



Audit and Procurement Committee

Time and Date

2.30 pm on Monday, 24th July 2023

Place

Diamond Rooms 1 and 2 - Council House, Coventry

Public Business

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 8)
To agree the minutes of the meeting held on 26th June 2023
4. **Outstanding Issues** (Pages 9 - 14)
Report of the Chief Legal Officer
5. **Work Programme 2023/24** (Pages 15 - 16)
Report of the Chief Legal Officer
6. **Revenue and Capital Outturn 2022/23** (Pages 17 - 50)
Report of the Chief Operating Officer (Section 151 Officer)
7. **Audit and Procurement Committee Annual Report to Council 2022/23**
(Pages 51 - 56)
Report of the Chair of Audit and Procurement Committee
8. **Internal Audit Plan 2023/24** (Pages 57 - 64)
Report of the Chief Operating Officer (Section 151 Officer)
9. **Annual Fraud and Error Report 2022/23** (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

Nil

Julie Newman, Chief Legal Officer, Council House, Coventry

Friday, 14 July 2023

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, J Blundell, R Lakha (Chair), E Ruane, T Sawdon, and B Singh (Deputy Chair)

By invitation:

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

Public Access

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Michelle Salmon

Governance Services

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Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm
on Monday, 26 June 2023

Present:

Members: Councillor R Lakha (Chair)
Councillor S Agboola
Councillor M Ali
Councillor E Ruane
Councillor B Singh

Employees
(by Service area):

Finance B Hastie (Chief Operating Officer (Section 151 Officer)),
P Jennings, T Pinks, K Tyler

Law and Governance M Salmon

Apologies: Councillor J Blundell

Public Business

1. Declarations of Interest

There were no disclosable pecuniary interests.

2. Minutes of Previous Meeting

The minutes of the meeting held on 20th March 2023 were agreed and signed as a true record.

Further to minute 65 headed 'Corporate Risk', members sought assurance that the items listed in resolution 2), had been added to the Corporate Risk Register. Officers would investigate and the information would be circulated to Members of the Committee accordingly.

3. Outstanding Issues

The Audit and Procurement Committee considered a report of the Chief Legal Officer, 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 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.

Members of the Committee noted that in respect of items 1 and 2 listed in Appendix 1, the Chief Internal Auditor reported that these matters had been included in reports presented to the Committee on 30th January 2023 (minute 47/22 referred) and 20th March 2023 (minute 63/22 referred) respectively. Information had also been circulated to the Committee on 2nd March 2023 and 22nd March 2023 respectively in respect of items 1 and 2 listed in Appendix 2. These matters were now discharged and could be removed from the report.

RESOLVED that the Audit and Procurement Committee notes the Outstanding Issues report and the actions taken to discharge matters, which could now be removed from the report.

4. **Work Programme 2023/2024**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which detailed the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2023/2024.

In respect of the Procurement Progress Report, Members of the Committee recommended that the issue of the provision of school meals should be through the relevant Scrutiny Board(s). The request to be raised at the forthcoming meeting of Scrutiny Board Chairs with appropriate Cabinet Members invited for consideration of the matter.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2023/2024.

5. **Local Code of Corporate Governance**

The Audit and Procurement Committee considered a report of the Chief Legal Officer, which would also be considered at the meeting of the Ethics Committee on 29th June 2023, that sought their consideration of the Local Code of Corporate Governance 2023/24 and confirmation of its satisfaction that the Code accurately represents the Council's governance arrangements. The Local Code of Corporate Governance was attached as an appendix to the report.

The Local Code of Corporate Governance set out Coventry City Council's arrangements for meeting the seven principles of good governance as defined in the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. The Framework recommends that Local Authorities develop and maintain a Local Code of governance as it provides a structure to help individual authorities with their approach to governance.

The Council adopted a Local Code of Corporate Governance in 2017. The Code had recently been reviewed in the light of best practice and updated to reflect the current governance arrangements in place within the Council. An up to date and robust Local Code provided clarity over an authority's governance and supported the legal requirement to undertake an annual review of effectiveness of the Council's governance arrangements and produce an Annual Governance Statement.

The CIPFA / Solace Framework defined governance as “the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.” Coventry City Council had a range of measures in place to ensure that governance in the organisation was managed effectively and worked hard to ensure that these arrangements were robust and met best practice. This was achieved through a range of policies, plans, procedures such as the Constitution (including codes of conduct for Members and employees), the Council Plan, the Medium-Term Financial Strategy and policies on whistle blowing, tackling fraud and corruption, and managing risk.

