



Audit and Procurement Committee

Time and Date

2.30 pm on Monday, 26th September, 2022

Place

Diamond Rooms 1 and 2 - Council House

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meetings** (Pages 3 - 24)
To agree the minutes of the meetings held on 27th June, 25th July and 30th August 2022
4. **Exclusion of Press and Public**
To consider whether to exclude the press and public for the private item(s) of business for the reasons shown in the report.
5. **Outstanding Issues** (Pages 25 - 30)
Report of the Director of Law and Governance
6. **Work Programme 2022/23** (Pages 31 - 32)
Report of the Director of Law and Governance
7. **2022/23 First Quarter Financial Monitoring Report (to June 2022)** (Pages 33 - 56)
Report of the Chief Operating Officer (Section 151 Officer)
8. **Whistleblowing Annual Report 2021/22** (Pages 57 - 64)
Report of the Chief Operating Officer (Section 151 Officer)
9. **Annual Fraud and Error Report 2021/22** (Pages 65 - 74)
Report of the Chief Operating Officer (Section 151 Officer)

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 75 - 100)
Report of the Chief Operating Officer (Section 151 Officer)
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

Friday, 16 September 2022

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

Membership: Councillors S Agboola, M Ali, R Auluck, R Bailey, J Blundell, A Hopkins, R Lakha (Chair), J Lepoidevin, T Sawdon, B Singh (Deputy Chair) and R Singh

By invitation: Councillor Brown

Public Access

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Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at
2.30 pm on Monday, 27 June 2022

Present:

Members: Councillor R Lakha (Chair)
 Councillor B Singh (Deputy Chair)
 Councillor M Ali
 Councillor R Auluck
 Councillor J Blundell
 Councillor G Hayre
 Councillor J Lepoidevin (substitute for Councillor T Sawdon)

Employees (by Directorate):

Finance B Hastie (Chief Operating Officer (Section 151 Officer)),
 P Jennings, L Tyler

Law and Governance K Black, L Knight

Apologies: Councillor Sawdon

Public Business

6. Declarations of Interest

There were no declarations of disclosable pecuniary interests.

7. Minutes of Previous Meetings

The minutes of the meeting held on 21st March 2022 were agreed and signed as a true record. There were no matters arising.

8. Outstanding Issues

The Audit and Procurement Committee considered a report of the Director of Law and Governance which identified issue son which a further report / information had been requested or was outstanding so that Members were aware of them and could manage their progress.

Appendix 1 to the report provided details of issues where a report back had been requested to a meeting, along with the anticipated date for consideration of the matter.

Appendix 2 of the report provided details of items where information had been requested outside formal meetings, along with the date when this had been completed.

In respect of Appendix 1, item 1, the Chief Internal Auditor indicated that work had been completed and a draft report issued to management in relation to the audit of IT Disaster Recovery. It was anticipated that this audit would be finalised within

the next few weeks and a report would then be submitted to the Committee for consideration.

With regards to Appendix 2, the Finance Manager (Corporate Finance) advised the Committee that, in relation to item 2, the information requested on severance packages was now available and would be circulated to members of the Committee.

The Chair indicated that there had been no further information provided in relation to item 1 of Appendix 2 and it was agreed that this would be followed up with the responsible officer.

RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report.

9. **Work Programme 2022/23**

The Audit and Procurement Committee considered a report of the Director of Law and Governance which set out the Work Programme of scheduled issues that had been considered by the Committee during the Municipal Year 2022/23.

It was agreed that for the meeting scheduled for 25th July 2022, an item be added to the meeting on 25th July 2022 titled 'External Auditor's Annual Report 2021-22 (Grant Thornton)' and that the item titled 'External Audit Plan Year Ending March 2021 (Grant Thornton)' be deferred to the meeting on 26th September 2022.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2022/23.

10. **Internal Audit Annual Report 2021-22**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that summarised the Council's Internal Audit activity for the period April 2021 to March 2022 against the agreed Audit Plan for 2021-2022 and the Public Sector Internal Audit Standards. The report also provided the Audit and Procurement Committee with the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements for the financial year 2021-2022. Appendices to the report provided: details of the Audits completed in 2021-2022 and the Summary findings from key audit reports.

The Audit and Procurement Committee approved the Council's Internal Audit Plan for 2021-2022 at its meeting on the 28th June 2021. During the last financial year, the Committee received a progress report summarising completed audit activity in November 2021 and March 2022. This report detailed the performance of the Internal Audit Service against the Plan for 2021-2022, which was presented in order for the Audit and Procurement Committee to discharge its responsibility, as reflected in its term of reference - "To consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts".

The report was set out in the following sections:

- Assessment of the performance of the Internal Audit Service against its key targets.
- The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector internal Audit Standards.
- A summary of the audit activity in 2021-22 and highlighting issues that have not been reported to the Audit and Procurement Committee previously and are relevant to the overall opinion.
- The Chief Internal Auditor's opinion on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.

The key target for the Internal Audit Service was to complete 90% of its agreed work plan by the 31st March 2022. Whilst the plan was originally developed on the basis of an estimate of 650 available audit days, this was subsequently slightly amended to 470 days following a reassessment of available resources in quarter four, and reflected the fact that establishing an accurate resource position was more difficult when changes in staffing occurred during the year. As a result, the performance of the Service had been assessed against the revised audit plan of 470 days. The service delivered 87% of the plan.

As a result of the pandemic and the need to prioritise work which had been required to support the Council's ongoing response to Covid-19 throughout 2021-22, the Service had been unable to progress the improvement actions from the 2021-22 improvement plan. These actions had therefore been carried forward to the 2022/23 plan. Forthcoming progress against these actions would be included in future reports to the Committee.

Details of audit reviews carried out in the financial year 2021-2022, along with the level of assurance provided, were set out in an Appendix to the report.

A summary of the findings of key audits that had not already been reported to the Committee during the Municipal Year 2021-2022 were included in further Appendices to the report. In all cases, the relevant managers had agreed to address the issues raised in line with the timescale stated. The reviews would be followed up in due course and the outcome reported to the Committee.

In respect of follow up of disclosures made in the Internal Audit Annual Report 2020-21, in the previous annual report, the Chief Internal Auditor identified two areas where she believed significant control improvements were required. The report provided an update on each of these areas: Information Risk Management and IT / Cyber Security.

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

In the Chief Internal Auditor's view, sufficient assurance has been obtained to form a reasonable conclusion on the adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements. This takes into account the internal audit work performed during 2021-22 and other sources of assurance, specifically the work of the Corporate Governance Steering Board (of which the Chief Internal Auditor is a member), Corporate Risk Register and the Covid-19 Risk Register. It is the Chief Internal Auditor's opinion that moderate assurance can be provided that there is generally an effective and adequate framework of governance, risk management and internal control in place to meet the Council's objectives.

RESOLVED that the Audit and Procurement Committee considered and notes:

- 1) The performance of Internal Audit against the Audit Plan for 2021-22.**
- 2) The results of the Quality Assurance and Improvement Programme and the Chief Internal Auditor's statement on conformance with the Public Sector Internal Audit Standards.**
- 3) The summary findings of key audit reviews (attached at Appendix two to the report) that have not already been reported to Audit and Procurement Committee during municipal year 2021-22 and which are relevant to the opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment.**
- 4) The opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of Coventry City Council's risk management, internal control and governance arrangements.**

11. Internal Audit Plan 2022-23

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that submitted the draft Internal Audit Plan for 2022-23, attached as an appendix to the report, to the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

In terms of proposed audit activities, the draft Internal Audit Plan documented the outcome of the audit planning process for 2021-22. The report set out the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility but also enabled them, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

The priorities of internal audit activity were determined through the development of an annual risk- based Internal Audit Plan. The report documented the planning process and identified the outcome of the process, namely the draft Internal Audit Plan for 2022-23.

Key points to note from the results of the initial assessment of priorities included:

- a) The draft plan was based on an allocation of priorities against the current level of audit resources available. The resource requirements had been assessed taking into account the requirement to produce an annual audit opinion and the Council's overall assurance framework. For 2022-23, the resources available are 560 days for audit and corporate fraud work. This was an increase of approximately 90 days when compared with 2021-22 and reflected that all vacant posts which were responsible for delivery of the Internal Audit Plan were now recruited to.
- b) In addition to the 560 available audit days, two trainee posts have been recruited to as part of the longer-term strategic plan for the service. Given the nature of these posts, it is not viewed as appropriate to formally include them within the assessment of resources for 2022-23, although they will provide support to the Team in delivery of audit work.
- c) In focusing the available resources to develop a plan which met the needs of the Council, the following approach had been taken:

An initial risk assessment has been undertaken, which considered the Council's corporate risk register and any priorities identified from consultation with Directors and other senior managers, alongside other priorities linked to areas of risk which have been highlighted by the Chief Internal Auditor. Where appropriate, an assessed risk level had been included within Appendix 1 of the report submitted. Where stated as medium rather than high, this generally reflected findings of previous audit reviews in the respective area / an initial assessment of the control environment.

Resource had been allocated to support the development of an audit universe to support future audit planning. Whilst there was no mandatory requirement to use this tool, it was a helpful model in large and complex organisations to ensure clarity and transparency around internal audit coverage. It supported an objective approach to determining audit priorities and would provide more assurance to senior management and the Audit and Procurement Committee that coverage is sufficient and aligned to the right areas. This activity also formed part of the Quality Assurance and Improvement Programme for Internal Audit.

A risk-based approach to the audit of schools, rather than a cyclical programme of audit work.

A flexible and responsive approach to issues highlighted by senior officers with dialogue to ensure resources were directed in accordance with their priorities.

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

Other areas of planned work included:

- a) Corporate Risks – the focus of audit coverage in 2022-23 regarding the corporate risk register, was aligned to those areas where it was clear Internal Audit could make a contribution to the management of the risks, including emerging issues linked to activities. This included reviews of

equality and diversity in recruitment, public health funding and housing benefit subsidy.

