



Audit and Procurement Committee

Time and Date

1.00 pm on Monday, 27th September, 2021 PLEASE NOTE TIME

Place

Diamond Rooms 1 and 2 - Council House

Please note that in line with current Government and City Council guidelines in relation to Covid, there will be reduced public access to the meeting to manage numbers attending safely. If you wish to attend in person, please contact the Governance Services Officer indicated at the end of the agenda.

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 12)
To agree the minutes of the meeting held on 26th July 2021
4. **Exclusion of Press and Public**
To consider whether to exclude the press and public for the private item of business for the reasons shown in the report.
5. **Outstanding Issues** (Pages 13 - 18)
Report of the Director of Law and Governance
6. **Work Programme 2021/22** (Pages 19 - 20)
Report of the Director of Law and Governance
7. **2021/22 First Quarter Financial Monitoring Report (to June 2021)**
(Pages 21 - 46)
Report of the Director of Finance
8. **Annual Fraud and Error Report 2020/21** (Pages 47 - 56)
Report of the Director of Finance
9. **Whistleblowing Annual Report 2020/21** (Pages 57 - 64)
Report of the Director of Finance

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

Private business

11. **Procurement and Commissioning Progress Report** (Pages 65 - 90)

Report of the Director of Law and Governance

(Listing Officer: M Burn, Tel: 024 7697 1412)

12. **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
17th September 2021

Note: The person to contact about the agenda and documents for this meeting is Michelle Salmon, Governance Services, Email: michelle.salmon@coventry.gov.uk

Membership:

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

By Invitation:

Councillor R Brown – Cabinet Member for Strategic Finance and Resources

Named Substitute Members:

Councillors R Bailey and A Hopkins

Public Access

Please note that in line with current Government and City Council Covid guidelines, there will be reduced public access to the meeting to manage numbers attending safely.

Any member of the public who would like to attend the meeting in person is required to contact the officer below in advance of the meeting regarding arrangements for public attendance. A guide to attending public meeting can be found here:

<https://www.coventry.gov.uk/publicAttendanceMeetings>

Michelle Salmon

Governance Services

e-mail: michelle.salmon@coventry.gov.uk

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 26 July 2021

Present:

Members: Councillor R Lakha (Chair)
Councillor R Bailey (Substitute for Councillor J Blundell)
Councillor G Hayre
Councillor A Hopkins (Substitute for Councillor M Ali)
Councillor T Sawdon
Councillor B Singh (Deputy Chair)
Councillor R Singh

Other Member (Invited): Councillor R Brown (Cabinet Member for Strategic Finance and Resources)

In attendance: Zak Francis, Grant Thornton (External Auditor)

Employees (by Service):

Finance P Jennings, K Tyler

Law and Governance M Salmon

Apologies: Councillor M Ali
Councillor J Blundell

Public Business

9. Declarations of Interest

There were no disclosable pecuniary interests.

10. Minutes of Previous Meeting

The minutes of the meeting held on 28th June 2021 were agreed as a true record. There were no matters arising.

11. Outstanding Issues

The Audit and Procurement Committee considered a report of the Director of Law and Governance which 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 anticipate date for consideration of the Matter.

Appendix 2 of 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 Audit and Procurement Committee notes the Outstanding Issues report.

12. **Work Programme 2021/2022**

The Audit and Procurement Committee considered a report of the Director of Law and Governance which set out the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2021/2022.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2021/2022.

13. **External Audit Plan Year Ending March 2021 (Grant Thornton)**

The Audit and Procurement Committee considered a report of the External Auditors, Grant Thornton, that provided an overview of the planned scope and timing of the statutory audit of Coventry City Council. Zak Francis, Grant Thornton, attended the meeting to present the report.

The National Audit Office had issued a document entitled Code of Audit Practice, which summarised where the responsibilities of auditors began and ended and what was expected from the audited body. Respective responsibilities were also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA); the body responsible for appointing Grant Thornton as auditor of the Council.

The scope of the audit was set in accordance with the Code and International Standards on Auditing (ISAs)(UK). Grant Thornton would be responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Procurement Committee), and Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in its use of resources.

The audit of the financial statements did not relieve management or the Committee of responsibilities. It was the responsibility of the Council to ensure that proper arrangements were in place for the conduct of its business, and that public money was safeguarded and properly accounted for.

The audit approach was based on a thorough understanding of the Council's business and was risk based.

The Audit Plan set out the scope and timing of the audit to be carried out by the External Auditors in relation to Coventry City Council for the year ending 31st March 2021 as follows:

Group audit scope and risk assessment of:

- Coventry City Council
- The Coventry and Solihull Waste Disposal Company Limited
- Tom White Waste Limited
- UK Battery Industrialisation Centre Ltd
- Coombe Abbey Park Limited
- Friargate JV Project Limited
- North Coventry Holdings Limited
- Coventry North Regeneration Limited

Significant Risks – Those risks that required special audit consideration and procedures to address the likelihood of a material financial statement error had been identified as:

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of pension fund net liability
- Accounting for the Group and Long-Term investments

Significant findings on these areas, as well as other significant matters arising from the audit would be communicated in the Audit Findings (ISA260) Report.

Materiality –

- Planning materiality of £12.2m had been determined for the Group and £12m for the Council, equating to 1.5% of the prior year gross expenditure. Uncorrected omissions or misstatements other than those which were 'clearly trivial', set at £0.6m, to those charged with governance.

Value for Money Arrangements – the risk assessment regarding arrangements to secure value for money had identified the following risks of significant weakness:

- Group governance: The Council's interest in associated companies had grown over the last few years and there were indications that this would continue to grow. Assessment would be made of the Council's arrangements for managing this diverse group of companies.
- Investment decisions: The Council had an increasingly diverse portfolio of investments including subsidiaries, associates and joint ventures. The arrangements the Council had in place for making these investment decisions would be reviewed.

Audit Logistics –

- The Planning stage took place during January-April 2021 and the final stage would take place in August-November 2021. Key deliverables were the Audit Plan and Audit Findings Report. The Audit approach was set out in the Appendix to the Plan.
- Fees for the audit were £211,414, to be finalised by the PSAA
- The Financial Reporting Council's Ethical Standard (revised 2019) have been complied with and the Audit has been carried out independently in order to give an objective opinion on the financial statements.

The Committee also received a further report of the External Auditor, Informing the Audit and Risk Assessment for Coventry City Council 2020/21, the purpose of which was to contribute to two-way communication between the External Auditors and the Audit and Procurement Committee, as 'those charged with governance'. The report covered important areas of the auditor risk assessment where there was a requirement to make inquiries under auditing standards. It enabled the auditor to obtain information relevant to the audit and supported the Audit and Procurement Committee in fulfilling its responsibilities in relation to the financial reporting process.

As part of the risk assessment procedures there was a requirement to understand management processes and the Authority's oversight of the following areas:

- General Enquiries of Management
- Fraud
- Laws and Regulations
- Related Parties
- Accounting Estimates

The report included a series of questions and responses received from the Council's management. The Audit and Procurement Committee considered that the responses were consistent with its understanding and had no further comments to make.

Member requested that as part of the governance around the Council's company arrangements, assurance be given to the Committee that those directly involved receive appropriate training. They further requested that specific training be arranged for Members of Audit and Procurement Committee to understand their roles and responsibilities on the Committee.

RESOLVED that the Audit and Procurement Committee:

- 1) Notes the External Audit Plan Year Ending 31st March 2021 and agrees with the management responses to the Plan.**
- 2) Requests that as part of the governance around the Council's company arrangements, assurance be given to the Committee that those directly involved receive appropriate training.**
- 3) Requests that specific training be arranged for Members of Audit and Procurement Committee to understand their roles and responsibilities on the Committee.**

14. 2020/21 Revenue and Capital Outturn

The Audit and Procurement Committee considered a report of the Director of Finance, that had been considered by the Cabinet on 13th July 2021 (their minute 9/21 referred) and would also be considered by Council on 7th September 2021, that outlined the final revenue and capital outturn position for 2020/21 and reviewed treasury management activity and 2020/21 Prudential Indicators reported under the Prudential Code for Capital Finance. Appendices to the report provided: a detailed breakdown of Directorate Revenue Variations; Capital Programme

Changes and Analysis of Rescheduling; and Prudential Indicators. The Cabinet Member for Strategic Finance and Resources attended the meeting for this item of business.

The 2020/21 financial year had been one like no other, with organisational and financial impacts exceeding anything experienced previously during peacetime. Some of these impacts were unseen in consideration of the Council's outturn position – for instance Business Rates reliefs provided and business grants paid out through the year – but their scale had been staggering, nonetheless. The purpose of this report was not to catalogue the changes to society and Council services through the year, although where these had had a financial effect on the Council this would be outlined.