The Local Code of Corporate Governance, attached as an Appendix to the report, was a refresh of the previous code with extensive work undertaken with internal stakeholders to ensure it reflected the current position of the organisation and the One Coventry approach. The Local Code set out the Council’s specific arrangements for putting the principles of good governance into practice and drew on examples provided in the Framework but also reflected systems and processes which were specific to the Council.

Members of the Committee noted the legal requirement to undertake an annual review that the governance arrangements set out in the Local Code were effective and/or complied with and to produce an Annual Governance Statement with any identified areas for improvement included in the Annual Governance Statement action plan. Members requested that a copy of the Annual Governance Statement 2021/22 be circulated to them for their information.

RESOLVED that the Audit and Procurement Committee:

- 1) Confirms its satisfaction that the Code of Corporate Governance accurately represents the Council’s governance arrangements.**
- 2) Notes the legal requirement to undertake an annual review that the governance arrangements set out in the Local Code are effective and/or complied with and to produce an Annual Governance Statement with any identified areas for improvement included in the Annual Governance Statement action plan.**
- 3) The Code of Corporate Governance be attached as an Appendix to the Annual Governance Statement Report, when the report is submitted to the Committee for consideration.**

6. Internal Audit External Quality Assessment

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that shared the planned approach for the External Quality Assessment of the Internal Audit Service with the Audit and Procurement Committee, to allow the Committee to express its views on the form and scope of the Assessment.

The Public Sector Internal Audit Standards required that a Quality Assurance and Improvement Programme must be developed and maintained. The Programme, designed to enable an evaluation of the internal audit activity’s conformance with the Standards and an evaluation of whether internal auditors apply the Code of

Ethics, assessed the efficiency and effectiveness of the internal audit activity and identified opportunities for improvement. The Programme must include both internal and external assessments. External Assessments must be completed at least once every five years and an assessment for the Internal Audit Service at Coventry City Council was now due. The Standards required that the form / scope of the assessment and the qualifications and independence of the external assessor be discussed with the Audit and Procurement Committee.

A self-assessment with independent external validation was considered the most appropriate approach as it provided an opportunity for the self-assessment and supporting evidence to be compiled over a period of time and provide a baseline for the assessor to work from, allowing for a more efficient process overall. As it was expected that the self-assessment was fully evidenced, the risk of inaccurate statements was not viewed as significant. In addition, the assessor would conduct interviews with key stakeholders as part of the validation process which provided a further mechanism for ensuring the integrity of the assessment. The scope of the assessment would include all Public Sector Internal Audit Standards, as set out in the report.

Discussions with neighbouring local authorities had identified the opportunity to enter into a tri-party arrangement with Solihull MBC and Sandwell MBC, with each Council acting as the assessor for another. Coventry City Council would undertake the assessment for Solihull MBC, and Sandwell MBC would undertake the assessment for Coventry. This approach was considered the most cost-effective way for the assessment to be undertaken (in comparison for example to using the services of the Institute of Internal Auditors or CIPFA), in addition to the assessor having detailed knowledge of the practice of internal audit within the local government sector. It would also provide an opportunity to share good practice and learn from each other and, in addition, the use of a tri-party approach avoided the risk of a conflict of interest occurring.

The results of the External Quality Assessment would be reported to the Audit and Procurement Committee, alongside any improvement action plans which resulted from the assessment.

RESOLVED that the Audit and Procurement Committee approves the approach for conducting the External Quality Assessment of the Internal Audit Service.

7. Internal Audit Annual Report 2022/2023

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 2022 to March 2023 against the agreed Audit Plan for 2022-23 and the Public Sector Internal Audit Standards. It provided the Chief Internal Auditor's opinion on overall adequacy and effectiveness of the Council's risk management, internal control, and governance arrangements for the financial year 2022-23, as set out in section 2.4 of the report). Appendices to the report provided details of the audits completed in 2022-23 and a summary of findings from key audit reports.

Performance of the Service against key targets indicated that the key target was to complete 90% of its agreed work plan by 31st March 2023. The plan, originally developed on the basis of an estimated 560 available audit days, was subsequently amended to 430 days following unplanned absence in the Service from quarter three onwards. The change was reported to the Audit and Procurement Committee in March 2023 (minute 63/22 referred). The performance of the Service had been assessed against the revised audit plan and had delivered 89% of the plan. Performance was slightly below target but did not materially impact on the ability to provide an annual audit opinion. Of the six audits which formed part of the 2022-23 plan, and which were not completed by the end of March 2023, one had now been finalised, two were at draft report stage and the remaining three were ongoing/had been rescheduled.