- b) ICT – The programme of work of IT audit work was established through an IT audit needs assessment which identified areas of focus over a three-year period (subject to annual review.) In 2022-23, the areas which had been agreed were Service Desk (assessment of the new system for raising IT issues and associated processes), Software Asset Management and IT Operations.
- c) Council / Audit priorities – this incorporated audit work linked to specific priorities which had a corporate impact such as pre-employment checks, IR35 compliance and Coventry Municipal Holdings.
- d) Regularity – this included work to meet the assurance requirements of grant funding received by the Council, and co-ordination of the Annual Governance Statement and declarations of interest exercise.
- e) Directorate risks – this audit area included those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. In 2021-23 identified areas include buildings statutory compliance and the transfer of the Emergency Services Unit to Whitley Depot.

As a result, it is believed that the draft Audit Plan for 2022-23 was sufficient for the work required to report on governance, the management of risks and internal controls in the year and to prepare our annual opinion and report.

In considering the report, the Committee highlighted the effectiveness of consultation as an area for review, particularly in relation to One Coventry. In discussion it was felt this would be more appropriate for the Finance and Corporate Services Scrutiny Board (1) to consider this matter. It was agreed that Scrutiny Board (1) be requested to consider this as part of their work programme for the year.

RESOLVED that the Audit and Procurement Committee

- 1) Notes the content and scope of the draft Internal Audit Plan for 2022-23, attached as Appendix 1 to the report, and approves the Plan.**
- 2) Requests that the Finance and Corporate Services Scrutiny Board (1) consider a review of the effectiveness of the consultation on One Coventry as part of their work programme for 2022-23.**

12. 2019-20 and 2020-21 Accounts Update

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), which provided an update on the delayed 2019-20 and 2020-21 accounts, including matters that have arisen since the last update to the Committee. It was noted that Grant Thornton would provide their own official update on any outstanding issues at the conclusion of the 2020-21 audit.

Grant Thornton had presented two draft Audit Findings Reports to the Committee, in November 2020 and November 2021. These reports highlighted a higher than normal number of issues within the Council's accounts. Where the auditors have required these to be adjusted for within the accounts, these have been accepted and implemented by the Council. However, because the accounts remain unfinalised, further audit work has identified additional issues which need to be resolved before the accounts can be approved.

The additional issues to be resolved are the finalisation of accounting statements for the Council's Group Accounts (including the accounts of the Council's Key Group companies) and accounting for highways infrastructure assets.

The group accounting statements are those that combine the Council's own accounts with those of its company interests to present analysis across the whole Council 'group'. Grant Thornton have challenged why funding of the grouped elements has previously only reflected unusable reserves. Upon analysis, the Council recognises the approach is not consistent with the accounting guidance published by CIPFA and that it would be reasonable to expect company interests in the group accounts to be represented by both unusable and usable reserves. The Council is now re-analysing this position and is in dialogue with the auditors over a revised presentation.

Accounting for highways infrastructure had been a topic of debate for several years within local government and recent challenges in other councils has caused further sector-wide discussions. The issue relates to highways infrastructure assets (essentially roads and pavements) and specifically whether local authorities should be assessing if there is any residual value remaining in replaced components that needs to be de-recognised when the new expenditure is made. While this is standard practice for many fixed assets, it may not generally be being implemented for infrastructure assets because there are significant practical difficulties in applying a standard approach for such assets. Auditors across the sector have paused completion of council accounts across the country with Grant Thornton awaiting further guidance through CIPFA before they can sign off the Council's 2019-20 accounts. A CIPFA consultation on changes to the Accounting Code of Practice in relation to infrastructure assets is due to finish in June 2022 which should then enable a way forward to be agreed with the auditors.

The Committee noted that, as reported previously, the 2019-20 delays were concerned solely with technical accounting matters, largely around the valuation of assets on the balance sheet and consolidation of financial results into summary accounting statements. If more serious concerns had arisen, the auditors would have brought these to the Council's attention. In addition, the Council had already addressed one of the concerns of Grant Thornton that there was insufficient capacity and expertise to manage the Council's accounting requirements both by appointing expert external support for the key valuation processes and internal capacity specifically targeted at some of the more complex areas of accounting. Together these are already helping the Council to tackle the backlog of issues and put in place robust foundations for compiling future accounts.

RESOLVED that the Audit and Procurement Committee note the progress made since the last report on these matters, the current status of the 2019-

20 and 2020-21 accounting process and the issues outstanding to be resolved for 2019-20.

13. **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 4.15 pm)

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at
2.30 pm on Monday, 25 July 2022

Present:

Members: Councillor R Lakha (Chair)
Councillor B Singh (Deputy Chair)
Councillor J Blundell
Councillor G Hayre
Councillor A Hopkins
Councillor T Sawdon
Councillor B Singh

Employees (by Directorate):

Finance B Hastie (Chief Operating Officer), P Jennings, K Tyler

Law and Governance L Knight

Others Present Emily Mayne, External Auditors (Grant Thornton)

Apologies: Councillor M Ali

Public Business

14. Declarations of Interest

There were no disclosable pecuniary interests.

15. 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.

Prior to the meeting, a briefing note had been circulated in respect of Appendix 2, Item 1, relating to the Apprenticeship Levy. The Chair requested that any questions or further information arising from the briefing be emailed to him for follow up.

RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report.

16. **Work Programme 2022/23**

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 2022/2023.

Members discussed a proposal in relation to wholly owned and joint venture companies the Council holds and the possibility of having information on a different company submitted to each meeting of the Committee. Officers indicated that the formation of a Shareholder Panel had responded to issues previously identified as a risk in light of events at other local authorities. It was recognised that there would be a role for the appropriate Scrutiny Board, as well as the Audit and Procurement Committee and work was being undertaken to ensure scrutiny and monitoring. It was anticipated that upon completion of this work, proposals would be brought forward for consideration. It was therefore agreed that this matter not be included on the work programme at this stage.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2022/2023.

17. **Revenue and Capital Outturn 2021/22**

The Audit and Procurement Committee considered a report of the Chief Operating Officer which outlined the final revenue and capital outturn position for 2021/22 and which reviewed treasury management activity and 2021/22 Prudential Indicators reported under the Prudential Code for Capital Finance.

The Committee noted that the report had been considered by Cabinet at its meeting on 12th July 2022 (their Minute 4/22 refers).

The report indicated that the 2021/22 financial year had once again been affected by a range of organisational and financial impacts resulting from the COVID-19 pandemic. These impacts were somewhat reduced compared with the previous year and were subsiding markedly by the year end. By any usual measure however, the impact of Covid still featured significantly in the outturn report.

The Council had managed its response to the pandemic such that it had been able to stay within the resource allocation provided by Government. For the most part this reflected an approach to setting the 2021/22 Budget (in February 2021) when the Council budgeted for continued Covid impacts on its costs and income.

The overall financial position included the following headline items:

- A balanced revenue position.
- Capital Programme expenditure of £189.5m
- An increase in the level of available Council revenue reserves from £123m to £140m including Covid funding and the net underspend contribution.

Further detail included:

- A net underspend of £4.7m within central budgets including additional unbudgeted dividends and a surplus from the Coventry and Warwickshire Business Rates Pool.
- A revenue underspend of £2.5m within Housing and Homelessness due in large part to the number of households living in temporary accommodation being lower than anticipated.
- An overspend of £4.3m within Streetscene and Regulatory Services including net costs of £2.2m resulting from the ongoing refuse drivers dispute.
- An overspend of £2.4m within Children's Services reflecting high numbers of children and high placement costs.
- Covid related costs within services estimated at £8.9m which have been funded from Government Covid resources and netted out from the outturn positions quoted.
- A contribution of £1.2m to strengthen the Council's reserve which protects against volatility within its commercial interests.

The underlying revenue position had improved by £2.5m since Quarter 3 when an overspend of £2.5m was forecast. In particular, the improved position related to improvements within Contingency and Central budgets and Housing and Transformation which were set out in the report. The position was an indication of the prudent management of the Council's financial position through the Covid crisis although Covid had become far less prominent in recent months as a fundamental threat to the Council's financial position. The cost of living crisis and growing levels of inflation had not had any clear impact on this financial outturn, reported up to 31st March 2022 but these give strong cause to be cautious about the financial position of local government in the short-term. It is likely that these factors would present a stern test to the robust financial position that the Council has maintained in terms of its ability to continue to manage within its budgeted position and the extent to which it is able to fund any emergency policy responses.

As indicated above, the financial impact of Covid on the budgeted Outturn position had been estimated at £8.9m. This compared with a figure of £31m in 2020/21. As previously, this was not a definitive figure because in many cases the Covid impact is difficult to disentangle from other trends. Government funding provided through 2021/22 funded all of this cost although this doesn't take account of the loss in Business Rates and Council Tax income and other losses budgeted for by the Council when it set its budget in February 2021.

The Council will carry forward c£2.4m of general Covid grant provided by Government within 2021/22. If no further significant Covid outbreaks occur, the tactical approach will be for any further budgetary variations to be treated as 'business as usual' and managed within the Council's bottom line.

The Committee noted that the following adjustments to figures in the report were reported orally at the meeting of Cabinet and had been updated in the report now submitted:-

- The revenue budget figure in paragraph 1.1 should be £243.8m (not £238.8m)
 - The figures in Table 3 are amended as follows:
 - The Private Finance Initiatives balance is £9.626m (not £9.904m)
 - The Usable Capital Receipts balance is £31.187m (not £37.158m)
 - The relevant sub-total and totals are amended to reflect these changes.

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

18. **External Auditor's Annual Report 2020/21**

The Audit and Procurement Committee considered a report of the External Auditor (Grant Thornton) which provided an Annual Report for 2020/21. It was noted that the report remained interim until such point as the 2020/21 audit of the statement of accounts was complete.

Under the National Audit Office Code of Practice (the Code), the External Auditors are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditor is no longer required to give a binary qualified / unqualified Value for Money conclusion. Instead, Auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of its work, the Auditor considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Risks were identified in respect of financial stability; governance; improving economy, efficiency and effectiveness; and Covid-19.

In respect of financial stability, the Auditor found that the City Council continued to perform well with regard to financial stability, with a record of stable financial and budgetary management. Despite the challenging environment in which it operated during 2020/21, the Council maintained a good financial position and achieved a balanced budget. It had also put forward plans to achieve balanced budgets for 2021/22 and 2022/23.

