A 20% reduction in traded income has therefore been included in the budget position to reflect this possibility. | (0.7) |
| Education and Inclusion | Education Entitlement | Plas Doly Moch is forecasting an over spend of £620k as a result of Covid-19. The centre is currently closed and is therefore not able to generate income via fees & charges. Government support has been accessed where possible and all expenditure has been reviewed to reduce spending. Avenues are currently being explored in relation to other forms of income generation. The budget for Bus Passes which are provided as part of the LA's home to school transport responsibilities is forecasting an over spend of £115k. This is due to an increase in the number of pupils who are eligible. The Education Welfare service is forecasting an over spend of £65k. This is due to a reduction in income from Fixed Penalty Notices relating to non-attendance as a result of Covid-19. The budget for the Woodlands site is reporting an over spend of £40k because of reduced income from leisure activities due to Covid-19. Other traded services within Education Entitlement are forecasting | 1.0 |

| | | | |
|---|--|---|------------|
| | | over spends as a result of an expected reduction in school and / or parental income due to Covid-19. Work is ongoing to explore options to mitigate this. | |
| Education and Inclusion | Employment & Adult Education | To date it has not been possible to deliver the outstanding £189k financial savings target set as part of previous budget setting processes to ensure we maximise ESFA grant funding against internal training programmes. Due to the impact of Covid-19 and the resulting switch to virtual learning Adult Education are forecasting a £130k reduction in income generated via fees and charges. The Employment Service are forecasting an over spend of £441k but this is fully offset by a corresponding under spend against centralised salaries. | 0.8 |
| Education and Inclusion | | | 1.1 |
| Children and Young People's Services | LAC & Care Leavers | The largest element of this variance is as a result of the placement pressures (£2.7M net overspend). Children in external children's homes are above projected numbers and there have been some high cost placements and remand costs as a consequence of youth violence. £1.1M of this variance has been attributed to COVID as a result delays in delivery of the placement transformation programme. Supported accommodation is forecasting an overspend of £0.3M, which is all attributable to COVID, and is linked to delays in being able to move care leavers on to their own tenancies during the lockdown period. There are a number of other variances across the service as a result of activity pressure (including Children's Disability Service, care leavers, permanence allowances and agency costs totalling £1.2M). These are partially offset by a centralised salary underspend. Work is underway looking into these pressures to understand how they can be managed over the medium term. | 4.2 |
| Children and Young People's Services | Help & Protection | The budget holder variance largely relates to an overspend in the costs of agency staff covering vacancies across the service, which is more than offset by underspends across centralised salary budgets. We continue to recruit permanent social workers, but the turnover rate continues to mean we have a need for agency workers. The Workforce Board continues to focus on this issue to ensure we can reduce agency staffing levels as part of workforce transformation. | 1.2 |
| Children and Young People's Services | | | 5.5 |
| Adult Social Care | Strategic Commissioning (Adults) | £0.2m underspend relates to Carers budgets. Work is underway to enhance the support offer to carers for the next 12 months. £0.3m underspend relates to transport following the suspension of day opportunities as result of COVID-19. | (0.4) |
| Adult Social Care | All Age Disability and Mental Health Operational | There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs. The All Age Disability Team has also seen increasing demand and a high turnover of staff leading to increased Agency costs, recruitment to posts is ongoing. | 0.3 |