The overall financial position included the following headline items:

- A balanced revenue position after a recommended £9.2m was set aside in reserves to enable the city's recovery from Covid, invested in the Council's key priorities and strengthening the Council's financial sustainability.
- Capital Programme expenditure of £194.2m which represented the second largest programme in the modern era.
- An increase in the level of available Council revenue reserves from £90m to £123m including Covid funding and the net underspend contribution.

Further detail included:

- A net underspend of £8.5m within central budgets after adjusting for the impact of Covid resulting overwhelmingly from one-off circumstances and the application of resources to fund previously approved decisions.
- A revenue underspend of £3.4m within Housing and Homelessness due in large part to the number of households living in temporary accommodation being lower than anticipated.
- Identified income loss and expenditure related to COVID-19 of £31m funded in-part by in-year Government emergency funding and sales fees and charges compensation grants provided for this purpose.
- A shortfall in this in-year Covid funding of £2.2m.

The underlying revenue position had improved by £8.7m since Quarter 3 when an underspend of £0.5m was forecast. In particular the overall underspend (before outturn reserve contributions) and the improved position related to improvements within Contingency and Central budgets which were 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 position was an indication of the prudent management of the Council's financial position but there were reasons to be cautious about the financial future of local government. These were explored more fully in the financial implications section of the report but could be seen in the uncertain future for local government finance nationally, the externalised and more volatile nature of some of the Council's financial relationships and the continued and potential legacy impacts of Covid. On this basis it was entirely appropriate for the Council to maintain a robust financial position and to retain control of its own financial destiny as far as it was able. This was important not just as an internal Council matter but connected directly to the Council's capacity to improve services for residents and invest in the city and its communities.

As indicated above the financial impact of Covid on the Outturn position had been estimated at £31m. This was not a definitive figure because in many cases the Covid impact was difficult to disentangle from other trends – for instance, how much of the large reduction in car parking income might have happened without the Covid pandemic. What was known was that Government funding provided through 2020/21 had covered a very significant proportion of the cost although this did not take account of the loss in Business Rates and Council Tax income calculated to have been suffered.

Further financial loss due to Covid had continued into the early months of 2021/22 at a much-reduced rate compared with 2020/21 although it remained difficult to provide a reliable estimate of this. The Council had been able to carry forward into 2021/22 £7.55m of Covid resources set aside as part of the 2019/20 outturn position and had been allocated £11m out of the Government's emergency Covid funding for 2021/22. Other specific Covid grants had also been announced whilst a further opportunity was likely to be available to claim compensation for lost income in the first quarter of the year. On this basis there was a strong possibility that the Council would be able to manage the large majority of the financial Covid impact from Government resources over the medium term. Given that the Covid impact would extend into 2022/23 and that a tight funding settlement was anticipated from Government next year it was important that the Council continued to maintain a strong financial position to protect itself in what could be a very challenging financial environment. The recommended proposals put forward by the Director of Finance - the Council's Section 151 officer - were explained in section 5.1 of the report.

The Cabinet:

- 1) Approved the final revenue outturn position including reserve contributions of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.
- 2) Approved the final capital expenditure and resourcing position in section 2.3 and Appendix 2 of the report, incorporating expenditure of £194.2m against a final budget of £226.9m; £32.5m expenditure rescheduled into 2021/22 and a net overspend £0.2m.
- 3) Approved the outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.
- 4) Recommended that Council gives approval of reserve contribution of £9.2m available from the year-end revenue bottom line for the purposes described in Section 5.1 of the report.

The Committee requested that details of the grant funding received in 2020/21 and carried forward as reserve balances at year-end, be circulated to Members of the Committee.

RESOLVED that the Audit and Procurement Committee notes the content of the report.

15. **Audit and Procurement Committee Annual Report to Council 2020-21**

The Audit and Procurement Committee, a key component of the Council's governance framework, supporting good governance and strong public financial management, considered their Annual Report to Council that provided an overview of its activity during 2020-2021. The report would be submitted to the City Council at their meeting on 7th September 2021.

The report included an introduction by the Chair, Councillor Lakha. During the previous municipal year, the Committee had met on four occasions and considered a range routine reports based on clearly defined expectations of services / functions such as internal / external audit and financial management, along with ad-hoc reports which focused on either a specific concern or developments which impacted directly on the Committee.

The report provided further details of the reports considered during this time which included, under Governance: The Council's Draft Annual Governance Statement. Financial Management and Accounting reports were: The Statement of Accounts; The Revenue and Capital Outturn Position for 2019-20; Quarterly Monitoring Reports of performance against revenue and capital budgets 2020-21; and a Treasury Management Activity Update.

A report was submitted by the Council's external auditors, Grant Thornton, in 2020-21: The Draft Audit Findings for the City Council. In relation to Internal Audit, the Committee considered the Internal Audit Annual Report and the Internal Audit Plan for 2020-21 along with a progress report on Internal Audit work.

Fraud reports submitted during 2020-21 were: The Annual Fraud and Error Report; the Half Yearly Fraud and Error Update Report and a report relating to a specific fraud. A Procurement Report had also been received, along with a report discharging the Committee's function to determine salary severance packages of £100k or over.

Other reports considered during this period which were linked to risk management, internal control and governance were: The Complaints to the Local Government and Social Care Ombudsman 2019-20, the Corporate and Covid-19 Risk Registers; The Information Governance Annual Report 2019-20; and The Regulation of Investigatory Powers Act 2000 Annual Compliance Report.

The Committee agreed to recommend that the City Council consider the Annual Report for 2020-2021 at their meeting on 7th September 2021.

RESOLVED that the Audit and Procurement Committee agrees that the City Council be recommended to consider the Audit and Procurement Committee Annual Report 2020-2021 at their meeting on 7th September 2021.

16. **Annual Governance Statement 2020-21**

The Audit and Procurement Committee considered a report of the Director of Finance that sought approval of the Annual Governance Statement, attached as an Appendix to the report, which formed part of the Statement of Accounts for 2020-21.

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

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

The Annual Governance Statement ('AGS') explained how Coventry City Council had complied with the Code and in doing so, reflected the requirements of the Accounts and Audit Regulations 2015, which required all relevant bodies to prepare an Annual Governance Statement. The AGS also detailed key governance/control issues that the Council faced in the coming year.

The Statement set out the Council's scope of responsibility, the purpose of the governance framework, the governance framework, and review of effectiveness. It also provided an update on the governance issues that were raised in the 2019-20 Annual Governance Statement.

It was clear that for some issues, the coronavirus pandemic had created challenges in delivering the planned actions in the timescales originally envisaged and re-shaped the focus of activity. However, the Council remained committed to enhancing its governance arrangements and where actions had been delayed, revised timescales had been agreed and were reflected in the action plan for 2021-22.

A review had been undertaken of the sixteen disclosures highlighted in the 2019-20 Statement. Two disclosures had been closed as they were no longer viewed as a significant governance / control issue facing the Council. Fourteen disclosures are to be carried forward into the 2021-22 Statement:

- 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
- 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
- City of culture legacy
- 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

In addition, six new disclosures were identified for inclusion within the 2021-22 Statement. These were identified as part of the review undertaken to support the production of the Statement. The disclosures related to:

- Further strengthening the Council's arrangements and internal control environment around IT / Cyber Security.
- Improving the system for identifying, evaluating, controlling and monitoring information risks (this has been incorporated into the wider issue of delivery of the Information Management Strategy.)
- Demonstrating compliance with the Financial Management Code.
- Ensuring robust governance over group activities / investments.
- Embedding new methods of consultation and engagement.
- Refresh of the One Coventry Plan.

The Statement presented to the Audit and Procurement Committee as part of this report was the final version of the AGS for 2020-21.

The Committee requested that details of the Governance arrangements for the City of Culture legacy work, be circulated to Members of the Committee.

RESOLVED that the Audit and Procurement Committee:

- 1) Notes the findings of the review of effectiveness of the Council's governance arrangements and confirms its satisfaction with the level of assurance provided, that arrangements are fit for purpose.**
- 2) Approves the Annual Governance Statement, attached at Appendix One to the report, which accompanied the 2019-20 Statement of Accounts.**

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

There were no other items of public business.