As at 31st March 2021, the Council held £224m of usable reserves, including £7.6m in covid-related reserves that could be used to help mitigate future budget pressures. This placed the Council in a strong financial position and the Council was well placed to manage any future shortfalls in funding.

The work had not identified any significant weakness in arrangements to secure financial stability at the Council. The Auditor had made one improvement recommendation relating to cashflow management. It was noted that the Council did not prepare an actual cash flow forecast but relied on an existing, long standing staff member with extensive knowledge of the Council's business to estimate the Council's cash flow forecasting without documenting the actual cash flow forecast. It therefore recommended that the Council should prepare a rolling

annual cash flow forecast as part of its treasury management process. Officers indicated that whilst there had been a difference in opinion on what was being reported in relation to forecasting, the recommendation of the Auditor had been accepted. The Committee were assured that forecasting took place on a regular basis, involving three members of staff. The recommendations proposed ensured that documenting the work being undertaken was improved.

The Auditor's work on governance had focussed on developing a detailed understanding of the governance arrangements in place at the Council and the changes instigated as a response to the pandemic. The Council had appropriate leadership and management structures in place and its control systems were appropriate. The Council was also open in dealing with complaints, ethical, and legal matters. No significant weaknesses had been identified in the Council's governance arrangements, although a number of improvement recommendations were identified in relation to internal audit. In particular, the Auditor had noted that the Public Sector Internal Audit Standards (PSIAS), who monitor internal audit services for public sector bodies, had not undertaken an inspection of the Council in over six years and recommended that they be invited to undertake a review of the Council's internal audit service at the earliest opportunity. The Auditor further identified that during the year under review, the quarter 3 internal audit report showed that the Council was behind in implementing a number of internal audit recommendations, including in areas such as Sports and Arts Cultural Grants Process and Resourcelink Self Service Delegated Authority. There was concern that non-implementation of recommendations could create further risks for the Council. The Auditor recommended that internal audit recommendations should be implemented promptly by management and that this should be rigorously enforced by the Audit and Procurement Committee, including reporting on medium as well as high risk items. In addition, the Auditor acknowledged that internal audit coverage across the Council's services was good and extended to some of the Council's wholly owned subsidiaries such as North Coventry Holdings Ltd and Coventry North Regeneration Ltd. However, the service did not include Coombe Abbey Park Ltd, the UK Battery Industrialisation Centre Ltd and Tom White Waste Ltd. The Auditor recommended an improvement regarding the use of internal audit across all of the Council's subsidiaries and a need for transparency in arrangements. Officers indicated that the recommendations proposed had been accepted and that further work was being undertaken in relation to internal audit recommendations that had not been implemented, particularly to push forward those recommendations that had been delayed due to the pandemic. Discussions were also taking place regarding the involvement of the service across the whole of the City Council's subsidiary businesses and, once completed, proposals would be presented to the Committee.

In considering the section of the report relating to governance, Councillor Sawdon proposed an amendment to the recommendation to Committee, which was seconded by Councillor Blundell, to remove the sentence "Our view is that the Ethics Committee of the Council is effective and continues to be a positive component of Council's overall governance architecture. We are satisfied that the Council responds positively to the complaints it receives and that the complaints do not highlight systemic weaknesses in the Council's services." on the basis that the Committee did not agree with that statement. A vote was taken and the amendment was lost.

With regard to improving economy, efficiency and effectiveness, the Auditor had found that the Council demonstrated a good understanding of its role in securing economy, efficiency and effectiveness in its use of resources. It had a clear strategic plan and performance system for monitoring progress. It was recognised as an ambitious Council and had invested in the development of the area. It continued to face challenges with regard to such areas as educational attainment and workforce.

It was recognised that the Council holds a portfolio of wholly owned and joint venture companies. In response to external events at other councils, the Council was implementing changes to its ownership and governance structure over these organisations. The Auditor considered the revised structure to be appropriate. The Auditor noted that financial performance was not uniform and although some subsidiary entities perform strongly, others have been more impacted by the Covid-19 pandemic, resulting in losses. This needed to be an area of focus for the Council under the revised governance arrangements. The Auditor reviewed several areas in relation to improving economy, efficiency and effectiveness, which included performance review and benchmarking; performance monitoring and assessment; procurement; commercial ventures, outsourcing and shared service arrangements; group governance; and partnership working. Overall, the Auditor's work had not identified any significant weakness, although some improvement recommendations were made. The recommendations included:

- The Council should develop corporate level Key Performance Indicators (KPIs) to monitor consultation with the procurement team, and application of procurement policies.
- The Council's Annual Performance report would be enhanced by including more KPIs on cost in the section 'delivering our priorities with fewer resources'.
- The Council should review the unit costs of providing housing services across the various cost categories.

RESOLVED that, the Audit and Procurement Committee receive the report of the External Auditor (Grant Thornton).

Note: Councillors Blundell and Sawdon whilst receiving the report, requested that their objection to the statement in respect of the Ethics Committee be recorded.

19. External Auditor's Value for Money Report on Coventry Council - Company Governance 2020-21

The Audit and Procurement Committee received a report of the External Auditor (Grant Thornton) setting out their Value for Money audit on Coventry Council Company Governance.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014, the External Auditor are required to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in the use of resources. The Code of Audit Practice issued by the National Audit Office required the External Auditor to report their commentary relating to proper arrangements to the Council.

The Council holds a portfolio of wholly owned and joint venture companies. The portfolio of commercial entities includes companies delivering services to the Council as well as strategic holdings in hospitality and economic regeneration. These include two wholly owned entities: Coombe Abbey Hotel Limited (CAPL) and Tom White Waste Limited (TWW); two joint ventures: The Coventry and Solihull Waste Disposal Company Limited (CWSDC) and Sherbourne Recycling Limited (SRL); and a strategic interest in a special purpose vehicle, the UK Battery Industrialisation Centre Ltd (UK BIC). A third joint venture, Friargate JV Project Limited (FJV) was included but not addressed in detail within the report submitted.

The Council is currently implementing a unified legal and governance approach to these organisations. Prior to this, the Council operated a decentralised legal and governance structure, with each entity having its own governance procedures. It was noted that there was officer involvement in the board of all wholly owned subsidiaries and jointly owned entities, with elected members sitting on shareholder panels of all entities included within the report submitted with the exception of UKBIC and Friargate.

In response to external events at other councils, the Council is now implementing changes into its ownership and governance structure over these organisations. These changes were outlined in the Coventry City Council report entitled "Restructuring Coventry City Council Subsidiaries" which was submitted to Cabinet and approved on 7th September 2021. The Council's wholly owned companies are grouped together under a single parent company Coventry Municipal Holdings Limited (CMH / HoldCo), which was incorporated on 26th October 2021.

The revised governance structure established a new centralised sub-committee of Cabinet designed to oversee the Council's wholly owned and joint venture subsidiaries; the Coventry City Council Shareholder Committee, which sits alongside the Council's Scrutiny Boards and Audit and Procurement Committee. The CAPL and TWW will be renamed Member Advisory Panels. The Shareholder Panel for Coventry North Regeneration (CNR) will be dissolved. The External Auditor considered that the revised structure is appropriate and would enable the Council to have an appropriate oversight of its companies and investments.

The report set out the External Auditors consideration and opinion on a number of areas, including:

- Overview of Coventry Council Group
- Scope and work undertaken
- Summary conclusions on Council governance of subsidiary companies
- Summary conclusions on company governance by subsidiary companies
- Current legal structure of Coventry Council Group
- Current governance of Coventry Council Group
- Proposed legal and governance structure of Coventry Council Group
- Accounting for Group Companies
- Operational Governance – Coombe Abbey Hotel Limited and Subsidiaries
- Operational Governance – CSWDC

- Operational Governance – Tom White Waste Limited and Subsidiaries
- Operational Governance – Sherbourne Recycling Limited
- Operational Governance – UK BIC
- Operational Governance – Friargate JV Project Limited

The External Auditor had identified a number of opportunities for further improvements within the areas of oversight; business planning; skills; accounting; and companies – performance and governance, all of which were set out in the report submitted.

RESOLVED that, the Audit and Procurement Committee receive the report of the External Auditor.

20. **Audit and Procurement Committee Annual Report to Council 2021-22**

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 2021-2022. The report would be submitted to the City Council at their meeting on 6th September 2022.

The report included an introduction by the Chair, Councillor Lakha. Despite the challenges which have continued to be presented by Covid-19 over the last year, the Committee has continued to discharge its key responsibility effectively, namely providing independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the Council's financial reporting and governance processes. The Committee has provided oversight of key matters such as the Annual Governance Statement, Internal Audit activity and challenges in meeting the regulatory deadlines for the publication of the Council's accounts. Alongside this, the Committee has considered additional information which provides assurance over the governance arrangements for procurement activity.

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 audit and publication of the Statement of Accounts for 2019/20; The Revenue and Capital Outturn Position for 2019-20; Quarterly Monitoring Reports of performance against revenue and capital budgets 2021-22; and a Treasury Management Activity Update.

Reports were submitted by the Council's external auditors, Grant Thornton, in 2021-22, including the 2020/21 Audit Plan; Informing the Audit Risk Assessment; Addendum to the Audit Findings for the 2019/20 accounts.

In relation to Internal Audit, the Committee considered the Internal Audit Annual Report and the Internal Audit Plan for 2021-22 along with progress reports on Internal Audit work.

Fraud reports submitted during 2021-22 were: The Annual Fraud and Error Report; and the Half Yearly Fraud and Error Update Report. Procurement Reports 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, including the Whistleblowing Annual Report 2020/21; Complaints to the Local Government and Social Care Ombudsman 2020/21; the Corporate and Covid-19 Risk Registers; the Information Governance Annual Report 2020/21; 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 2021-2022 at their meeting on 6th 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 2021-2022 at their meeting on 6th September 2022.

21. Internal Audit Charter

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), which shared the updated Internal Audit Charter with the Audit and Procurement Committee to allow it to express its views on the framework of principles that underpin the work of the Internal Audit Service.