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|------------------------------------|---|---|------------|
| Adult Social Care | Internally Provided Services | Additional costs of other pay and overtime have been offset by savings in centralised costs due to vacancies. During the period affected by COVID-19, some staff recruitment has been put on hold due to staff from services which have been suspended being redeployed to cover vacancies. | 0.1 |
| Adult Social Care | All Age Disability and Mental Health Community Purchasing | Demand for Mental Health services, specifically residential and nursing placements, continues to apply pressure to the budget. Work is underway to identify alternative commissioning options that will help redress the trend. In Learning Disability, work continues to seek ways to reduce expenditure across commissioned services, particularly residential and nursing provision. Reviews of high cost transition packages are reducing long term costs. | 4.7 |
| Adult Social Care | Adult Social Care Director | There are 2 significant variations which make up the budget holder variance. A £4.1m overspend due to specific COVID-19 related spend which will be resourced alongside other corporate covid related expenditure as well as a £3.5m underspend representing the use of iBCF and other resources to manage the underlying Adult Social Care financial position. Whilst ibcf grant has been provided to assist with managing the position, it is unlikely to be sufficient to manage the longer-term cost impact of the pandemic. The contributory factors that make up the overspend are reflected in the explanations below. | 0.6 |
| Adult Social Care | Older People Community Purchasing | Although numbers of new starts in residential/nursing provision have been impacted by the Covid 19 outbreak it is expected numbers will begin to increase, which will lead to further cost pressures. Therefore strategies to reduce admissions will continue to be a focus for the rest of the year. | (1.2) |
| Adult Social Care | | | 4.2 |
| Customer Services & Transformation | Customer and Business Services | The Budget Holder forecast overspend relates to the following: a net loss of income for Post & Fastprint £56K as a result of lockdown and £45K agency cover needed re delayed recruitment during a staffing review (£10K of this was due to delays resulting from Covid). There have also been some costs for the Contact Centre relating to home-working equipment, planned additional security for re-opening and staffing costs for additional community support provided. The net impact of these is relatively low (£4K) as they have been offset against all possible cost reductions. | 0.2 |
| Customer Services & Transformation | Housing and Homelessness | A combination of additional budget resource and a number of strategies that we are putting in place to reduce the unit cost of temporary accommodation (e.g. caradoc, acquisitions, market negotiations) means that we are forecasting a balanced position for 20/21 despite significant activity increase over the last year. The overspend relates to forecast COVID-related expenditure including the additional costs of housing rough sleepers from April to July and additional activity that the service expects to see as a result of restrictions on evictions being removed and increased financial hardship. | 1.4 |
| Customer Services & Transformation | Procurement | The Budget Holder forecast overspend mainly relates to cross-Council PPE expenditure of £2m - all relating to Covid 19 and under-achievement on both streams | 2.0 |

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|---|--|---|------------|
| | | of rebate income of £90K - £80K of which is Covid related. | |
| Customer Services & Transformation | ICT & Digital | The current forecast position is largely a result of the following factors: some COVID-19 related pressures (circa £140k), a general increase in demand for ICT kit and services and price increase (circa £225k) and a worsening income position from traded services (circa £200k). Management action is being taken to look to address these pressures although it is recognised that the COVID-19 situation has accelerated an already growing demand for ICT kit and services such as laptops, mobile phone and user accounts. The increase in unit price for equipment such as laptops is due to the global demand and some supply chain issues. Work is being done to re-baseline the organisations core requirement for ICT kit aligning closely with organisational design activity as a result of COVID-19. The worsening position on income from traded services may be impacted further by the COVID-19 situation. This hasn't been reflected in the Quarter 1 position as work to manage the impact is underway. | 0.5 |
| Customer Services & Transformation | Other Variances Less than 100K | | 0.1 |
| Customer Services & Transformation | | | 4.3 |
| Legal & Governance Services | Legal Services | "COVID-19 lockdown has had a negative impact on income streams within the Register Office and the Records & Land Charges services with income reductions estimated at c£200k. Other variations reflect a £200k cost of agency staff to cover vacancies within the Legal Services team, a £220k cost of external legal fees for care proceedings, and an underlying pressure of £100k in the Coroner's Service as a result of increased costs and volumes. It is too early to assess the impact of lockdown on the cost and volume of legal care proceedings, so no pressure is being reported. However, this needs to be closely monitored." | 0.8 |
| Legal & Governance Services | | | 0.8 |
| Business Investment and Culture | Sports, Culture, Destination & Bus Relationships | "Covid 19 has resulted in the closure of the Wave water leisure facility which in turn has an impact on the profit share arrangements causing the majority of this pressure. Other variations are as a result of the closure of St Marys Hall catering facility whilst the capital improvement works are carried out. | 0.4 |
| Business Investment and Culture | | | 0.4 |