(Meeting closed at 3.45 pm)

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Audit and Procurement Committee

27th September 2021

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources – Councillor R Brown

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 Director 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 of Finance and the Director of Law and Governance

- 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) climate change and 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

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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	Further information requested on the progress of recommendations made in respect of the audit of IT Disaster Recovery.	Minute 6/20 19 October 2020	When the formal follow-up review of the audit is undertaken, the findings be reported to Committee	Karen Tyler		

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

Information/Action Requested Outside Meeting

	Subject/Report	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Corporate and COVID 19 Risk Registers	Minute 46/20 15 th March 2021	Information be sent to the Committee on the outcome of previous investigations into the Council operating its own agency for the employment of staff	Paul Jennings	Information sent to Members of the Committee 2 nd September 2021
2.	Internal Audit Annual Report 2020-21	Minute 06/21 28 th June 2021	The Council's IT Strategy be sent to Members of the Committee for their information	Karen Tyler	Information sent to Members of the Committee 23 rd July 2021
3.	Internal Audit Annual Report 2020-21	Minute 06/21 28 th June 2021	IT be requested to pursue Cyber Security Training for Elected Members	Karen Tyler	Discussed with the Head of ICT 29 th July 2021
4.	Internal Audit Annual Report 2020-21	Minute 06/21 28 th June 2021	Members be provided with feedback on the position regarding Cyber Insurance	Paul Jennings	Update sent to Members of the Committee 2 nd September 2021
5.	External Audit Plan Year Ending March 2021 (Grant Thornton)	Minute 13/21 26 th July 2021	Specific training be arranged for Members of Audit and Procurement Committee to understand their roles and responsibilities on the Committee	Paul Jennings	
6.	2020-2021 Revenue and Capital Outturn	Minute 14/21 26 th July 2021	Details of the grant funding received in 2020/21 and carried forward as reserve balances at year-end, be circulated to Members of the Committee	Paul Jennings	Information sent to Members of the Committee 27 th July 2021
7.	Annual Governance Statement 2020-21	Minute 16/21 26 th July 2021	Details of the Governance arrangements for the City of Culture legacy work, be circulated to Members of the Committee	Karen Tyler	

Audit and Procurement Committee

Work Programme 2021-2022

28th June 2021

Internal Audit Annual Report 2020-21
Internal Audit Plan 2021-22
2019/20 Accounts Update

26th July 2021

Annual Governance Statement 2020-21
Audit and Procurement Committee Annual Report to Council 2020-21
2020/21 Revenue and Capital Outturn
External Audit Plan Year Ending March 2021 (Grant Thornton)

27th September 2021

Annual Fraud and Error Report 2020-21
Quarter One Revenue and Capital Monitoring Report 2021-22
Whistleblowing Annual Report 2020-21
Six Monthly Procurement Progress Report (Private)

29th November 2021

Half year Internal Audit Progress Report 2021-22
Information Governance Annual Report 2020
Quarter Two Revenue and Capital Monitoring Report 2021-22
Draft Statement of Accounts 2020-2021
RIPA (Regulation of Investigatory Powers Act) Annual Report 2020
Audited 2020-21 Statement of Accounts
Audit Findings Report 2020-21

31st January 2022

Half Year Fraud and Error update 2021-22
Treasury Management Update
Complaints to the Local Government and Social Care Ombudsman 2019/20

21st March 2022

Quarter Three Internal Audit Progress Report 2021-22
Internal Audit Recommendation Tracking report
Corporate Risk Register Update
Quarter Three Revenue and Capital Monitoring Report 2020-21
Six Monthly Procurement Progress Report (Private)

Date to be confirmed

Audit Findings Report 2019-20 (Grant Thornton)

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Cabinet
Audit and Procurement Committee

31st August 2021
27th September 2021

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:

Director of Finance

Ward(s) affected:

City wide

Title:

2021/22 First Quarter Financial Monitoring Report (to June 2021)

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 2021. The headline revenue forecast for 2021/22 is for net expenditure to be **£14.3m** over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net over-spend is **£4.0m**. At the same point in 2020/21 there was a projected overspend of £6.7m.

The position includes an underlying overspend of £6.5m within Children's Services although £3.8m of this has been attributed to the pandemic and funded from one-off Covid funding accordingly leaving a net overspend of £2.7m. In order to anticipate the likely future budgetary position within Children's Services it will be necessary to understand more fully the extent to which these pressures will continue beyond the period when Covid is a significant contributory factor. Looking ahead to next year, it will be a key focus of management to identify the causes and to reduce the budget pressures within Children's Services as a fundamental element of balancing the 2022/23 Budget position.

Elsewhere, budget pressures have emerged within Streetscene and Regulatory Services, Legal and Governance Services and Finance although the overall corporate position is within acceptable tolerances at this stage of the financial cycle.

The Council and the city continue to receive Government support linked to Covid within the 2021/22 financial year. This amounts to c£19m announced to date to support Council services directly and a further c£45m channelled through the Council to support Coventry businesses and external suppliers. Although further allocations cannot be ruled out the pace of funding announcements has

slowed markedly reflecting the wider easing of lockdown measures. The scale of any residual Covid related grants is therefore likely to be modest.

The Council's capital spending is projected to be £247.1m and includes major scheme expenditure which ranges from investment in to the A46 Link Road, Coventry Station Masterplan, Friargate Building 2 and the Hotel, Air Quality and Secondary Schools expansion. The size of the programme and the nature of the projects within it continue to be fundamental to the Council's role within the city.

The Council's services and its financial position are moving gradually towards a business as usual position as the year progresses with activity and impacts arising from the Covid pandemic starting to subside. Some pockets of service activity continue to be significantly affected although often this is not resulting in a net financial cost. It is clear though that significant financial risk remains in relation to the underlying funding position for local government as well as the future trajectory of Covid costs and funding within a few service areas. It remains a financial imperative therefore to focus on the medium-term horizon and for the Council to tackle the anticipated legacy effects of Covid.

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 capital outturn position for the year of £247.1m incorporating: £32.5m rescheduling from 2019/20 outturn, £18.8m net increase in spending relating to approved/technical changes, £24.4m net rescheduling of expenditure into future years and a small £0.2m underspend.

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 2021/22
- 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?

Yes - Audit and Procurement Committee, 27th September 2021

Will this report go to Council?

No

Report title:

2021/22 First Quarter Financial Monitoring Report (to June 2021)

1. Context (or background)

- 1.1 Cabinet approved the City Council's revenue budget of £243.8m on the 23rd February 2021 and a Directorate Capital Programme of £220.4m. This is the first quarterly monitoring report for 2021/22 to the end of June 2021. 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 2021/22 revenue forecast is for expenditure to be £4.0m over budget. This is after applying £10.3m of emergency funding received from Government for the purpose of managing the estimated cost of COVID-19 to the Council. The reported forecast at the same point in 2020/21 after adjusting for Covid-related funding was an overspend of £6.7m. Capital spend is projected to be £247.1m.
- 1.3 It is not unusual for the revenue position to reflect a projected forecast at this stage which then improves over the course of the year. Nevertheless, if such an improvement did not occur the Council maintains a strong balance sheet and could manage an overspend of this magnitude at year-end.

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 from the emergency funding referenced above.

Table 1 - Forecast Variations

Service Area	Revised Net Budget £m	Forecast Spend £m	Total Over/ (Under) Spend £m	Covid Impact* £m	Non-Covid Forecast Variation £m
Adult Social Care	81.8	81.9	0.1	0.1	0.0
Business Investment & Culture	5.4	5.8	0.5	0.3	0.1
Children & Young People's Services	77.5	84.0	6.5	3.9	2.7
Contingency & Central Budgets	6.0	4.6	(1.4)	0.0	(1.4)
Education and Inclusion	16.7	17.8	1.1	0.8	0.3
Finance	4.9	5.9	1.0	0.2	0.8
Housing and Transformation	13.2	13.7	0.5	0.4	0.1
Human Resources	1.3	1.4	0.1	0.0	0.1
Legal and Governance Services	4.1	4.9	0.8	0.3	0.5
Directorate Management	1.4	1.4	0.0	0.0	0.0
Project Management & Property	(4.5)	(3.2)	1.3	1.6	(0.3)

Public Health	0.4	0.3	(0.1)	0.0	(0.1)
Streetscene and Regulatory	29.4	31.6	2.2	1.2	1.0
Transportation & Highways	6.3	8.0	1.7	1.5	0.2
Sub-Total	243.8	258.2	14.3	10.3	4.0
Covid Emergency Funding Contribution				(10.3)	
Total	243.8	258.1	14.3	0.0	4.0

*Covid Emergency Funding will be applied at year-end as contributions of specific grant.

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

The largest part of the value of variations reported at quarter 1 are as a direct result of the COVID-19 impacts across the City Council totalling an estimated £10.3m. It must be stressed that the differentiation between Covid and non-Covid costs is subject to significant estimation uncertainty. Covid financial impacts accounted for a budget variation of c£31m in 2020/21.