The Public Sector Internal Audit Standards (PSIAS) apply to all internal audit service providers within the public sector. The Standards require that the purpose, authority, responsibility and position of internal audit activity must be formally defined in an internal audit charter, which should be periodically reviewed and approved by the Audit and Procurement Committee. The previous Internal Audit Charter had been approved by the Committee in 2013, since which time there had been various changes to operational responsibilities or the Internal Audit Service and its position within the Council. In summary these changes are:

- Changes to job titles / reporting lines.
- Operational responsibility for Risk Management and the Benefit Fraud Service no longer lies with the Internal Audit Service. Whilst there were different reasons for the transfer of these responsibilities, it is viewed that this puts the Internal Audit Service in a better position to ensure that it remains independent and objective and avoids the need for safeguards to be put in place.
- The Public Sector Internal Audit Standards were updated in 2017. Whilst there were no significant changes to the Standards, it is appropriate that the Internal Audit Charter reflects the current Standards.
- The Institute of Internal Auditors' International Professional Practices Framework published a model internal audit charter in 2017. Whilst it is not a mandatory requirement to adopt the model charter, it is viewed as good practice to follow professional guidance.

As a result of these changes, the Internal Audit Charter had been reviewed and updated, as set out in the Appendix to the report.

RESOLVED that, the Audit and Procurement Committee approve the Internal Audit Charter set out at Appendix 1, that defines the purpose, authority, responsibility and position of the Internal Audit Service in the Council.

22. **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 3.55 pm)

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 4.00 pm
on Tuesday, 30 August 2022

Present:

Members: Councillor R Lakha (Chair)
Councillor S Agboola
Councillor M Ali
Councillor R Auluck
Councillor A Hopkins (Substitute for Councillor B Singh)
Councillor J Lepoidevin (Substitute for Councillor J Blundell)

Employees (by Directorate):

Communications N Hart

Finance P Helm (Finance Manager), K Tyler (Chief Internal Auditor)

Human Resources S Newing (Chief People Officer)

Law and Governance J Newman (Chief Legal Officer), A West

Streetscene and Regulatory Services A Walster (Director)

Apologies: Councillor J Blundell
Councillor B Singh
Councillor T Sawdon

Public Business

23. Declarations of Interest

There were no disclosable pecuniary interests.

24. Exclusion of Press and Public

The Committee discussed the basis for excluding the press and public for the consideration of the private report and sought assurance about how the requirements of data protection legislation were applied to protect individuals and balanced with the need for transparency in decision-making.

RESOLVED that the Audit and Procurement Committee agrees to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private reports in Minute 27 below headed ‘Consideration of Approval of Severance Package’, on the grounds that the item involves the likely disclosure of information defined in Paragraph 1, 2, 3 and 4 of Schedule 12A of the Act, as its contains information relating to

individuals, the financial and business affairs of a particular person (including the authority holding that information) and information relating to labour relations matters and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information

25. Consideration of Approval of Severance Package

The Audit and Procurement Committee considered a report of the Director of Streetscene and Regulatory Services which indicated that, as a result of the Waste Industrial dispute, the City Council's Commercial Waste Operation has suffered permanent income loss of £2m per annum income. In order to reduce the ongoing cost burden to the City Council following this fall in income, it has been necessary to offer a package of Voluntary Redundancies and/or Early Retirement to some waste services staff.

A corresponding private report detailing confidential matters relating to this matter was also submitted for consideration (Minute 27 below refers).

Members of the Committee questioned officers and received responses about:

- The financial pressures on the Commercial Waste Service and the need to reduce the number of employees to reflect the reduced income to the service
- The application of the Council's Voluntary Redundancy / Early Retirement scheme
- Clarity about the role of the Audit and Procurement Committee in the decision-making process in the context of employment law and the legislative requirements relating to decision-making when the total cost of a severance package to a local authority exceeds £100,000.

RESOLVED that the Audit and Procurement Committee notes the report.

26. Any Other Items of Urgent Public Business

There were no other items of urgent public business.

27. Consideration of Approval of Severance Package

Further to Minute 25 above, the Audit and Procurement Committee considered a report of the Director of Streetscene and Regulatory Services that sought approval of a severance package for one employee of the Council which exceeded £100,000 and had occurred due to the permanent income loss of £2m per annum for the Council's Commercial Waste Operation, following the Waste Industrial dispute. To reduce this fall in income, it had been necessary to offer a package of Voluntary Redundancies and/or Early Retirement to some waste service staff.

Part 21 of the Council's constitution required that any severance package for an employee of the Council of £100,000 or over should be determined by the Audit and Procurement Committee. The calculation of the value of an exit packages included the costs to the Authority, as well as payments / benefits to the employees.

Members of the Committee questioned officers and received responses about:

- The application of the Council's Voluntary Redundancy / Early Retirement scheme within the service area and other options available
- The calculation of severance packages which are made up of redundancy pay in line with the nationally agreed formula (to which no local enhancements are added and is the only element which the employee receives) and pension strain.
- How the reduction in the number of posts reduces the costs of salaries and pension contributions to the authority and contributes to financial savings which offset the loss of income.

RESOLVED that the Audit and Procurement Committee approves the severance package as calculated in the report submitted.

28. **Any Other Items of Urgent Private Business**

There were no items of urgent private business.

(Meeting closed at 4.40 pm)

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Audit and Procurement Committee

26th September 2022

Name of Cabinet Member:

N/A

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

Tel and email contact:

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

Enquiries should be directed to the above person.

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

This report is published on the council's website: <https://edemocracy.coventry.gov.uk>

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.	Internal Audit Annual Report 2019-2020 - Further information requested on the progress of recommendations made in respect of the audit of IT Disaster Recovery.	Minute 6/20 19 October 2020 Minute 61/21 21 st March 2022	When the formal follow-up review of the audit is undertaken, the findings be reported to Committee Following the conclusion of the review, expected week commencing 21 st March 2022, a report would be submitted to the Committee once the audit had been completed	Karen Tyler		

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

Appendix 2

Information/Action Requested Outside Meeting

Page 30

	Subject/Report	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1.	Procurement and Commissioning Progress Report	67/21 21 st March 2022	The Monitoring Officer to request information from Human Resources, to be circulated to the Committee, providing assurance that the City Council is maximising the benefits of the Apprenticeship Levy	Julie Newman	
2.	Consideration of Approval of Severance Package	68/21 21 st March 2022	Information to be circulated to the Committee on severance payments for 2021/22, after the end of the financial year	Paul Jennings	
3.	Revenue and Capital Outturn Report 2021/22	17/22 25 th July 2022	Information be circulated on which architect firm when into administration causing a delay to construction works in relation to schools	Paul Jennings	26 th July 2022

Audit and Procurement Committee

26th September 2022

Work Programme 2022-2023

27th June 2022

Internal Audit Annual Report 2021-22
Internal Audit Plan 2022-23
2019-20 and 2020-21 Accounts Update

25th July 2022

External Auditor's Annual Report 2021-22 (Grant Thornton)
External Auditor's Value for Money Report on Coventry Council – Company Governance 2021-22 (Grant Thornton)
Audit and Procurement Committee Annual Report to Council 2021-22
2021-22 Revenue and Capital Outturn
Internal Audit Charter

26th September 2022

Quarter One Revenue and Capital Monitoring Report 2022-23
Whistleblowing Annual Report 2021-22
Annual Fraud and Error Report 2021-22
Six Monthly Procurement Progress Report (Private)

28th November 2022

External Audit Plan Year Ending March 2022 (Grant Thornton)
Annual Governance Statement 2021-22
Half year Internal Audit Progress Report 2022-23
Audited 2020-21 Statement of Accounts
Audit Findings Report 2020-21
Information Governance Annual Report 2021
Internal Audit Recommendation Tracking Report

30th January 2023

Half Year Fraud and Error Update 2022-23
Quarter Two Revenue and Capital Monitoring Report 2022-23
Treasury Management Update
Complaints to the Local Government and Social Care Ombudsman 2021-22

20th March 2023

Quarter Three Internal Audit Progress Report 2022-23
Corporate Risk
Quarter Three Revenue and Capital Monitoring Report 2022-23
RIPA (Regulation of Investigatory Powers Act) Annual Report 2021
Six Monthly Procurement Progress Report (Private)

Date to be confirmed

Audited 2020-21 Statement of Accounts
Audit Findings Report 2020-21
Data Analytics, Including Use of Artificial Intelligence



Cabinet
Audit and Procurement Committee

30th August 2022
26th September 2022

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:

Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City wide

Title:

2022/23 First Quarter Financial Monitoring Report (to June 2022)

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 2022. The headline revenue forecast for 2022/23 is for net expenditure to be **£9.5m** over budget. At the same point in 2021/22 there was a projected overspend (after the application of COVID-19 emergency funding) of £4.0m.

The Council continues to face budget pressures due to increased volumes and higher costs of placements within Children's Services and costs incurred due to the refuse drivers' industrial dispute within Streetscene and Regulatory Services. A range of other smaller but still significant overspends are also being reported in several other services including Legal and Governance Services and Business, Investment and Culture.

In a worrying emerging development, significant additional costs are also being faced due to inflationary pressures affecting the Council, with an anticipated above budget pay award and costs affecting contracts for energy and social care amongst others. The in-year and ongoing impact of these inflationary pressures is a serious new cause for concern in terms of the Council's ability to manage its budgetary position.

The Council's capital spending is projected to be £165.6m and includes major schemes progressing across the city. 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. It is too early to have a clear view of the impact of the inflationary pressures referenced above on capital projects. The assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have

not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

Following the report to Cabinet on 11th January 2022 in relation to a proposed Home for Disabled Children, revised plans and a new external funding solution have been identified. These are set out in this report's and recommendations.

The Council's services have moved to a business as usual position with activity and impacts arising from the Covid pandemic having reduced significantly. Some pockets of service activity continue to be affected but this is not resulting in a large financial cost. The Council does not expect to receive any Government support linked to Covid within the 2022/23 financial year.

The emerging inflationary risks facing the Council and the wider local government sector have renewed the imperative to maintain financial discipline and prioritise the Council's medium-term financial position. This will become a familiar theme over the remainder of the year and will be a key focus of the Council's activities.