| | | | |
|---|--------------------------------|---|------------|
| Finance & Corporate Services | Revenue & Benefits | COVID-19 impact has resulted in an estimated 25% reduction in court cost income of around £250k due to the suspension of liability order applications, and an increase in off-site processing required to cope with extra demand of £40k. | 0.6 |
| Finance & Corporate Services | | | 0.6 |
| City Centre & Major Projects Development | | | |
| Transportation & Highways | Traffic | The majority of pressures are largely due to a significant reduction in parking and enforcement income during the Covid 19 lockdown period, based on an assumed phased return to normal levels of activity over the coming months. Other variations reflect a combination of the delayed implementation of a new fee structure for residents' parking permits, an underlying pressure in bus gate enforcement as a result of a downturn in the number of PCNs being issued, and the temporary closure of a bus gate for railway station works. | 3.6 |
| Transportation & Highways | Highways | This is primarily the impact of DLO being stood down in April, May and early June due to Covid 19 as during this time the service was unable to recover its direct costs and overheads totalling £650k. This is expected to be offset slightly during the remainder of the year from fees earned on external works | 0.5 |
| Transportation & Highways | TH Management & Support | "Other Temporary management arrangements" | 0.1 |
| Transportation & Highways | | | 4.2 |
| Streetscene & Regulatory Services | Streetpride & Parks | The majority of pressures are income related due to COVID. Coombe car parking and shop income is c£86k down, various parks events and activities were cancelled (£244k), and memorialisation income of £42k was lost. Additional costs of £164k have also been incurred to enable safe working. Other pressures relate to the delayed implementation of the WMP car park charging of £120k, streetpride fleet costs due to ageing fleet of £124k, traveller Incursion costs of £40k and agency staff costs (offset by vacancies) of £167k. | 1.0 |
| Streetscene & Regulatory Services | Planning & Regulatory Services | The main pressures in this area are a reduction in planning income estimated at £400k due to Covid, plus some agency, consultancy and other one-off resourcing costs totalling £127k | 0.5 |
| Streetscene & Regulatory Services | Waste & Fleet Services | The main pressures are COVID related including loss of Commercial Waste contract income of £364k, reduced passenger transport activity charges of £1,171k and taxi Licensing income of £110k. In addition, COVID related costs in Domestic Waste of £272k were incurred to ensure continuity of service, largely staffing related and some loss of income in Fleet Services £152k. | 2.8 |

| | | | |
|---|-------------------------------------|---|------------|
| | | Other forecast pressures relate to the expected cost of service continuity over the Christmas period of £225k and delayed achievement of sales growth in commercial waste of £90k. Waste Disposal costs are also forecast as higher than budget by c£800k due to a combination of increased tonnages and gate fees, but both are offset by lower Fleet capital financing costs. | |
| Streetscene & Regulatory Services | SSGS Management & Support | This relates to the cost of providing temporary regional mortuary facilities for the COVID-19 response. | 1.2 |
| Streetscene & Regulatory Services | Environmental Services | Covid related income losses are forecast at £130k, primarily pest control related. Other variations relate to unbudgeted staffing costs of covering maternity leave and some project work, and the under achievement of pest control and MRS income targets (non Covid related) whilst growth aspirations are being worked towards. | 0.4 |
| Streetscene & Regulatory Services | | | 6.0 |
| Project Management and Property Services | Commercial Property and Development | Expected rental income loss and cost of vacant property due to COVID, less a small surplus from recovery of fees relating to asset disposals | 5.7 |
| Project Management and Property Services | Facilities & Property Services | £450k is PPE and other similar costs to make buildings COVID compliant. £427k pressure is also expected relating to Fairfax street (leisure centre) holding costs following closure | 0.8 |
| Project Management and Property Services | | | 6.6 |
| Ringfenced Funding | SEND & Specialist Services | DSG - An over spend of £1.4M is currently being forecast against SEN Placements, which is partially offset by under spends against other services. There has been an increase in the number of children and young people with EHC plans and in the complexity of need. This has resulted in more pupils with EHC plans being supported in both mainstream and special schools. The LA have commissioned additional numbers in special schools this year to meet the demand in placements across primary and secondary schools. In addition, more pupils are requiring a higher level of financial support to meet their complexity of need. Due to the complexity of need for an increasing number of children and young people and the capacity issues in meeting some of the more complex needs within our maintained schools, there has been an increase in both the commissioned number of independent specialist placements and the costs of those placements due to the bespoke provision that is required to be in place. There has also been a rising cost in supporting the educational provision for LAC with special educational needs placed in various residential settings out of Local Authority. An increase of circa £700k in forecast spend for post 16 educational placements is predicted for 2020/21. This is largely attributable to increased provider costs and a group of complex young people leaving school this year requiring high cost placements. All reasonable | 1.0 |