Directorate - Covid-Related

Children and Young People's Services continues to account for a significant amount of the overspend caused by both the total number of placements and the average unit cost of those placements, as well as a continued reliance on agency staff to manage the increase in caseloads. The Quarter 1 Children's Services' position includes an overspend of £3.8m that is attributed to the pandemic and which will be funded from one-off Covid funding accordingly.

Other Covid related impacts include: forecast commercial property rent losses (£1.5m); parking and enforcement income loss (£1.5m); income losses from cancelled events and outdoor education provision; and additional staffing across several services reflecting staffing cover for additional Covid tasks or to cover for Covid related absence including within Streetscene and Regulatory.

Directorate - Non-Covid

The Quarter 1 position also includes variations which are separate from those attributable to Covid.

The non-Covid overspend in Children and Young People's Services is £2.7m. Significant spend pressures include the additional costs of looked after children placements as a result of increased demand, higher unit cost of placements partly attributable to the youth violence in the city, an increase in support packages for disabled children and the use of allowances to promote permanence outcomes for children.

The £1m net overspend within Streetscene and Regulatory reflects prolonged use of agency staff within Domestic Refuse as a result of high sickness, self-isolation, and accrued leave (the cost of part of which is included in the Streetscene Covid impact figure of £1.2m and is referenced above). Added to this is pressures on workload, which has resulted in a decision to accelerate the two additional rounds planned for April 2022, together with some reactive cost of ensuring all bins are collected. Additional vehicle and fuel costs have also been incurred reflecting spot hires required for the additional rounds.

Contingency and Central Budgets

A favourable variation of £1.4m is forecast at this stage arising from a combination of Business Rates pooling income and lower than anticipated employer superannuation costs. The corporate position continues to be predicted on a relatively prudent basis and could improve over the course of the year.

Covid-Related Grants

The Government has announced a range of grant funding allocations to manage the financial impact of COVID-19 and deliver services to mitigate or address the effects of the pandemic.

Table 2: Covid Funding Allocations

	Grant Value	Sub-Total
Funds Council Expenditure - Unallocated	£000	£000
Emergency Funding*	(11,314)	
Sales, Fees and Charges Income Loss (Quarter 1 claim outstanding)	tbc	
		(11,314)
Funds Council Expenditure – Specific**		
Contain Outbreak Management Fund	(2,920)	
Holiday Activities and Food Programme 2021	(1,500)	
Covid Local Support Grant (to 16 th April - replaces Winter Grant Scheme)	(449)	
Covid Local Support Grant (16 th April to 20 th June)	(304)	
Covid Local Support Grant (from 20 th June)	(1,217)	
Welcome Back Fund (Support to High Streets)	(334)	
LA Practical Support Payment (Public Health)	(94)	
Clinically Extremely Vulnerable Support***	(263)	
Clinically Extremely Vulnerable Support	(407)	
		(7,488)
External Provider or Programme Spend		
Adult Social Care Infection Control and Protection Fund	(1,083)	
Adult Social Rapid Testing Fund	(813)	
		(1,896)
Grants to Businesses and Individuals		
Restart Grants	(13,573)	
		(13,573)
Business Rates & Council Tax Collection Fund Contributions		
Retail Leisure and Hospitality Business Rates Reliefs	(30,000)	

		(30,000)
Overall Support		(64,271)

*A further £7.6m remains from the 1st tranche of funding paid in 2019/20.

** A further £8.3m is available having been carried forward as receipts in advance. £6.1m of this is COMF.

***A further £0.5m has been carried forward relating to other Covid grants of which £0.4m relates to CEV.

The emergency funding allocation of £11.3m is sufficient currently to manage the cost of £10.3m detailed in Table 1. In addition, the specific grants communicated to date of £7.5m are being used to address Covid-specific priority programmes and are shown with a net nil position overall. The remaining grants and reliefs above are being passported to external Coventry businesses and Council suppliers in line with grant conditions.

2.3 Capital

The quarter 1 2021/22 capital outturn forecast is £247.1m compared with the original programme reported to Cabinet in February 2020 of £220.4m. Table 3 below updates the budget at quarter 1 to take account of a £32.5m increase in the base programme from net rescheduling from 2020/21 into 2021/22, £18.8m of new approved/technical changes and £24.4m of rescheduling now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2021/22. It shows 79% of the programme is funded by external grant monies, whilst 13% is funded from borrowing. The programme also includes funding from capital receipts of £14.5m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2021-22 MOVEMENT	Qtr 1 Reporting £m
February 2020 Approved Programme	220.4
Net rescheduling of expenditure from 2019/20	<u>32.5</u>
Revised Programme	252.9
Approved / Technical Changes (see Appendix 2)	18.8
“Net” underspend (See Appendix 3)	(0.2)
“Net” Rescheduling into future years (See Appendix 4)	(24.4)
Revised Estimated Outturn 2019-20	<u>247.1</u>
RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	32.1
Grants and Contributions	195.3
Capital Receipts	14.5
Revenue Contributions and Capital Reserve	5.2
Total Resources Available	<u>247.1</u>

2.4 Treasury Management

Interest Rates

The Base Rate was maintained at 0.10% by the Bank of England throughout 2020/21 and into 2021/22. The medium-term outlook shows growing market confidence in the economy following the gradual easing of COVID-19 restrictions. The current forecasts predict the base rate are expected to remain at 0.10% until at least the first quarter of 2024.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2021/22 Capital Programme is £18.9m, taking into account borrowing set out in Section 2.3 above (total £32.1m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£13.2m). The Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

The Public Works Loan Board (PWLB) is the main source of loan finance for funding local authority capital investment. In November 2020, the rules governing local authority access to PWLB changed and borrowing interest rates were reduced by 1%. The Treasury Management Strategy 2021/22 approved by Cabinet on 23 February 2021 reflected this change and agreed that the Council will not buy investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1st April and 30 June 2021 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2021/22 to Q1	Maximum 2021/22 to Q1	As at the End of Q1
5 year	1.32%	1.44%	1.36%
50 year	2.03%	2.26%	2.07%

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

The Council’s 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. At the start of the financial year £54m of short-term borrowing remained outstanding. This borrowing was all taken out with other local authorities and was primarily required to facilitate the previous upfront payment of pension contributions of £97.8m. All short-term borrowings were fully repaid by the end of Quarter 1.

Returns provided by the Council’s short-term investments yielded an average interest rate of 0.02% over the last 12 months. 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 the reporting stages were: -

	As at 31st March 2021	As at 30th June 2021
	£m	£m
Banks and Building Societies	0.0	0.0
Local Authorities	0.0	0.0
Money Market Funds	15.0	57.5
Corporate Bonds	0.0	0.0
Registered Providers	10.0	0.0
Total	25.0	57.5

External Investments

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. The pooled funds are generally AAA rated; are highly liquid, as cash can be withdrawn within two to four days; and have a short average duration. 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. In order to manage risk these investments are spread across several funds (CCLA, Schroders, Ninety-One Investec, Columbia Threadneedle and M&G Investments).

Returns provided by the Council's pooled funds yielded an average interest rate of 4.39% over the last 12 months. As at 30th June 2021 the pooled funds were valued at £29.4m (£28.9m at 31 March 2021), against an original investment of £30m. There remains an 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.

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 Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing for capital purposes is 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 2021 are included in **Appendix 5** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2021/22. 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 2021 the value is -£76.0m (minus) compared to +£96.2m 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 2021 the value is £252.5m compared to £481.1m 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

Based on budget monitoring trends in previous years the Council will expect to be able to balance its overall revenue budgetary position over the remainder of the year. Should this not be the case, the Council has taken steps to ensure that it has a strong balance sheet position supported by reserve balances and provisions set aside for amounts owed to it which together provide protection against unexpected adverse budget variations. The position will continue to be monitored through the year, in particular in response to any further potential worsening of pandemic conditions through the Autumn and Winter months.

Within this overall picture, the position within Children's Services continues to represent a serious financial issue for the Council. This is being managed in 2021/22 through a combination of time-limited budget funding agreed by the Council and Covid resources available on a one-off basis. However, it remains likely that much of the budgetary pressure being experienced currently will outlast the direct impacts of Covid. Looking ahead to 2022/23, in addition to the current headline overspend of £6.5m, temporary budget funding of £1.4m will fall-out next year which, on one measure, could imply a financial gap of £7.9m. Management attention is focussed currently on projects to understand and mitigate these overspends and this work is of crucial importance as the Council begins its preparations for setting next year's Budget. The need for action to manage down the cost overruns in Children's Services will form what is likely to be the most important part of Strategic Management Board's approach to balancing the 2022/23 Budget position.