Recommendations:

The Cabinet is requested to:

- 1) Approve the Council's revenue monitoring position.
- 2) Approve the revised forecast capital outturn position for the year of £165.6m incorporating: £33.9m rescheduling from 2021/22 outturn, £6.7m net increase in spending relating to approved/technical changes and £20.1m of net rescheduling of expenditure into future years.
- 3) Approve a revised proposal for a new-build residential home for children with disabilities instead of refurbishing Logan Road and to utilise Disabled Facilities Grant to fund the increased £1.4m capital costs as set out in paragraph 2.4 of this report.

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: Analysis of Rescheduling
Appendix 4 - 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, 26th September 2022

Will this report go to Council?

No

Report title:

2022/23 First Quarter Financial Monitoring Report (to June 2022)

1. Context (or background)

- 1.1 Cabinet approved the City Council's revenue budget of £237.4m on the 22nd February 2022 and a Directorate Capital Programme of £145.1m. This is the first quarterly monitoring report for 2022/23. 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 2022/23 revenue forecast is for expenditure to be £9.5m over budget. There is no proposal to apply any Covid related funding at this stage. The reported forecast at the same point in 2021/22 after adjusting for Covid-related funding was an overspend of £4.0m. Capital spend is projected to be £165.6m.
- 1.3 It is not unusual for the revenue position to reflect a forecast overspend at this stage which then improves over the course of the year. However, this is a high figure by historical standards and represents a serious cause for concern for the Council. Section 5 of the report sets out the Council's proposed approach to managing the position although as a final backstop it should be noted that the Council maintains a strong balance sheet in-part to protect itself from circumstances such as this.

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.

Table 1 - Forecast Variations

Service Area	Revised Net Budget	Forecast Spend	Total Over/ (Under) Spend
	£m	£m	£m
Adult Social Care	97.4	96.4	(1.0)
Business Investment & Culture	5.3	7.3	1.9
Children & Young People's Services	84.8	88.8	4.0
Contingency & Central Budgets	(13.7)	(20.2)	(6.5)
Education and Skills	18.7	19.4	0.7
Finance & Corporate Services	6.2	6.5	0.3
Housing & Transformation	0.0	0.0	0.0
Human Resources	1.2	1.4	0.2
Legal & Governance Services	4.4	5.4	1.0
People Directorate Management	1.2	1.2	0.0
Project Management & Property Services	(6.4)	(4.9)	1.5
Public Health	0.3	0.3	(0.1)
Streetscene & Regulatory Services	30.0	36.1	6.1
Transportation & Highways	8.0	9.3	1.4
Total	237.4	246.9	9.5

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

Directorate

Children and Young People's Services continues to report a significant overspend linked to circumstances exacerbated by the pandemic. Of the overall £4m overspend, £2.1m is caused by both the total number of placements and the sufficiency of the market to meet the needs of young people in care impacting the average unit cost of those placements. There are also significant concerns regarding staffing, accounting for a further £1.9m overspend caused by issues surrounding recruitment and retention as well as a shortage of agency social workers to fill roles needed to meet the growing demand in casework.

Within Streetscene & Regulatory Services, the vast majority of the overspend relates to the combined impact on Domestic and Commercial Refuse collection services of the HGV driver strike and strike mitigation costs. During the period of industrial action, significant additional costs of providing both waste drop sites and latterly the collection of kerbside waste through a third party provider (TWW) have been incurred. This together with lost contractual income within the commercial service (£0.6m), has resulted in a net combined pressure of c£4.7m. The dispute has now been resolved such that the domestic element of the cost will not continue into 2023/24. However, the net contractual income lost within the commercial service will result in a more lasting financial impact as many clients have sought collection services from other providers.

Within Property, Transport and Highways, and Business Investment & Culture, there are significant inflation pressures reported for operational properties and street lighting energy totalling £2.2m, as costs are forecast to rise from October 2022 reflecting national and global pressures. The energy market is currently very volatile and further increases may be seen which would also impact materially on 2023/24 and beyond. In addition, the running costs of the Collection Centre building being kept operational during the City of Culture year are resulting in a pressure of £1.3m, the vast majority of which relates to business rates.

Contingency and Central Budgets

In addition to inflationary impacts reported within individual services, centrally budgeted elements of increased pay and inflation overspends total a further £5m. This has been more than offset by favourable variations across several budgets leading to a net £6.5m underspend. This incorporates a favourable Asset Management Revenue Account variance of £4m plus higher than budgeted Business Rates Pool surplus and company dividends and lower than budgeted superannuation costs. These can be volatile and difficult to predict budgets and the quarter 1 forecasts are towards the favourable end of the reasonable range of outcomes meaning that any further flexibility later in the year within these areas will be relatively limited.

2.3 **Capital**

The quarter 1 2022/23 capital outturn forecast is £165.6m compared with the original programme reported to Cabinet in February 2022 of £145.1m. Table 3 below updates the budget at quarter 1 to take account of a £33.9m increase in the base programme from net rescheduling from 2021/22 into 2022/23, £6.7m of new approved/technical changes and £20.1m 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 2022/23. It shows 77% of the programme is funded by external grant monies, whilst

12% is funded from borrowing. The programme also includes funding from capital receipts of £10.7m.

Table 3 – Movement in the Capital Budget

CAPITAL BUDGET 2022-23 MOVEMENT	Qtr 1 Reporting £m
February 2022 Approved Programme	145.1
Net rescheduling of expenditure from 2021/22	<u>33.9</u>
Revised Programme	179.0
Approved / Technical Changes (see Appendix 2)	6.7
“Net” Rescheduling into future years (See Appendix 4)	(20.1)
Revised Estimated Outturn 2022-23	165.6

RESOURCES AVAILABLE:	Qtr 1 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	20.2
Grants and Contributions	127.6
Capital Receipts	10.7
Revenue Contributions and Capital Reserve	7.1
Total Resources Available	165.6

The inflationary pressures affecting the Council’s revenue budget are also present within capital schemes although the pattern with which this takes affect can be different due to the way in which expenditure is incurred. It is likely that most stand-alone projects that are already in-progress will be delivered within existing agreed contractual sums. However, some future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets. In addition, where budgets have established to deliver programmes of expenditure, it is likely that these programmes may need to be reduced in size over time reflecting higher prices.

2.4 Capital Spend on Residential Home for Children with Disabilities

A report was brought to Cabinet on 11th January 2022 entitled ‘Homes for Disabled Children: acceptance of a capital grant, further capital borrowing and future homes for children with a disability’. The initial recommendation within the report was to refurbish a Council building (Logan Road) to create a residential home for looked after children with disabilities within the city for £1m. Unfortunately, the Council was unsuccessful in securing the match funding grant from the DfE and the detailed refurbishment costs for Logan Road came back significantly over £1.5m, higher than the original quote. It has since been identified that the business case for building a new home to meet this need, instead of the refurbishment, will deliver better outcomes for children, is more cost effective and allows the Council to meet priorities surrounding its Green Futures Agenda. It has also been determined that the cost of this new build (£1.4m) can be met from the wider Disabled Facilities Grant allocation which the Council receives annually from Government. This report seeks approval for the revised scheme, additional cost and new funding source, although the proposals are fundamentally consistent with the original report.

2.5 Treasury Management

Interest Rates

The Monetary Policy Committee (MPC) has continued to raise interest rates to combat growing inflation. The invasion of Ukraine exacerbated global inflation trends, particularly around food and energy. The rise in energy and fuel prices has been a significant factor behind the UK Consumer Price Index (CPI) rate moving up to 9% and will drive it over 10% during 2022. Base Interest Rate increased to 1.75% at the MPC 4th August 2022 meeting. The current market forecasts predict the base rate will continue to rise to at least 2.5% to counteract the effects of inflation.

Long Term (Capital) Borrowing

The net long-term borrowing requirement for the 2022/23 Capital Programme is £5.8m, taking into account borrowing set out in Section 2.3 above (total £20.2m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.4m). 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 August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet on 22 February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1st April and 30 June 2022 have varied within the following ranges:

PWLB Loan Duration (maturity loan)	Minimum 2022/23 to Q1	Maximum 2022/23 to Q1	As at the End of Q1
5 year	2.38%	3.38%	3.06%
50 year	2.45%	3.68%	3.47%

The PWLB 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. There has not been any short-term borrowing over the last twelve months.

Returns provided by the Council’s short-term investments yielded an average interest rate of 1.09% 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 2022	As at 30th June 2022
	£m	£m
Banks and Building Societies	0.0	0.0
Local Authorities	0.0	15.0
Money Market Funds	18.3	41.85
Corporate Bonds	0.0	0.0
HM Treasury	19.0	0.0
Total	37.3	56.85

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 Deposit, 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 3.98% over the last 12 months. As at 30 June 2022 the pooled funds were valued at £30.4m (£30.9m at 31 March 2022), against an original investment of £30m (a surplus of £0.4m). Of the seven pooled funds, only the CCLA Property Fund is in surplus (£2.9m), which leaves six funds currently showing a deficit in value (ranging from £0.1m to £1.0m). There remains an expectation that the full value for each pooled fund will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any '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 30 June 2022 are included in **Appendix 4** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2022/23. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30 June 2022 the value is -£61.9m (minus) compared to +£94.9m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30 June 2022 the value is £243.5m compared to £474.4m within the Treasury Management Strategy, reflecting that a significant proportion of the Council's investment balance is at a fixed interest rate.

2.6 Commercial Investment Strategy – Loans and Shares

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares. The total combined limit for 2022/23 is £123m, against which there are £116.9m of existing commitments: -

	Limit	Actual 31st March 2022	2022/23 Committed and Planned	Total	Headroom
	£m	£m	£m	£m	£m
Shares	55.0	52.0	0.0	52.0	-3.0
Loans	68.0	41.9	23.0	64.9	-3.1
	123.0	93.9	23.0	116.9	-6.1

The committed or planned total of £23m includes a number of loan facilities to lend c£9.6m, which may not necessarily be taken up, although the Council is committed to provide the funds if requested.