| | | | |
|---|-----------------------------------|--|-------------|
| | | measures are in place to monitor and challenge this element of provision whilst ensuring the Council continues to meet its statutory duty. | |
| Ringfenced Funding | Schools | DSG - £1.9M High Needs Unallocated Resource, £0.3M Growth Fund & £0.1M Early Years Provision | (2.3) |
| Ringfenced Funding | Education Entitlement | DSG: The budget for the Early Years team is forecasting an under spend of £227k. This is due to vacancies within the team and a delay in the implementation of a proposed restructure. The New Arrivals fund is forecasting an under spend of £75k due to a reduction in the number of pupils being admitted to schools due to Covid-19. Coventry ELC is forecasting an under spend of £71k, however it should be noted that £51k of their 2020/21 budget is a one-off contribution from reserves. There are other small under spends across a number of different budgets within Education Entitlement. | (0.5) |
| Ringfenced Funding | Education Improvement & Standards | DSG: Planned use of Education Standards De-Del and Primary Steering Group reserves | 0.1 |
| Ringfenced Funding | Financial Strategy | Technical adjustment to remove total of ringfenced variance from corporate position | 1.6 |
| Ringfenced Funding | | | 0.0 |
| Total Non-Controllable Variances - Contingency & Central Budgets | | | 30.3 |

Appendix 2

Approved / Technical Changes

| SCHEME | EXPLANATION | £m |
|--|--|-------|
| PEOPLE DIRECTORATE | | |
| Woodlands Feasibility | Additional funding for the feasibility phase. | 0.1 |
| Disabled Facilities Grants | Reconciling estimated budgets to the real allocation in 20/21. | 0.3 |
| Condition Programme | S106 funding identified to support identified improvements to previously expanded schools. Also the grant from the DFE was £102,000 less than anticipated when budgets were set. | 0.8 |
| Integrated Transport Programme | An estimated funding value in the amount of £1.4m to be secured from the WMCA was included in the Transportation & Highway Maintenance Capital report on the 10th March 2020, which has been approved by cabinet .The £1.4m included in the cabinet report was based on initial estimates, however, more accurate costs have since been obtained and the new total of the grant funding which has been secured now stands at £1,628k | 1.6 |
| Coventry Station Masterplan | Funding set aside from CSMP for Friargate Bridge liability. | (3.8) |
| Whitley South Infrastructure | Agreed variation to Buckingham’s contract for additional works funded by the CWLLP. | 2.9 |
| MRF | Funding from other Local Authorities for the development phase, not previously budgeted for. | (0.5) |
| Purchase of Welfare Unit Lower Ford Street | New purchase of Welfare Unit. | 0.1 |
| Oak House Binley Business Park - Long Lease Purchase | Cabinet on 10th March 20, for the purchase of Oak House long lease. | 1.8 |
| Homelessness - Phase 2 | Cabinet on 10th March 2020 to improve the provision of temporary accommodation for single homeless people - this forms part of a wider £6m approval. | 3.6 |
| Cathedral Lanes Loan | Loan agreement with Shearer Property Ltd amended from August 2016 - drawn down funds. | 1.0 |