Further clarity should emerge as the year progresses on the degree to which recent Covid related income pressures will lessen over time or continue into 2022/23 and therefore need to be reflected in forthcoming Budget deliberations. It seems unlikely that further significant Government support will be made available meaning that the Council will need to plan based on managing any remaining pressures from within its own resource base.

The unrestricted emergency funding of £11.3m made available for 2021/22 is enough to manage the initial estimates of cost in excess of budget. The Council has also brought forward unrestricted funding of £7.6m from 2020/21 and has a range of other Covid-specific grants available such as the Contain Outbreak Management Fund (COMF) which it will seek to utilise in a way that best manages support to local communities and services across the city. The Covid pressures shown in this report represent variations to Budget. These do not include

Covid pressures of nearly £16m (including within the Council Tax and Business Rates Collection Fund) that the Council had already taken account of as part of the Budget approved in February 2021, the large part of which has been managed locally by the Council without Government funding. Some of these pressures have also been assumed to continue into 2022/23 and therefore it is crucial for the Council to manage its Covid resources on a multi-year basis, maximising the use of specific and time-limited Covid grants in-year but managing more general and flexible funding to support Covid priorities running into next financial year.

Capital

The Council's Capital Programme continues to include a range of strategically important schemes across the city. Current forecasts indicate that the Council's capital spending is projected to be £247m compared with the base budget of £220m. This takes account of programme spend brought forward from 2020/21 plus new approvals added to the programme. At this early stage it is expected that £24m of the approved programme is likely to not now occur until 2022/23, with City Centre Regeneration and Friargate 2 accounting for much of this delayed spend.

This continues to be a large mostly grant funded programme continuing the trend of recent years. The programme includes major scheme expenditure on secondary schools' expansion, the second Friargate building, Coventry Station Masterplan, the Air Quality programme, the A46 Link Road and residual Public Realm works.

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 changes to the financial position represented by Covid.

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.

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Names of approvers for submission: (officers and members)				
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Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	10/08/21	10/08/21

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

Service Area	Revised Net Budget £m	Forecast Spend £m	Centralised Variance £m	Budget Holder Variance £m	Total Variance £m	Covid Impact £m	Non-Covid Forecast Variation £m
Adult Social Care	81.8	81.9	(0.1)	0.2	0.1	0.1	0.0
Business Investment & Culture	5.4	5.8	0.2	0.2	0.4	0.3	0.1
Children & Young People	77.5	84.0	(1.7)	8.2	6.5	3.8	2.7
Contingency & Central Budgets	6.0	4.6	0.0	(1.4)	(1.4)	0.0	(1.4)
Education and Inclusion	16.7	17.8	(0.1)	1.2	1.1	0.8	0.3
Finance	4.9	5.9	(0.0)	1.0	1.0	0.2	0.8
Housing and Transformation	13.2	13.7	0.6	(0.2)	0.5	0.4	0.1
Human Resources	1.3	1.4	(0.1)	0.2	0.1	0.0	0.1
Legal and Governance Services	4.1	4.9	0.2	0.6	0.8	0.3	0.5
Directorate Management	1.4	1.4	0.0	0.0	0.0	0.0	0.0
Project Management & Property	(4.5)	(3.2)	0.2	1.1	1.3	1.6	(0.3)
Public Health	0.4	0.3	(0.1)	(0.0)	(0.1)	0.0	(0.1)
Streetscene and Regulatory	29.4	31.6	(0.2)	2.4	2.2	1.2	1.0
Transportation & Highways	6.3	8.0	(0.2)	1.9	1.7	1.5	0.2
Sub-Total	243.8	258.2	(1.1)	15.4	14.3	10.3	4.0
Covid Emergency Funding Contribution						(10.3)	
Total	243.8	258.1	(1.1)	15.4	14.3	0.0	4.0

under-spend shown below is principally the effect of unfilled vacancies.

Budget Holder Forecasts

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	SEN Transport is forecasting an overspend of £375k. This forecast absorbs demand growth of circa 80 additional in-City placements and an increase in external placements. The forecast is based on an assumption that fleet vehicles will be able to operate at increased capacity.	0.4
Education and Skills	Education Entitlement	The Outdoor Education Service (OES) is forecasting an over-spend of £184k. Due to Covid the OES service is reopening in a phased way and has had to have some expenditure to reopen. It is planned this will be part of the recovery programme to be addressed next academic year once local OES services can start to be delivered. The forecast also includes a £400k pressure relating to dedicated school transport for the 2021/22 academic year. This is as a result of fall out of a DfE grant that was funding a number of dedicated school transport routes in the 20/21 academic year. Work is ongoing to identify options to ensure that the pressure can be reduced/eliminated in future years.	0.5
Education and Skills	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 grant funding against internal training programmes.	0.2
Education and Inclusion	Other Variances Less than 100K		0.1
Education and Inclusion			1.2
Children and Young People's Services	Commissioning, QA and Performance	The forecast overspend is largely linked to a £0.1m Safeguarding training income target that is not expected to be met. The opportunities to increase income in this area are currently under review as part of the commercialisation programme. There is also pressure due to the higher cost of agency staff vs. permanent staff within the Safeguarding service, where lots of posts are covered by agency.	0.2
Children and Young People's Services	Help & Protection	The overspend relates to agency staff who are covering vacant posts and those on maternity leave. It is partly offset by an underspend on vacant posts, within the centralised variance. Recruitment continues to be a priority and a service-wide review of agency staff is planned to take place within the next quarter.	2.5
Children and Young People's Services	LAC & Care Leavers	The pressure on the placements budget forms the majority of this overspend, with £2.4m relating to residual COVID activity, and £1.6m arising from further unit cost rises in both the external fostering and residential market due to the COVID impact on supply and demand. The remaining overspend relates to: £0.5m Special Guardianship Order (SGO) allowances, from an increase in SGO orders to promote permanence for children (partially offset by an	5.3

		underspend in RO fees and some one-off income on the ACE budget), £0.7m pressure in LAC permanency due to agency staff and professional fees, and £0.3m Children's Disability Team due to an increase in support packages. There are projects underway in all of these areas to identify ways to mitigate these overspends and understand ongoing pressures.	
Children and Young People's Services	Children's Services Management Team	Pressure in the Social Worker Academy due to running costs and grant fallout to be managed.	0.2
Children and Young People's Services			8.2
Adult Social Care	Adult Social Care Director	£0.2m underspend representing the use of iBCF and other resources to manage the underlying Adult Social Care financial position.	(0.2)
Adult Social Care	All Age Disability and Mental Health Community Purchasing	Overspend due to additional COVID related homecare and placement costs arising as a result of reduced day care services and other miscellaneous increased costs.	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 (£0.1m). The all Age Disability Team and Mental Health services have also seen increasing demand alongside staff turnover. Ensuring statutory need is met has been essential and has resulted in additional forecast agency cost in both areas.	0.2
Adult Social Care	Other Variances Less than 100K		0.1
Adult Social Care			0.2
Housing Services & Transformation	Housing and Homelessness	Although the service has seen a small increase in demand during Quarter 1, this hasn't yet been at the levels that are anticipated following the lifting of the eviction ban. The service continues to focus on prevention and further reducing the costs of temporary accommodation	(0.5)
Housing Services & Transformation	ICT & Digital	The Quarter 1 position reflects a reduction in income from our schools' service. The services to school offering is currently being reviewed in line with the corporate review of traded services. There are further uncertainties with the ICT budget with regards to demand for hardware and the fluctuation caused by increased demand due to COVID. Further work is taking place to understand this impact for Quarter 2	0.2
Housing Services & Transformation	Other Variances Less than 100K		0.1
Housing Services & Transformation			(0.2)
Legal & Governance Services	Legal Services	The variations are all staffing related, the majority of which (£490k) are as a result of an increased caseload volume for care proceedings. £290k of this is directly related to volumes caused by the COVID-19 pandemic. Additionally, a net pressure of almost £200k is forecast reflecting the cost of agency staff to cover vacancies.	0.7