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 Chief Operating Officer (Section 151 Officer) and the Director of Law and Governance

5.1 Financial implications

Revenue

The quarter 1 position reflects a serious and concerning position for the Council. The forecast £9.5m revenue overspend incorporates a range of intractable ongoing issues, some short-term pressures which require solutions and the emergence of inflationary pressures which will have an impact beyond the current financial year. At this stage of the monitoring cycle

there is a real threat that the Council will not be able to balance its revenue position by year-end.

Some of these circumstances are common to councils across the country with instances of financial stress being widely reported. The failure of the local government finance system to tackle issues including social care funding, plus the rapid rise in inflation which was not anticipated in the 2022/23 local government settlement, have put many councils in a perilous financial position.

The timing of the surge in inflation meant that it was not anticipated in the Council's 2022/23 Budget process. Although the Council budgets prudently for inflationary costs the acceleration in rising prices and pay award assumptions which together represent a newly identified cost of c£16m, exceed the budgetary provision available by c£8m. The pay assumptions reflect the Local Government Employers' recent pay offer although this has not been accepted. The rise in energy prices can be observed in terms of the cost to the Council's property estate and costs within the city's street lighting energy bills. These problems will continue into 2023/24 and will worsen if inflation remains at the higher levels experienced recently.

Despite further increases to Children's Services' budgets for 2022/23 the number of looked after children in the city continues to rise leading to continued high agency social worker levels and high external placement costs. The refuse drivers' dispute has led to costs being incurred well into the second quarter of the year although the recent ending of the dispute should ensure that no further budgetary overspends are incurred on this issue. However, a wide range of other challenges continue to be reported in Appendix 1 which, together with the issues reported above, provide a difficult financial picture despite the flexibility identified with corporate and central budgets.

The position reported does not highlight specific costs or income loss attributable to Covid. Any such residual impacts such as higher levels of looked after children, subdued car park income and lower dividend levels, are now being treated as reflecting a new normal rather than extra-ordinary Covid impacts. As a result, no funding has been assumed from Covid reserves at this stage.

Although this is the most difficult in-year position that it has faced for some years, the Council is well placed to manage the short term impact and will take appropriate action to minimise any in-year budgetary variation:

- Services have been challenged to identify areas where they can alleviate budgetary pressures or deliver positive variances through management of controllable expenditure.
- If the Council's budgetary position reflects usual trends there should be some natural improvement to the overall bottom line as the year progresses.
- It remains possible that further limited flexibility may become available within Corporate budgets including forecasts of inflationary impact where it is difficult to know whether they will materialise as set-out. This will be monitored closely through the year.
- The Council has maintained some flexibility in the form of previous Covid grant funding which is currently held within reserve balances. The Council can consider the use of these to manage any legacy Covid issues identified where this is appropriate and in line with the Medium Term Financial Strategy.
- The Council has taken steps to ensure that it has a strong balance sheet position supported by other reserve balances and provisions set aside for amounts owed to it which together provide protection against unexpected adverse budget variations as a measure of last resort.

The above gives sufficient assurance that the Chief Operating Officer does not need to take any extra-ordinary action at this stage to respond to the financial position. However, the

underlying position for 2023/24 will be very challenging and any one-off resources required to balance 2022/23 will weaken the Council's flexibility ahead of the forthcoming Budget process. On this basis it remains a strong imperative to move towards a balanced 2022/23 position to provide more flexibility to the Council to be able to manage its medium term financial position which is likely to come under severe pressure without further support from Government.

Capital

The Council's Capital Programme continues to include a range of strategically important schemes across the city. 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, the Air Quality programme, the A46 Link Road, the Housing Infrastructure Fund works, City Centre South and support to the Friargate Hotel development.

The report includes a recommendation to proceed with a scheme to provide a home for disabled children, consistent in principle with a decision approved by Cabinet in January. This is updated within this report to reflect: the updated increased cost; analysis that a new-build option is now more cost effective than refurbishing an existing property and; identification of specific grant that can be applied to the scheme to ensure that it is funded fully from external resources.

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. A recent reassessment indicates that the Council now faces an increased level of risk in this area. Good financial discipline through budgetary monitoring continues to be paramount in managing this risk and this report is a key part of the process. It is vital that Council officers and members are aware of the current financial challenge and activity across the second quarter of the year will provide some indication of the direction of travel for the remainder of the year. This in turn will dictate the extent to which the bottom line can be returned to a near balanced position and the measures that might be required to deliver this.

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.

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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www.coventry.gov.uk/councilmeetings

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

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

Service Area	Revised Net Budget £m	Forecast Spend £m	Centralised Variance £m	Budget Holder Variance £m	Total Variance £m
Adult Social Care	97.4	96.4	-1.4	0.4	-1.0
Business Investment & Culture	5.3	7.3	0.2	1.8	1.9
Children & Young People's Services	84.8	88.8	-0.7	4.7	4.0
Contingency & Central Budgets	-13.7	-20.2	0.0	-6.5	-6.5
Education and Skills	18.7	19.4	-0.6	1.3	0.7
Finance & Corporate Services	6.2	6.5	-0.3	0.6	0.3
Housing & Transformation	0.0	0.0	0.0	0.0	0.0
Human Resources	1.2	1.4	0.2	-0.0	0.2
Legal & Governance Services	4.4	5.4	-0.4	1.4	1.0
People Directorate Management	1.2	1.2	-0.1	0.2	0.0
Project Management & Property Services	-6.4	-4.9	0.2	1.3	1.5
Public Health	0.3	0.3	0.0	-0.1	-0.1
Streetscene & Regulatory Services	30.0	36.1	-0.0	6.1	6.1
Transportation & Highways	8.0	9.3	-0.5	1.9	1.4
Total	237.4	246.9	-3.3	12.9	9.5

Budget Holder Forecasts

Service Area	Reporting Area	Explanation	£m
Education and Skills	SEND & Specialist Services	There is continued pressure on SEN Transport as a direct consequence of the impact of Covid infection on the availability of centrally employed drivers and escorts. This means that alternative arrangements are required at additional cost. In addition, anticipated savings secured through e-auction were not delivered because some contractors did not accept the contract award, leading to the finalisation of higher cost bids. Finally, we are predicting an increase in demand from September both in special schools within the city and outside the city. We continue to work in partnership with the Travel Bureau, Financial Management and Procurement to verify the forecast and review options to reduce costs.	0.4
Education and Skills	Education Entitlement	The underspend is largely a result of a reduced cost on school bus passes. The number of pupils eligible for bus passes is based on statutory criteria and policy. A new online system introduced by the bus	(0.1)

		companies now means that where passes are not used, charges are not incurred, and this information has only been available in the final quarter of the financial year. New passes will be issued for the 22/23 academic year and we will continue to monitor the position.	
Education and Skills	Education Improvement & Standards	The forecast includes a £250k pressure relating to dedicated school transport, which is as a result of fall out of a DfE grant that was funding a number of dedicated school transport routes. Work has already taken place to reduce this pressure in 22/23, and will continue for the 23/24 financial year. An underspend on historic pension liability is partly offset against an overspend on school trade union facility time.	0.2
Education and Skills	Employment & Adult Education	Employment are forecasting a reduction in income of £0.7m due to high staff turnover in the service. There is also a corresponding reduction in centralised salaries which at a service level leaves a small net underspend.	0.6
Education and Inclusion	Other Variances Less than 100K		0.1
Education and Skills			1.3
Children and Young People's Services	Children's Services Management Team	There is a budgetary pressure in the SW Academy linked to staffing a second team which is offset by financial strategy underspend.	(0.6)
Children and Young People's Services	Commissioning, QA and Performance	Safeguarding training income is £79k below the budgeted target, also the Professional Support Service saving target of £53k has not been met. Agency spend on Independent Reviewing Officers' and Child Protection Chairs is £146k overspent due to pressure caused by vacancies and increasing caseloads.	0.3
Children and Young People's Services	Help & Protection	There is a budgetary pressure of £1.8m in the Area Teams linked to staff costs, with high levels of cases across the service driving the need to use agency staff, including a 3-month project team. There is a further budgetary pressure of £0.2m in LAC legal linked to high levels of demand.	2.0
Children and Young People's Services	LAC & Care Leavers	There is a forecast overspend on looked after children's placements of £2.1m. This is being caused by both the total number of placements and the sufficiency of the market to meet the needs of young people in care impacting the average unit cost of those placements. There is a budgetary pressure of £0.5 million due to the staffing challenges within LAC permanency service and the need of a task force to ensure that care proceedings continue to be progressed. LAC transport has a forecast overspend of £0.25 million and this is as a result of placement arrangements where transport needs to be provided for child to continue in current education provision.	2.9

		<p>Work is on-going to improve sufficiency of local placements which will start to address this pressure.</p> <p>There is a further budgetary pressure of £0.15 million within the Children's disability service. This overspend relates to one child where a large package of support was put into their family home in the absence of a suitable residential home.</p> <p>These overspends are partly offset by an increase in income from central government for unaccompanied asylum-seeking children, as well as current forecast underspends on Special Guardianship Placements.</p>	
Children and Young People's Services			4.7
Adult Social Care	Strategic Commissioning (Adults)	£0.15m underspend relates to Carers budgets. Work is continuing to enhance the support offer to carers. £0.18m underspend relates to transport as a result of continued reduced demand for day opportunities. £0.48m underspend relates to New Homes for Old PFI due to additional client fee income.	(0.8)
Adult Social Care	Housing and Homelessness	The service has seen a significant increase in families living in temporary accommodation since January 2022. Although this is having an impact the mitigations put in over the last 3 years are still having a positive impact on the overall budgetary position. We continue to forecast an increase in demand for the service throughout 2022 due to potential impact of cost of living.	(0.6)
Adult Social Care	Adult Social Care Director	The underspend represents the use of the Improved Better Care Fund and other resources to manage the overall Adult Social Care financial position and an increase in provision for bad debt (£0.15m).	(2.2)
Adult Social Care	Internally Provided Services	Overspends relating to other pay and overtime have been offset by additional income and underspends on centralised salaries.	0.2
Adult Social Care	Partnerships and Social Care Operational	Overspends relating to additional agency costs which have partly been offset by centralised underspends due to staff vacancies.	0.4
Adult Social Care	Localities and Social Care Operational	Overspends relating to additional agency costs have been offset by centralised underspends due to staff vacancies.	0.2
Adult Social Care	Community Purchasing Mental Health	Spend continues to increase for Mental Health and Other due to the demand for, and cost of, packages for both new and existing service users. There has also been a reduction in Hospital Discharge grant of £1.2m creating further budgetary pressures.	1.6
Adult Social Care	Community Purchasing Other	see above - Community purchasing spend is managed at an overall level and the explanation above covers both Community Purchasing Mental Health and Community Purchasing Other	1.3
Adult Social Care	Mental Health Operational	Significant pressures remain in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m).	0.2
Adult Social Care	Other Variances Less than 100K		0.1
Adult Social Care			0.4