| | | |
|---|--|-------------|
| Heritage Assets - City Walls & Gates | New funding for City Walls and Gates covering Swanswell, Cook and Lady Herbert's Garden, remedial works 80% funded by Historic England. | 0.1 |
| City Centre South | Additional funding, where costs are not eligible for WMCA grant to cover project support. | 0.4 |
| Highways Investment | Department for Transport confirmed additional funding allocations on the 15th May 2020 for the Highways Maintenance Challenge Fund to the WMCA area. This has resulted in £2.1m additional funding. £0.5m is being utilised to support the revenue reactive programme. | 1.6 |
| OLEV Connected Kerbs | Office for Low Emission Vehicles (OLEV) has awarded Coventry City Council, a grant with a maximum value of £74,550 for On-street Residential Chargepoint Scheme | 0.1 |
| Alan Higgs | The saving on the Alan Higgs Centre 50m Swimming Pool project reflects the contract settlement figure and targeted project saving for the project. | (0.3) |
| City Centre Destination Leisure | The increase on the City Centre Destination Facility reflects the contract settlement figure and associated costs to reach that position. There are also some additional post construction works that were required that are included within that increase. | 0.6 |
| Misc | Programme changes less than £0.1m | 0.1 |
| TOTAL APPROVED / TECHNICAL CHANGES | | 10.5 |

Appendix 3

| DIRECTORATE | BASE BUDGET plus 18/19 RESCHEDULING £m | APPROVED / TECHNICAL CHANGES £m | OVER / UNDER SPEND NOW REPORTED £m | RESCHEDULED EXPENDITURE NOW REPORTED £m | REVISED ESTIMATED OUTTURN 20-21 £m |
|--------------------|---|--|---|--|---|
| PEOPLE | 29.2 | 1.1 | 0.0 | (0.5) | 29.8 |
| PLACE | 222.6 | 9.4 | 0.1 | 9.8 | 242.0 |
| TOTAL | 251.8 | 10.5 | 0.1 | 9.3 | 271.8 |

Rescheduling and Accelerated Spend

| SCHEME | EXPLANATION | £m |
|---|---|-------|
| Basic Need | COVID contingency of £1.25m and additional projects identified (Whitmore Park refurbishment and additional associated works for Phase 1 secondary expansions). | 1.6 |
| Condition | Due to COVID-19 some Primary School works have been rescheduled to 21/22 | (0.4) |
| SEND | Programmes of work further ahead than anticipated. | 0.2 |
| Disabled Facilities Grants (Better Care Fund) | Additional OT in housing (12 month). Work underway to attract new contractors (leaflet around city) and commencement of DPS framework should increase pool of contractors and allow more jobs to be completed. However, we still have to consider we are three months behind due to Covid. Increased spend will likely be realised next year. | (1.9) |
| Growing Places | Remaining allocated funds within Growing Places are a contribution to the Duplex Investment Fund, totalling £2.6m. The anticipated drawdown of these funds is uncertain as take up for the Duplex Fund has been impacted by COVID-19. There is also £1.1m of unallocated funds within Growing Places Fund and CWLEP have not yet indicated to the accountable body as to when these will be awarded to a recipient. | (3.7) |
| Vehicle & Plant Replacement | The variant is due to rescheduling 16 passenger transport buses and 3 refuse collection vehicles into next year. The condition of the existing vehicles has meant we have been able to prolong their life a bit longer and save purchasing new vehicles this year. The condition of these will be reviewed again next year | (1.1) |
| ESIF - Business Support Phase 2 | We have had more demand for Capital grants than was forecast, hence we have increased the budget by £157k to reflect the amount of grant that has been paid to businesses. We have also had a further approval for more ERDF grant from MHCLG | 0.2 |
| Superfast Broadband | The rescheduling of £239k to next year is as a result of finalising the payment profile for the network lease extension with City Fibre. There has been some cross over with work regarding the secondary data centre project which is also being negotiated with City Fibre hence why this rescheduling is taking place in year and not at budget setting. | (0.2) |
| Whitley Depot Redevelopment | The project has been delayed due to a value engineering exercise that was carried out with the tenderers to reduce costs and approval to proceed is being sought. | (0.2) |