Legal & Governance Services			0.7
Finance & Corporate Services	Revenues and Benefits	<p>This variation is due to a Housing Benefit subsidy pressure of £1.5m due to an increase in the volume and unit cost of supported accommodation, for which the Council only receives partial subsidy payments if the provider is not a registered social landlord. The Council has historically had the opportunity to recover overpayments to offset this pressure, however due to customers transferring to Universal Credit and the effects of COVID, this is no longer the case such that it can now only be mitigated by an estimated £0.8m, leaving a net pressure of £0.7m.</p> <p>The remaining pressures are due to administration costs associated with an increasing council tax base and a delay in the implementation of digital solutions and therefore the ability to generate savings. This is currently being partially offset by staff vacancies.</p>	1.0
Finance & Corporate Services			1.0
Human Resources	HR and Workforce Development Management	This comprises the remaining balance of the HR savings target offset by some in-year spending controls. Work to address the remainder of the savings target, which increases by a further £150K in 2022/23, continues.	0.2
Human Resources			0.2
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	Aside from COVID 19 related pressures, the sports and culture service is operating within budget. However, a delayed 'wave' profit share (6 months loss of £185k) the cost of maintaining Brandon Wood Golf Course (£57k), footfall caps for Godiva festival (£53k), and unrecovered catering staff costs at St. Mary's (£41k) are all pandemic related costs expected to materialise.	0.2
Business Investment and Culture			0.2
Transportation & Highways	Parking	COVID-19 Income pressures due to a significant reduction in parking and enforcement income during the COVID-19 restriction periods. It is anticipated that this will continue to affect the position throughout the rest of the financial year.	1.4
Transportation & Highways	Transport and Innovation	This reflects additional Highways Development Management staff resources which have been brought in to support major planning applications and to provide cover for vacancies.	0.2
Transportation & Highways	Other Variances Less than 100K		0.3
Transportation & Highways			1.9
Streetscene & Regulatory Services	Streetpride & Parks	This reflects primarily covid related pressures of £266k resulting from cancelled events in parks, additional staffing and cleaning at the crematorium, and additional vehicles in streetpride. Other pressures	0.5

		include expected agency cover of c£100k (offset by vacancy), and fleet pressures of £110k due to spot hire and avoidable damage cost	
Streetscene & Regulatory Services	Waste & Fleet Services	This is primarily related to pressures in domestic refuse collection. A significant cost relates to availability of both drivers and crew caused by high sickness, self-isolation, and accrued leave, meaning temporary cover arrangements will need to be put in place. Added to this is pressures on workload, which has resulted in a decision to accelerate the two additional rounds planned for April 2022, together with some reactive cost of ensuring all bins are collected.	1.5
Streetscene & Regulatory Services	SSGS Management & Support	Additional costs are being incurred on Car Park Mgt and Security due to ongoing COVID restrictions. The service is looking for a long term solution for this.	0.2
Streetscene & Regulatory Services	Environmental Services	There is an income pressure of £90k in Pest Control (of which £35k relates to COVID). The service is working on potential contracts to reduce this. The remainder relates to the ESU which is experiencing both recruitment pressures due to vacancies and self-isolations (£95k), and also income pressures of £65k due primarily to lower demand for some services including call handling and CCTV monitoring	0.3
Streetscene & Regulatory Services			2.5
Project Management and Property Services	Commercial Property and Development	Pandemic related losses in respect of rents are forecast at £1.5m for 21/22. Aside from these pressures, a small surplus to reflect cost management particularly around repairs and maintenance is forecast	1.3
Project Management and Property Services	Facilities & Property Services	This surplus reflects a forecast trading surplus across Repair and Maintenance and Building compliance works	(0.2)
Project Management and Property Services			1.1
Public Health			0.0
Ringfenced Funding	SEND & Specialist Services	SEN Provision is forecasting an overspend of £1.3m. The forecast expenditure reflects demand growth throughout the system including growth in mainstream EHC Plans, and the cost of extended entitlement post 16 as a consequence of Covid disruption to courses this is in addition to post 16 demand growth. There is significant additional pressure on special school placements particularly in the area of SEMH (behaviour) which has increased the LAs dependency on external independent schools. This is likely to persist until Woodfield is able to increase local capacity. SEN Support Services are forecasting an under spend of £0.4m. The under spend represents salary forecasts taking into account vacancies, all of which have been recruited to and will be filled in September 21.	1.0

Ringfenced Funding	Schools	High Needs unallocated resource which has been earmarked to fund the SEND review.	(2.8)
Ringfenced Funding	Education Entitlement	The Management committee for Coventry ELC & Hospital Education have looked to secure reserves of the total income of around 5% - however the under spend of £165k is due to the vacancies that were not filled during lockdown and less spend due to working from home, there is a strategic direction for investment in the centres long term which is why the board wish to have reserves.	(0.2)
Ringfenced Funding	Education Improvement & Standards	The underspend is across staffing budgets and is a result of delays in the implementation of the Early Years Restructure. All vacant posts are either recruited to are in the process of being recruited to so the underspend is not ongoing beyond the current financial year.	(0.2)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	2.2
Ringfenced Funding			0.0
Corporate & Contingency	Corporate Finance	A favourable variation of £1.4m is forecast at this stage arising from a combination of Business Rates pooling income and lower than anticipated employer superannuation costs. The corporate position continues to be predicted on a relatively prudent basis and could improve over the course of the year.	(1.4)
Corporate & Contingency			(1.4)
Total Non-Controllable Variances			15.4

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
SEND	Part of the works in 20/21 should have been funded through Basic Need Grant and not SEND as this was earmarked for another project, budgets have now been realigned in 21/22 to reflect this	0.4
City Centre Destination Leisure Facility	Funds from reserves to cover costs of resurfacing at the Wave	0.3
Public Realm Phase 5	Palmer Lane Regeneration, Cabinet Member Report for Jobs, Regeneration and Climate Change on 15th July 2021. Approval of £950k addition to the capital programme to fund the overall estimated £1.6m scheme.	1.0
Highways Maintenance & Investment	Additional Highways Maintenance Funding announced by the DfT in February 2021 but after Budget Setting report had gone to Council	0.8
UK Central + Connectivity - VLR	Technical adjustment as this element of the Getting Building Fund was built into the programme at Capital Outturn 2020-21	(0.4)
City Centre Regeneration	Additional revenue funding to fund expenditure not eligible from grant - via rental income	0.2
GD46/GBF08 - Ricoh Arena Renewal	New Grant Received	3.9
National Battery Manufacturing Development Facility - Faraday Challenge	New Grant Received	3.4
Public Building Retrofit - council buildings	New Grant Received	6.3
Public Building Retrofit - schools	New Grant Received	2.5
Coventry Station Masterplan	New Grant Received	0.4
TOTAL APPROVED / TECHNICAL CHANGES		18.8

Appendix 3

DIRECTORATE	BASE BUDGET 21/22 plus 20/21 RESCHEDULING £m	TOTAL APPROVED TECHNICAL CHANGES £m	TOTAL OVER / UNDER SPEND £m	TOTAL RESCHEDULED EXPENDITURE £m	REVISED ESTIMATED OUTTURN QTR1 21-22 £m
PEOPLE	41.2	2.8	0.0	(4.9)	39.1
PLACE	211.7	15.9	0.1	(19.5)	208.3
TOTAL	252.9	18.8	0.1	(24.4)	247.4

Appendix 4

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
ESIF - Business Support Phase 2	The programme is behind schedule due to COVID	(0.5)
Vehicle & Plant Replacement	Moved some refuse vehicles into next year as lead-times are 26 weeks and will fall into next year's budget	(0.3)
ESIF - Low Carbon	The programme is behind schedule due to COVID	(0.2)
Lenton's Lane Cemetery - Phase 2	This is due to the re-profiling of the programme over the next 2 years	(0.3)
The Avenue Bowls Club	There has been a delay in the appointing of a Contractor due to COVID Restrictions	(0.8)
Schools -Basic Need	Due to the rescheduling at end of 20/21, this has been re-profiled to 22/23	(2.3)
Schools - Condition	Due to the rescheduling at end of 20/21, this has been re-profiled to 22/23	(0.3)
Disabled Facilities Grants	The DFG grant allocation can be used for both DFG's and other Adult Social Care capital schemes. The Government continues to award additional funding to the City Council on top of the already increased DFG resources. The impact of Covid has reduced our ability to realise maximising the use of existing DFG adaptation opportunities alongside improvements to Social Care property and new investments in other eligible spend. An expanded programme of works has been identified however due to the backlog caused by Covid increased spend may not be possible until next year.	(2.3)

City Centre Regeneration	Spend on City Centre South is currently forecast to be £3.1m for 21/22. This represents c£10m slippage that is made up predominately of Land Acquisitions. The timing of Land Acquisition spend is driven by the expected CPO processes, the timing of which is also linked to the granting of planning. Since planning committee resolved to grant consent in April 2021 a workstream is now in place to achieve this, with a decision regarding the making of a CPO likely to be taken during 21/22 with the associated spend being incurred thereafter.	(10.4)
Friargate	Appointment of a contractor and construction start towards the end of 20/21 gave the Council a much more accurate spend profile reflecting the construction of Two Friargate. While the construction end date remains unchanged, the profile of constructions costs slips some spend from 21/22 into 22/23.	(5.7)
MRF Development Costs (loan)	Realignment of the loan facility into future years	(1.2)
Miscellaneous under £100k		(0.1)
TOTAL RESCHEDULING		(24.4)