Legal & Governance Services	Legal Services	<p>There is a significant pressure within legal services due to the cost of agency and external staff. The pressure relates to both recruitment and retention difficulties, and extra workload primarily in children's social care as an ongoing impact of COVID-19.</p> <p>There is an action plan in place to address these issues but the full benefit will not materialise immediately.</p>	1.2
Legal & Governance Services	Coroner & Register Office	There is an underlying pressure within the Coroner's service as a result of cost increases over a number of years. This has been exacerbated by COVID-19 which is continuing to increase the costs of particular external services (for example, pathology).	0.2
Legal & Governance Services			1.4
Finance & Corporate Services	Revenues and Benefits	<p>The variation is primarily due to a net Housing Benefit subsidy pressure of £0.4m caused by an increase in the volume and price of supported accommodation, for which the Council only receives partial subsidy payments if the provider is not a registered social landlord.</p> <p>In addition there are increased temporary staffing costs (circa £0.2m) as the service deals with the residual work from the Test and Trace payment scheme, the resultant build-up of work in the back office and the ongoing administration of the energy rebate scheme.</p>	0.6
Finance & Corporate Services			0.6
Human Resources	HR and Workforce Development Management	£149K of the Budget Holder variance relates to delays in achievement of savings target which had increased by a further £150K this year. Work to address the remainder of the savings target continues. In addition, there is a £73K pressure from the need to extend contracts further for the Workforce Reform project.	0.2
Human Resources	Employment Services	The Budget Holder variance relates to loss of income from external contracts offset by some cost reduction where possible. Unfortunately costs cannot be reduced further as the loss of contracts has coincided with a significant increase in additional work for the Council which is essential to fulfil statutory duties.	0.1
Human Resources	ICT & Digital	The Budget Holder forecast variance mainly comprises an underspend against Microsoft licences (as a result of a negotiated one off reduction in first year cost of the contract), an underspend on "out of hours" allowances and some underspends on network hardware and laptop repair offset by and under-recovery of income from schools and academies.	(0.3)
Human Resources			0.0
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	Business rate and running cost pressures of c£1.3m as a result of maintaining the Collection Centre operational on an interim basis as part of the corporate project to develop the building into a cultural hub. There is also £348k energy inflation relating to The Wave leisure centre.	1.6

Business Investment and Culture	Economic Development service (EDS)	£89k unfunded commitment to pay 3rd party to deliver grants to SME's to help business start-up. Remaining variance is an indication of where grant fall out and core-budget are short in funding current established salaries.	0.1
Business Investment and Culture			1.7
Transportation & Highways	Parking	There are income pressures in Bus Lane Enforcement of £0.4m due to activity levels being only 65% of pre-COVID levels. In addition, Parking Enforcement activity levels are lower than normal due to staff vacancies and higher than expected sickness, resulting in a net (of salary savings) pressure of £0.3m. These are partially offset by higher than expected car park usage and income of £0.7m.	0.1
Transportation & Highways	Highways	This deficit relates to an under recovery of income for highway operational staff (DLO) of £0.2m due to sickness and strike action, together with the delayed achievement of some MTFS savings targets of £0.2m	0.5
Transportation & Highways	Traffic	The pressure relates primarily to an anticipated significant increase in street lighting energy costs from October 2022, resulting in unfunded contract costs of £0.7m. In addition, there is a pressure relating to the increased volume and cost of highway asset repairs of £0.1m, which is largely due to costs of traffic accident which cannot be recovered	0.9
Transportation & Highways	Transport and Innovation	This reflects the recruitment of additional Highways Development Management agency staff resources, brought in to support major planning applications and to provide cover for vacancies due to the inability to recruit.	0.3
Transportation & Highways			1.9
Streetscene & Regulatory Services	Regulatory Services	The economic climate post-Covid is still resulting in a building control income pressure of £0.1m	0.1
Streetscene & Regulatory Services	Streetpride & Parks	The key pressures are income related. The funeral director services implementation has slipped, resulting in a £160k pressure, War Memorial car parking is underachieving its target by £110k as a result of the 'free' period, and other parks events income is under performing by £80k. In addition, fleet pressures of c£100k exist, and a number of agency staff forecast to cost £250k in year remain on the books. These are however, both one-off, and the agency staff cost is offset by vacancy savings.	0.8
Streetscene & Regulatory Services	Waste & Fleet Services	The key pressure in this area is as a result of the mitigation costs of the driver industrial action. Costs of alternative (Domestic & Commercial Waste) collection and disposal (Pop Up) sites, plus additional vehicles are estimated to cost in the region of £4.7m, although this is partly offset by salary savings of £0.6m. Commercial Waste is forecasting a net loss of £0.6m, which reflects gross income loss of £1.7m, offset by salary savings of £0.3m and a reduction in Waste Disposal costs of £0.8m	4.8

Streetscene & Regulatory Services	Environmental Services	There are vacancies in this area that require overtime cover/recruiting in order to maintain service continuity in the Street Enforcement at a cost of £250k. In addition, shortfalls in income on ESU of £58k and Pest Control £40k are forecast but hoped to be managed in the medium term	0.4
Streetscene & Regulatory Services			6.1
Project Management and Property Services	Facilities & Property Services	This relates to a projected £1.1m energy price increase pressure from October 22, together with a c£0.3m Fairfax Street (former Leisure Centre) running costs pressure. These are offset partially by £0.30m reflecting trading performance surpluses in Repairs & Maintenance and compliance services, and a reduction in corporate building cleaning costs	1.1
Project Management and Property Services	Other Variances Less than 100K		0.1
Project Management and Property Services			1.2
Public Health	Public Health Staffing & Overheads	The underspend relates to grant funded salary underspends due to vacancies	(0.2)
Public Health	Other Variances Less than 100K		0.1
Public Health			(0.1)
Ringfenced Funding	Schools	£0.2m underspend relating to the cash adjustment for the 21/22 Early years allocation where our allocation has increased. £2.6m underspend relates to the High Needs holding pot.	(2.8)
Ringfenced Funding	Education Entitlement	The underspend is a result of staffing vacancies across School Admissions, which are being recruited to. There is also a further head of service vacancy that is subject to review as part of the wider budget setting process.	(0.2)
Ringfenced Funding	Education Improvement & Standards	The underspend is as a result of staffing vacancies in the Early Years Team. Following a review of the restructure, these posts are being recruited to, and will support Early Years Improvement.	(0.1)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total of ringfenced variances from corporate position	3.1
Ringfenced Funding			0.0

Corporate & Contingency	Corporate Finance	There is a forecast overspend for pay and central inflation contingencies (£5m) reflecting the latest local government employers' pay offer and forecast inflationary increases in energy and other contracts. These are more than offset by favourable variances for the Asset Management Revenue Account (£4m), Business Rates Pool surplus (£2m) superannuation costs (£2m) company dividends (£1m) and use of a specific reserve to part-fund pay inflation (£1m).	(6.5)
Corporate & Contingency			(6.5)
Total Non-Controllable Variances			12.9

Appendix 2

Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Whitley South Infrastructure	Deferred payment for retention due in 22/23 fully funded by external grant	1.7
Higher Needs Education Funding	New Grant Awarded	4.2
Friargate - Hotel	Approved by Cabinet on 27th August 2019 this is the uplift for stamp duty and fees associated with the acquisition payment	0.4
Miscellaneous under £100k		0.4
TOTAL APPROVED / TECHNICAL CHANGES		6.7

Appendix 3

Rescheduling and Accelerated Spend

SCHEME	EXPLANATION	£m
City Centre South	At the time of budget setting an assumption on timescales for CPO was assumed to take place in 22/23. Now CPO has been formally submitted detailed timescales have reprofiled spend. This is subjective and will be under constant review and subject to a number of legal factors	(15.4)
Highways Investment - Maintenance Grant	With agreement of the Cabinet Member additional Plane and Patching schemes have been delivered above and beyond the agreed capital programme for 2021-22. This now requires the acceleration of spend to deliver the 2022-23 plane and patch programme.	1.0
Duplex Fund (loan)	The up take for Coventry businesses is lower than expected and CWRT/CCC are working on a plan to market the Duplex scheme to Coventry business to improve the number of enquires received and increase the 152k forecast	(1.0)
Disabled Facilities Grants (Better Care Fund)	Slippage is due to delays on the residential scheme for Children with Disabilities (£0.76m) and other DFG projects. It is expected that the introduction of the recently approved Housing Assistance Policy will result in increased spend and demand for DFG adaptations.	(1.7)
Basic Need - Education Schools	This underspend was caused by an architect going into administration and associated design works clarifications which caused a delay on construction works. The works are continuing and spend will appear this financial year. In addition, wider pressures of resource availability, and securing appropriate materials for construction works has also offset some of the costs	(5.3)
Condition - Education Schools	The reschedule of £0.4 is due to less grant being used in 21/22 so has been rescheduled into 22/23 but is not needed as the base budget was set at £3m for 22/23	0.4
Friargate Building 2	A decision was made to fit out additional floors of Two Friargate sooner than anticipated because it was more efficient to do so as part of the current contract. This had the impact of bringing some spend forward to 2022/23.	2.1
Miscellaneous under £100k		(0.1)
TOTAL RESCHEDULING		(20.1)

Appendix 4

Prudential Indicators

Indicator	per Treasury Management Strategy 2022/23	As at 30 June 2022
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.	15.09%	15.06%
Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31st March 2022 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 £518.0m	£327.3m 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.	£538.0m	£327.3m 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.	£518.0m	£327.3m 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.	£474.4m	£243.5m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9) , as above highlighting interest rate exposure risk.	£94.9m	-£61.9m
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 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>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>7% 3% 18% 5% 67%</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>£0.0m</p>



Coventry City Council

Public report

Report to

Audit and Procurement Committee

26th September 2022

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City Wide

Title:

Whistleblowing Annual Report 2021-22

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 2021-22 and the Council's response to the issues, including any organisational learning to prevent similar reoccurrences.