| | | |
|---|--|------------|
| Purchase of Containers - Commercial Waste | Less spend anticipated due to servicing less customers due to COVID impact and expected revenues dropping. Essentially less customers, so less bins needed. | (0.2) |
| Coventry Station Masterplan | The Station Masterplan expenditure profile has been revised to reflect the current programme, whereby construction will be substantially complete by Q4. The profile reflects the latest contractual activity schedules and milestone payments accordingly. Impact of Covid 19 on works has been limited and while there has been some in year reprofiling to reflect delayed activities it hasn't impacted on the overarching programme target of completion in Spring 2021. | 14.9 |
| City Centre South | Opportunity to purchase Victoria Buildings has come forward this is accelerated form 21/22 and switch from CPO purchase to Market Price | 2.0 |
| Friargate | Stage 4 costs paid in one lump sum instead of spreading over two quarter | 0.5 |
| City of Culture | Due to the current pandemic within the Country, following guidance and advise from the UK government, capital programmes were unable to continue to work following the 2 metre guidance. The City of Culture programmes, all with the exception of Daimler were tools down and therefore had an impact on their spend and claim within the quarter. We are pleased to confirm all projects have returned on site and works are being carried out. We are hopeful this will now bring the spend back on profile | (1.2) |
| Coombe Park new Play Facilities | Delays in tendering due to COVID-19 | (0.5) |
| Coombe Loan Facility | Loan facility not expected to be required in 20/21 | (0.8) |
| | | |
| TOTAL RESCHEDULING | | 9.3 |

Prudential Indicators

| Indicator | per Treasury Management Strategy | As at 30th June 2020 |
|--|---|--|
| Ratio of Financing Costs to Net Revenue Stream (Indicator 1) , illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers). | 14.16% | 14.16% |
| Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 2) , 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 £531.4m | £411.3m Gross borrowing within the limit. |
| Authorised Limit for External Debt (Indicator 5) , 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. | £502.3m | £411.3m is less than the authorised limit. |
| Operational Boundary for External Debt (Indicator 6) , 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. | £482.3m | £411.3m is less than the operational boundary. |
| Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9) , 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. | £439.5m | £324.5m |
| Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9) , as above highlighting interest rate exposure risk. | £87.9m | -£60.3m |
| Maturity Structure Limits (Indicator 10) , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years + | 0% to 50% 0% to 20% 0% to 30% 0% to 30% 40% to 100% | 30% 0% 2% 15% 52% |
| Investments Longer than 364 Days (Indicator 11) , highlighting the risk that the authority faces from having investments tied up for this duration. | £30m | £0.0m |



Public Report Cabinet Member

Audit and Procurement Committee

19 October 2020

Cabinet Member for Policing and Equalities

To Be Confirmed

Name of Cabinet Member:

Cabinet Member for Policing and Equalities – Councillor A S Khan

Director Approving Submission of the report:

Director of Streetscene and Regulatory Services

Ward(s) affected:

None

Title:

Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2019

Is this a key decision?

No

Executive Summary:

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

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

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

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

Recommendations:

The Audit and Procurement Committee is requested to:

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

The Cabinet Member for Policing and Equalities is requested to:

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

List of Appendices included:

None

Other useful background papers:

None

Other useful background information:

None

Has it been or will it be considered by Scrutiny?

No

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

Yes – Audit and Procurement Committee 16 March 2020

Will this report go to Council?