Underspend

SCHEME	EXPLANATION	£m
Green Homes Grant	Due to very high demands for installs, our project delivery partner is struggling with capacity to fulfil the external wall insulation by the September deadline to spend this grant	(0.2)

Appendix 5

Prudential Indicators

Indicator	per Treasury Management Strategy 2021/22	As at 30th June 2021
Ratio of Financing Costs to Net Revenue Stream (Indicator 1) , This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.	14.62%	14.47%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2021 plus the estimates of any additional CFR in the next 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 and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.	Estimate / limit of £529.5m	£331.8m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 5) , This statutory limit sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council. Borrowing at this level could be afforded in the short term but is not sustainable. The Authorised limit has been set on the estimated debt with sufficient headroom over and above this to allow for unexpected cash movements.	£549.5m	£331.8m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 6) , This indicator refers to the means by which the Council manages its external debt to ensure it remains within the statutory Authorised Limit. It differs from the authorised limit as it is based on the most likely scenario in terms of capital spend and financing during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year.	£529.5m	£331.8m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9) , These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Upper Limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could impact negatively on the overall financial position.	£481.1m	£252.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9) , as above highlighting interest rate exposure risk.	£96.2m	-£76.0m
Maturity Structure Limits (Indicator 10) , This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of		

<p>uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, thereby managing the effects of refinancing risks.</p> <p>The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.</p> <p>< 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +</p>	<p>0% to 50% 0% to 20% 0% to 30% 0% to 30% 40% to 100%</p>	<p>4% 3% 21% 3% 69%</p>
<p>Investments Longer than 364 Days (Indicator 11), This indicator sets an upper limit for the level of investment that may be fixed for a period greater than 364 days. This limit is set to contain exposure to credit and liquidity risk.</p>	<p>£30m</p>	<p>£30.0m</p>

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

27th September 2021

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance

Ward(s) affected:

City Wide

Title:

Annual Fraud and Error Report 2020-21

Is this a key decision?

No – this is a monitoring report

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service for the financial year 2020-21.

Recommendation:

The Audit and Procurement Committee is recommended to note and consider the anti-fraud and error activity undertaken in the financial year 2020-21.

List of Appendices included:

None

Background papers:

None

Other useful documents:

Half Yearly Fraud and Error report 2020-21

<https://edemocracy.coventry.gov.uk/ieListDocuments.aspx?CId=553&MId=12271&Ver=4>

Has it or will it be considered by scrutiny?

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

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

No

Will this report go to Council?

No

Report title:

Annual Fraud and Error Report 2020-21

1. Context (or background)

- 1.1 Fraud in the public sector has a national focus through the publication of "Fighting Fraud and Corruption Locally - The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy states that the level of fraud in the public sector is significant, the current trends in fraud activity includes areas which Coventry City Council does not have responsibility for, for example, social housing, and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.
- 1.2 Notwithstanding the above, it is recognised that the risk of fraud during emergency situations such as the pandemic is higher than at other times. This includes an inherent risk of fraud in emergency programmes which local authorities have been required to administer on behalf of government, particularly in relation to grants paid to businesses. This risk has been explicitly acknowledged by government in guidance issued to local authorities. As such, the Internal Audit Service have specifically included this within its anti-fraud work undertaken in 2020-21.
- 1.3 This report documents the Council's response to fraud and error during 2020-21 and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference *'to monitor Council policies on whistle blowing and the fraud and corruption strategy'*.

2. Options considered and recommended proposal

- 2.1 The Internal Audit Service is responsible for leading on the Council's response to the risk of fraud and error. The work of the team has focused on four main areas during 2020-21, namely:

- Business Support Grants
- National Fraud Initiative
- Referrals and investigations considered through the Council's Fraud and Corruption Strategy
- Council Tax

A summary of the key activity that has taken place during 2020-21 is detailed below.

- 2.2 Business Support Grants – In response to Covid-19, the government announced there would be support for businesses in the form of grant funding schemes. Whilst local authorities are required to administer these schemes on behalf of government, the Council remains responsible for ensuring the proper administration of financial affairs within the local authority, including these grants. From an anti-fraud perspective, there are two important points to note in relation to these schemes:

- The increased risk of fraud / error as highlighted in section 1.2 of this report.

- The need to ensure that grants are paid to businesses on a timely basis, with low friction controls required pre-payment to enable local authorities to make payments as quickly as possible and further reliance placed on post-event assurance to effectively manage the risk of fraud.

2.2.1 Internal Audit have given advice to service areas on appropriate low friction controls as part of the grant application and assessment process, including for example, upfront fraud prevention clauses. In addition, the Internal Audit Service have led on the post-event assurance process, which has encompassed the following:

- Undertaking risk assessments in relation to each grant scheme to identify specific fraud risks.
- Using the results of risk assessments to develop assurance plans to mitigate against residual risks.
- Undertaking post-event assurance checks and reporting on outcomes to Government. This has included the use of Spotlight, the Government's digital assurance tool, and other open-source checks.
- Where assurance checks identify potential fraud or error in grant payments, co-ordinating investigations and ensuring appropriate action is taken (e.g. reclaiming funds.)

2.2.2 During 2020-21, there have been a number of grant schemes announced by government which has reflected various periods of local and national restrictions imposed as a result of the pandemic. A summary of the schemes and number / value of grants issued as at July 2021 is provided in Table One below:

Table One – Business grant schemes

Grant Scheme	Number of grant payments issued	Value of payments issued
Small business grant fund / Retail, hospitality and leisure business grant fund	4029	£48,015,000
Discretionary grant fund	269	£2,685,000
Additional restrictions grant	3710	£10,757,039
Local restrictions support grant	6670	£19,280,166
Christmas Support payment	92	£92,000
Restart grant	1663	£12,382,142
Total	16,433	£93,211,347

2.2.3 Over the course of the year the assurance process has also continued to evolve, with more checks required to be undertaken pre-payment as well as continuing with post-event assurance work. This has included use of the National Fraud Initiative bank account and active company verification tool. As such, this work has required a significant and on-going level of resource from Internal Audit, which has been allocated from both within the Internal Audit Plan and the wider corporate fraud and error resource within the Service. It is also anticipated that the assurance work will continue throughout 2021-22. Table Two overleaf summarises the results in respect of fraud / error identified to date across all of the grant schemes ((these figures also include cases dealt with directly by the Business Rates/Economic Development Team):

Table Two – Business Supports Grants Fraud and Error

	Number of cases	Value	Recovered to date
Grants classified as fraudulent	38	£391k	£135k
Grants classified as ineligible for funding	99	£899k	£495k

In addition to the claw back of funds paid fraudulently / in error, action has been taken to report suspected organised, large scale and systematic fraud to appropriate national agencies. This includes a number of cases where, as a result of effective intelligence sharing across the Regional Counter-Fraud Group, timely action was taken to prevent a large-scale cross boundary impersonation fraud, amounting to £400k.

- 2.2.4 The Department of Business, Energy and Industrial Strategy (BEIS) have confirmed that local authorities will not be held financially accountable for any erroneous payments which are not recovered, subject to Council’s having taken reasonable steps to manage the risk of fraud and taking appropriate action to recover overpayments. This position is reflected within the monthly financial returns submitted to Government regarding grant expenditure and the Council is continuing to actively pursue overpayments. Guidance has now been issued by BEIS in relation to returning recovered funds and referring those debts which the Council have been unsuccessful in recovering to the Department for further action. Internal Audit are assisting in the co-ordination of this work.
- 2.2.5 The number of cases which have been identified as fraudulent / ineligible remains low in comparison to the overall number / value of grants awarded (<1%). However, it is nonetheless important that appropriate action is taken to provide effective fraud control and protect the public purse. Further updates on this assurance work will be provided in future reports to the Audit and Procurement Committee.
- 2.3 National Fraud Initiative - The NFI exercise is led by the Cabinet Office. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. Our work in 2020-21 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2020, with eight datasets submitted. The first matches were released in February 2021 and will form part of the planned programme of work for 2021-22. The Cabinet Office also responded to the increased risk of fraud in covid-19 emergency relief funding and extended its remit to include data matching on grants paid to businesses. This dataset was submitted in January 2021, with these matches also forming part of the work programme for 2021-22.
- 2.3.1 Whilst the NFI exercise takes place every two years, Council Tax matches relating to the award of single person discounts are received on an annual basis as they are matched to the new electoral register which is published each December (In 2020-21, publication of the register was delayed until January 2021). These matches will be followed up in 2021-22.
- 2.4 Referrals and Investigations – From time to time, the Internal Audit Team receive referrals or are asked to assist with investigations relating to employee misconduct and other fraud against the Council involving external individuals. Table three overleaf indicates the number of referrals by source in 2020-21, along with figures for the previous three financial years.