Recommendations:

Audit and Procurement Committee is recommended to note and consider the summary of whistleblowing concerns raised during 2021-22 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 2021-22

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 2021-22 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 2021-22, the Council received three whistleblowing disclosures. Of these, one was made by a third party 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 2021-22

Number	Nature of concern (grounds for whistleblowing)	Service area
1	Corruption	Adult Services
2	Breach of a legal obligation	Adult Services
3	Breach of a legal obligation	Children’s 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 2021-22 are provided in Table Two below.

Table Two – Responses to Whistleblowing disclosures 2021-22

Number	Response
1	Preliminary investigation – Not substantiated
2	Preliminary investigation – Partially substantiated but known national issue and the Council’s process is in line with guidance issued. Management action taken to provide clearer audit trails around decision making.
3	No further action – did not satisfy grounds for whistleblowing. Employee advised of appropriate route to raise concern.

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 one case considered in 2021-22 management action was agreed to make improvements. Whilst this action was specific to the concern 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 as appropriate 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 benchmarking information relating to counter fraud activity across all local authorities. The last survey was undertaken in 2020, where respondents reported a total of 486 whistleblowing cases, which is an average of six disclosures per local authority. As the survey has not been repeated since 2020, it has not been possible to consider whether the Council’s figures for 2021-22 remain comparable to the current national average. 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 Chief Operating Officer (Section 151 Officer) 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 One Coventry Plan?

The Whistleblowing Policy assists in contributing to the objective of improving outcomes and tackling inequalities within our communities. 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

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

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Paul Jennings	Finance Manager Corporate Finance	Finance	8/9/2022	9/9/2022
Names of approvers: (officers and members)				
Barry Hastie	Chief Operating Officer	-	8/9/2022	14/9/2022
Julie Newman	Director of Law and Governance	-	8/9/2022	8/9/2022
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	8/9/2022	8/9/2022

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Coventry City Council

Public report

Report to

Audit and Procurement Committee

26th September 2022

Name of Cabinet Member:

Cabinet Member for Policy and Leadership – Councillor G Duggins

Director approving submission of the report:

Chief Operating Officer (S151 Officer)

Ward(s) affected:

City Wide

Title:

Annual Fraud and Error Report 2021-22

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 2021-22.

Recommendation:

The Audit and Procurement Committee is recommended to note and consider the anti-fraud and error activity undertaken in the financial year 2021-22.

List of Appendices included:

None

Background papers:

None

Other useful documents:

Half Yearly Fraud and Error report 2021-22

[Agenda for Audit and Procurement Committee on Monday, 31st January, 2022, 2.30 pm - Coventry City Council](#)

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 2021-22

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 2021-22.
- 1.3 This report documents the Council’s response to fraud and error during 2021-22 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 2021-22, 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 2021-22 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. A summary of the schemes and number / value of grants issued 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	£48,108,000
Discretionary grant fund	469	£2,659,000
Additional restrictions grant	4558	£12,248,000

Local restrictions support grant	3512	£11,183,000
Christmas Support payment	92	£92,000
Closed Business Lockdown payment	1579	£7,616,000
Restart grant	1663	£12,382,000
Omicron Leisure and hospitality grant	482	£1,726,000
Total	16,384	£96,014,000

2.2.1 As previously reported to the Audit and Procurement Committee, the internal Audit Service have led on the delivery of pre and post-payment assurance checks which have been required by the Department of Business, Energy, and Industrial Strategy (BEIS) to manage the risk of fraud and error in these schemes and are assisting in the administration of the debt recovery process in-conjunction with BEIS. This has required a significant and on-going level of resource from Internal Audit during 2021-22, including requirements to provide evidence to BEIS of the checks undertaken. Table two summaries the results in respect of fraud / error identified to date (June 2022) across all of the grant schemes (these figures also include cases dealt with directly by the Business Rates / Economic Development Teams):

Table Two – Business Support Grants Fraud and Error

	Number of cases	Value	Recovered to date
Grants classified as fraudulent	61	£471,000	£152,000*
Grants classified as ineligible for funding	135	£987,000	£867,000*
Total	196	£1,458,000	£1,019,000

*This reflects grants recovered in full and does not include amounts recovered to date through ongoing payment arrangements.

2.2.2 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. The Council is continuing to actively pursue overpayments, including referring those debts which the Council have been unsuccessful in recovering to BEIS for further action, in line with guidance. It is noted that the number of cases which have been identified as fraudulent / ineligible remains low in comparison to the overall number / value of grants awarded (1%).

2.2.3 In addition to supporting the Council's delivery of business grant schemes, the Internal Audit Service have worked with the Revenues Service to ensure that there are appropriate controls in place within the Energy Rebate Scheme (announced in February 2022) to manage the risk of fraud and error.

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. The results of the last exercise were released in February 2021. Given the number of matches released (around 10,000), a risk-based approach is used in following up the matches. Table three below provides a breakdown of those areas where errors / overpayments have been identified in 2021-22 (it should be noted that matches relating to single person discount are released annually and the results here relate to the matches released in December 2020.)

Table Three – Breakdown of National Fraud initiative results 2021-22

Match Type	Purpose of match	Number of errors / discrepancies	Overpayments
Housing Benefit claimants to student loans	To identify housing benefit claimants who have failed to declare that they are in receipt of a student loan	5	£15,724
Housing benefit claimants to taxi drivers	To identify housing benefit claimants who have failed to declare employment income	3	£5706
Waiting list to Housing Tenants	To identify individuals who have registered for housing using a different address to the one on the housing rents system	1	£803
Council Tax Support to Payroll	To identify individuals who have failed to declare employment income	2	£2147
Council tax support to council tax support	To identify individuals that are claiming council tax support from one or more local authority at the same time	3	£11,983
Council tax support to housing benefit claimants	To identify individuals that are claiming council tax support who are also claiming housing benefit at another address	1	£1255
Council tax support to HMRC earnings and capital	To identify council tax support claimants who have failed to declare employment income / capital	4	£14,781
Council tax support to HMRC household composition	To identify council tax support claimants who have failed to declare other household members	5	£8314

Council tax to electoral register	To identify where the householder is claiming a council tax single person discount, yet the electoral register suggests that there is more than one adult in the household.	21	£26,435
Total		45	£87,148

In addition to these results, the Cabinet Office have estimated forward savings of £46,434 from preventing future incorrect payments relating to these cases. Where overpayments have been identified, these are subject to standard recovery arrangements

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 four below indicates the number of referrals by source in 2021-22, along with figures for the previous three financial years.

Table Four - Fraud Referrals Received between 2018-19 and 2021-22

Source	Referrals 2018-19	Referrals 2019-20	Referrals 2020-21	Referrals 2021-22
Whistleblower	3	3	4	1
Manager	21	16	14	20
External	2	1	6	2
Total	26	20	24	23

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 23 referrals received in 2021-22, seven 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.

In addition to the seven investigations highlighted in 2.4.1 above, three investigations were carried forward from 2020-21. All ten investigations related to fraud / theft or other activities linked to obtaining a financial benefit. Three out of the total ten investigations are still on-going, whilst of the remaining seven:

- 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 one case involving an external fraud against the Council, revised Council Tax bills have been issued amounting to £3600 (and whilst not classed as fraudulent, new bills have been raised across ten customer's accounts amounting to £10k.)

- In one case involving an external fraud against the Council amounting to £26k, two individuals were prosecuted and the case is now the subject of a Proceeds of Crime Act hearing. This case related to the fraudulent misuse of direct payment funding.
- In two cases, the allegation was found not to have been substantiated, although other appropriate actions were identified and implemented.

2.5 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 2021 to March 2022, one significant fraud has been concluded (as detailed in 2.4.1 above.)

2.6 Council Tax - Whilst the Internal Audit Service normally undertake a rolling programme of reviews of council tax exemptions and discounts, this work has not been progressed during 2021-22 given the focus on other priorities and unplanned absence within the Service. As a rolling programme of work, this is not viewed as significant.

2.6.1 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 2021-22.

Table Five – Council Tax Fraud Referrals Received 2021-22

Source	Referrals 2021-22
Housing Benefits	6
Council Tax	5
Members of the public	4
Other	48
Total	63

Whilst appropriate cases are passed to the Department of Work and Pensions to investigate under agreed arrangements (i.e. where housing benefit / universal credit is also in payment), the Internal Audit Service have validated ten concerns in 2021-22, which has resulted in revised bills / overpayments of around £14k being issued, which are subject to standard recovery arrangements.

2.7 The local government transparency code requires local authorities to publish information in relation to fraud on an annual basis. This information is detailed in Table Six below.

Table Six – Counter Fraud Transparency Data

Requirement	Response
Number of occasions powers under the Prevention of Social Housing Fraud Regulations 2014 (or similar) have been used	0 – the Council does not own its own housing stock.
Total number of employees undertaking investigations and prosecutions of fraud	3 (estimated FTE 1.25)
Total number of professionally accredited counter fraud specialists	3 members of the Internal Audit Service hold the CIPFA Certificate in Investigatory Practice
Total amount spent by the authority on the investigation and prosecution of fraud	£3912 (direct costs only, does not include salary costs)
Total number of fraud cases investigated	18 (note this only includes corporate fraud investigations, not investigations linked to the NFI or business grants)

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 Chief Operating Officer (Section 151 Officer) 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 2021-22, around £141k (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

Report author(s):

Name and job title:

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Paul Jennings	Finance Manager Corporate Finance	Finance	8/9/2022	9/9/2022
Names of approvers: (officers and members)				
Barry Hastie	Chief Operating Officer	-	8/9/2022	14/9/2022
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	8/9/2022	8/9/2022

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