No

Report title: **Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) 2019**

1. Context (or background)

- 1.1 RIPA governs the acquisition and disclosure of communications data and the use of covert surveillance by local authorities. The Council can only use powers under RIPA to support its core functions for the purpose of prevention and detection of crime.
- 1.2 There are different thresholds that need to be met before any surveillance can be undertaken. In the case of Directed Surveillance or the use of CHIS an offence has to be punishable by a custodial sentence of 6 months or more or the offence is related to the underage sale of alcohol and/or tobacco. In the case of Communications Data an offence has to be punishable by a custodial sentence of 12 months or more (e.g. offences relating to counterfeit goods which carry a maximum penalty of 10 years in prison).
- 1.3 Where the above criteria are met, local authorities can make an application for the acquisition and disclosure of communications data (such as telephone billing information or subscriber details) or directed surveillance (covert surveillance of individuals in public places); and the use of a CHIS (such as the deployment of undercover officers). The powers are most commonly used by Trading Standards. However, powers can also be used by other Council services if their offences meet the serious crime threshold, mentioned in 1.2 above.
- 1.4 RIPA and Codes of Practice set out the procedures that local authorities must follow when undertaking surveillance. These include approval by Authorised Council Officers for Directed Surveillance / CHIS applications to show that the proposed use of the powers is “necessary and proportionate”.
- 1.5 The Council is required to have a Senior Responsible Officer to maintain oversight of the RIPA arrangements, procedures and operations. The Council’s Monitoring Officer performs this function and is responsible for the integrity of the Council’s process for managing the requirements under RIPA.
- 1.6 Since 1st September 2017, the Investigatory Powers Commissioner's Office (IPCO) has been responsible for the judicial oversight of the use of covert surveillance by public authorities throughout the United Kingdom.
- 1.7 2019 saw the implementation of Part 3 of the Investigatory Powers Act 2016 (IPA). The introduction of this legislation has seen the most significant change to the acquisition of communications data in recent years. The IPA consolidates all existing powers available to law enforcement and other agencies. It radically overhauls the way these powers are authorised and overseen. The legislation also ensures that the powers conveyed are fit for the fast-moving digital age that we live in. The IPA has introduced the Office for Communications Data Authorisation (OCDA) which is now responsible for independently authorising all applications for communications data. This has removed the requirement for local authorities to seek judicial approval for communications data. In addition, the legislation has

broadened the range of communications data available including access to location data.

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

1.9 Details of the applications that the Council has made are set out below:

1.9.1 Use of Directed Surveillance or Covert Human Intelligence Sources

For the Period 1 January 2019 – 31 December 2019

| | |
|--|---|
| The number of applications made for a Directed Surveillance authorisation | 4 |
| The number of Directed Surveillance authorisations successfully granted | 4 |
| The number of Directed Surveillance authorisations that were cancelled | 3 |
| The number of Directed Surveillance authorisations extant at the end of the year | 1 |

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

1.9.2 Use of Acquisition & Disclosure of Communications Data

No applications for the disclosure of communications data were made during the period 1 January 2019 – 31 December 2019.

1.10 Comparison Data

The IPCO require annual statistical data each year. However, due to the impact of the UK leaving the EU their 2017 report has only just been published which shows local authorities authorised 310 Directed Surveillance applications which equates to approximately 0.9 applications per authority. In 2019 Coventry authorised 4 applications.

In relation to Communications Data requests the data shows most neighbouring authorities undertaking a very small number, if any checks. This is explained in part by the fact that local authorities are required to undertake all other checks that are reasonable before conducting a communications data request.

1.11 RIPA Training

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

2. Options considered and recommended proposal

- 2.1 The Audit and Procurement Committee is recommended to consider and note the Annual Compliance Report, which sets out how the Council has used its powers during the reporting periods of the individual Commissioners. In addition, the Committee is recommended to forward any comments or recommendations to the Cabinet Member for Policing and Equalities.
- 2.2 The Cabinet Member for Policing and Equalities is recommended to consider any comments and/or recommendations from the Audit and Procurement Committee and approve the report as a formal record of the Council's use and compliance with RIPA.

3. Results of consultation undertaken

- 3.1 Not applicable

4. Timetable for implementing this decision

- 4.1 The report will be a formal record of the Council's use of RIPA in 2019 when approved by the Cabinet Member for Policing and Equalities.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial implications

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

5.2 Legal implications

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

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

6. Other implications

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

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

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

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

There is no additional impact on the Council.

6.4 Equalities / EIA

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

6.5 Implications for (or impact on) climate change and the environment?

There are no implications on the environment.

6.6 Implications for partner organisations?

There are no implications on partner organisations.

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