Table Three - Fraud Referrals Received between 2017-18 and 2020-21

Source	Referrals 2017-18	Referrals 2018-19	Referrals 2019-20	Referrals 2020-21
Whistleblower	2	3	3	4
Manager	23	21	16	14
External	5	2	1	6
Total	30	26	20	24

It is important to note that there is no mechanism for determining the number of referrals the Council should receive on an annual basis and it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. It is worth noting that this information only reflects referrals made in respect of concerns relating to fraud and corruption and does not include other matters raised under the Whistleblowing Policy.

2.4.1 Of the 24 referrals received in 2020-21, 14 have led to full investigations. The reasons for referrals not resulting in a full investigation include (a) our initial assessment / fact finding does not find any evidence to support the allegations, (b) appropriate action has already been taken, and (c) the nature of the event means it is impractical to pursue further.

2.4.2 In addition to the 14 investigations highlighted in 2.4.1 above, one investigation was carried forward from 2019-20. Of the 15 investigations in total, eight related to fraud / theft or other activities linked to obtaining a financial benefit, whilst the other six cases involved a code of conduct issue.

Three out of the total 15 investigations are still on-going, whilst of the remaining twelve:

- In one case involving a possible external fraud against the Council, there was insufficient evidence to pursue the matter further. However, as a result of the investigation, around £4k is being recovered from the organisation and control improvements have been put in place.
- In two cases, the officer left their post during the disciplinary process.
- In one case, the officer was dismissed from the Council's employment.
- In eight cases, the allegation was found not to have been substantiated, although in five of these cases, other appropriate actions were identified and implemented.

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

- Reviewing Council Tax Exemptions / Discounts – A rolling programme of reviews is undertaken on an annual basis to provide an appropriate response to the inherent risk of fraud / error in the area, as the Council is reliant on the customer to report any changes in circumstances which would affect their entitlement to an exemption / discount. In 2020-21, only limited work has been undertaken in this area, given the focus on business grant work. As a rolling programme of work, this is not viewed as significant. Notwithstanding this, the work undertaken has resulted in:
 - 22 exemptions / discounts have been removed from customers' accounts. These exemptions / discounts were removed on the basis that the customer failed to report a change in circumstances.
 - Revised bills have been issued amounting to approximately £49k.

- £34k of this money has been paid to the Council to date. The outstanding balances are being recovered through agreed payment instalment arrangements or are subject to the Council's standard recovery arrangements in relation to Council Tax.

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

- Council Tax Referrals – The Council receives referrals from both internal and external sources linked to concerns around the payment of council tax support or council tax discounts / exemptions. Table Four below indicates the number of referrals by source in 2020-21.

Table Four – Council Tax Fraud Referrals Received 2020-21

Source	Referrals 2020-21
Housing Benefits	9
Council Tax	2
Members of the public	2
Other	14
Total	27

Whilst a significant number of cases are passed to the Department of Work and Pensions to investigate under agreed arrangements (i.e. where housing benefit is also in payment), the Internal Audit Service have validated ten concerns to date in 2020-21, which has resulted in revised bills / overpayments of around £21k being issued, with £13k having been recovered to date.

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

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

In the period April 2020 to March 2021, one significant fraud has been concluded. Details of this were provided to the Audit and Procurement Committee in January 2021.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

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

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

5.1 Financial Implications

All fraud has a detrimental financial impact on the Council. In cases where fraud is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified. In total, during 2020-21, around £74k (excluding business grants) has been identified from the work of Internal Audit in relation to fraud and error and is subject to the Council's standard arrangements for recovery of monies owed (unless otherwise stated.)

5.2 Legal implications

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

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

6. Other implications

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

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

6.2 How is risk being managed?

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

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

6.3 What is the impact on the organisation?

Human Resources Implications

Allegations of fraud made against employees are dealt with through the Council's formal disciplinary procedure. The Internal Audit Service are fully involved in the collation of

evidence and undertake, or contribute to, the disciplinary investigation supported by a Human Resources representative. Matters of fraud can be referred to the police concurrent with, or consecutively to, a Council disciplinary investigation.

6.4 Equalities / EIA

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

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

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

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

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

No impact

6.6 Implications for partner organisations?

None

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Councillor G Duggins	Cabinet Member for Policy and Leadership	-	8/9/21	13/9/21

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

27th September 2021

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Director of Finance

Ward(s) affected:

City Wide

Title:

Whistleblowing Annual Report 2020-21

Is this a key decision?

No – this is a monitoring report

Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the concerns raised under the Council's Whistleblowing Policy during 2020-21 and the Council's response to the issues, including any organisational learning to prevent similar reoccurrences.

Recommendation:

Audit and Procurement Committee is recommended to note and consider the summary of whistleblowing concerns raised during 2020-21 and confirm its satisfaction with the actions taken to respond to the issues raised.

List of Appendices included:

None

Background papers:

None

Other Useful Documents:

Whistleblowing Policy 2017

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

Has it or will it be considered by scrutiny?

No other scrutiny consideration other than the Audit and Procurement Committee

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

No

Will this report go to Council?

No

Report title:

Whistleblowing Annual Report 2020-21

1. Context (or background)

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

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

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

1.3 This report provides a summary of the concerns raised under the Council's Whistleblowing Policy during 2020-21 and the Council's response to the issues and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference "*to monitor Council policies on whistleblowing and the fraud and corruption strategy*".

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

2. Options considered and recommended proposal

2.1 During 2020-21, the Council received six whistleblowing disclosures. Of these, three were made by third parties and as such, the legal protection afforded to employees who raise concerns does not extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way as disclosures made by employees and consequently have made every reasonable effort to protect all individuals under the whistleblowing process.

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

Table One – Whistleblowing Disclosures 2020-21

Number	Nature of concern (grounds for whistleblowing)	Service area
1	Corruption	Transportation & Highways
2	Breach of a legal obligation	Children’s Services
3	Breach of a legal obligation	Streetscene & Regulatory Services
4	Fraud	Adult Services
5	Fraud	Streetscene & Regulatory Services
6	Fraud	Streetscene & Regulatory Services

2.3 Whilst all concerns are taken seriously, the response will differ on a case by case basis. In some cases, if the disclosure has been made anonymously and insufficient details have been provided, the Council may be restricted in the action it can take. However, typically a preliminary fact-finding investigation will be undertaken which if required, will result in a full investigation and formal action being considered. A summary of the responses to the disclosures made in 2020-21 are provided in Table Two below.

Table Two – Responses to Whistleblowing disclosures 2020-21

Number	Response
1	Preliminary investigation – Not substantiated
2	Preliminary investigation – not substantiated
3	Preliminary investigation – not substantiated
4	Preliminary investigation – not substantiated, but alternative management action taken
5	Preliminary investigation – not substantiated, but alternative management action taken
6	Preliminary investigation – not substantiated, but alternative management action taken

2.4 **Learning from disclosures** – Where appropriate, responsible officers will identify learning points from any issues raised and ensure that they are acted upon to prevent similar issues recurring. If required, this includes consideration of whether there are any systematic improvement actions for the wider organisation. In three cases considered in 2020-21 management action was agreed to make improvements. Whilst these actions were specific to the concerns raised, rather than organisation wide improvements, opportunities to learn from disclosures will continue to be considered as part of the investigation process and will be included in future reports to the Audit and Procurement Committee.

2.5 **Benchmarking** - The Chartered Institute of Public Finance and Accountancy (CIPFA) Fraud and Corruption Tracker provides annual benchmarking information relating to counter fraud activity across all local authorities. In the 2020 survey, respondents reported a total of 486 whistleblowing cases. The figures reported indicate that the number of

disclosures received by the Council is comparable to the national average of six whistleblowing disclosures per local authority. It is also worth noting that employees do not have to use the Whistleblowing Policy to raise concerns and are able to resolve matters using other routes if they wish to do so, for example through discussion with their line manager or reporting concerns to one of the “prescribed persons” set out in the Public Interest Disclosure (Prescribed Persons) Order 2014, such as the Health and Safety Executive.

3. Results of consultation undertaken

None

4. Timetable for implementing this decision

There is no implementation timetable as this is a monitoring 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. Effective whistleblowing arrangements assists the Council to ensure that any misconduct / wrongdoing which could have a detrimental financial impact on the Council is appropriately dealt with.

5.2 Legal implications

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

6. Other implications

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

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

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

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

6.4 Equalities / EIA

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

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

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

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

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

None

6.6 Implications for partner organisations

None

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