The Service had a number of other key performance indicators that underpinned its delivery, which were aimed at ensuring that the audit process was completed on a timely basis. A table in the report detailed the performance of Internal Audit for 2022-23, compared with performance in 2021-22. Ongoing monitoring of internal audit work and identifying opportunities for improvement remained a key focus for management, in line with Public Sector Internal Audit Standards.

The Public Sector Internal Audit Standards required that the Internal Audit Service developed and maintained a quality assurance and improvement programme covering all aspects of internal audit activity. Specific improvement actions which had been delivered against the improvement plan in 2022-23 were set out in the report. It was concluded that the Internal Audit Service partially conformed with the Public Sector Internal Audit Standards, and it was recognised that there were improvement opportunities to achieve full conformance. Where improvements have been identified, it was not considered that this materially impacted on the overall scope or operation of the internal audit activity. Progress against actions would be included in the next annual report to the Audit and Procurement Committee.

Appendix One to the report provided details of the 56 audit reviews that had been carried out in the financial year 2022-23 along with the level of assurance provided. The percentage of audits with “limited” or “no” assurance in 2022-23 was consistent with the previous year and it was the Chief Internal Auditor’s opinion that providing an opinion of moderate assurance remained appropriate.

A summary of the findings of key audits that had not already been reported to the Committee during municipal year 2022-23 were included in Appendix Two 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 Audit and Procurement Committee.

In the Chief Internal Auditor’s view, sufficient assurance had 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 took into account the internal audit work performed during 2022-23 and other sources of assurance. In undertaking the assessment of the Council’s arrangements, the Chief Internal Auditor had reviewed whether, in her opinion, there were any areas that needed to be considered when the Council produced its Annual Governance Statement for 2022-23. From a general point of view, whilst

any audit where '*limited*' or '*no*' assurance was provided, required attention, an assessment was also made as to whether the review had a significant corporate impact and consequently needed to be considered in the producing the Annual Governance Statement, or whether the review was limited to specific working practices in service areas which did not have a wider bearing on the Council's control environment. For 2022-23, no issues had been identified for consideration in preparation of the Annual Governance Statement.

RESOLVED that the Audit and Procurement Committee notes:

- 1) The performance of Internal Audit against the Audit Plan for 2022-23.**
 - 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 2022-23 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.**
- 8. 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 4.30 pm)

Audit and Procurement Committee

24th July 2023

Name of Cabinet Member:

N/A

Director approving submission of the report:

Chief Legal Officer

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 Audit and Procurement 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 Corporate 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 Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

- 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 One Coventry Plan?**
<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-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:

Name and job title:

Lara Knight
Governance Services Co-ordinator

Service Area:

Law and Governance

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Enquiries should be directed to the above person.

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

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Appendix 1

Further Reports Requested to Future Meetings

	Subject	Minute Reference and Date Originally Considered	Date for Further Consideration	Responsible Officer	Proposed Amendment to Date for Consideration	Reason for Request to Delay Submission of Report
1						

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

Appendix 2

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Information/Action Requested Outside Meeting

No.	Subject/Report	Minute Reference and Date Originally Considered	Information Requested / Action Required	Responsible Officer	Date Completed
1	Minutes – Minute 65/22 - Corporate Risk	Minute 2/23 26 th June 2023	The Committee be provided with the relevant information on consideration be given to the items listed in resolution 2), being added to the Corporate Risk Register.	Tina Pinks	
2	Local Code of Corporate Governance	Minute 5/23 26 th June 2023	The Annual Governance Statement 2021/22 be circulated to Members of the Committee.	Karen Tyler	29 th June 2023

Audit and Procurement Committee

Work Programme 2023/2024

26th June 2023

Local Code of Corporate Governance
Internal Audit Annual Report 2022/2023
Internal Audit External Quality Assessment

24th July 2023

Revenue and Capital Outturn 2022/2023
Audit and Procurement Committee Annual Report to Council 2022/2023
Internal Audit Plan 2023/2024
Annual Fraud and Error Report 2022/2023

2nd October 2022

Quarter One Revenue and Capital Monitoring Report 2023/2024
Whistleblowing Annual Report 2022/2023
Annual Governance Statement 2022/2023
Coventry Municipal Holdings Group Accounts
Six Monthly Procurement Progress Report (Private)

27th November 2023

Quarter Two Revenue and Capital Monitoring Report 2023/2024
Treasury Management Update
Half year Internal Audit Report 2023/2024
Half year Fraud and Error Report 2023/2024

29th January 2024

Information Governance Annual Report 2022
Complaints to the Local Government and Social Care Ombudsman 2022/2023
Quarter Two Revenue and Capital Monitoring Report 2023/2024
Treasury Management Update
Internal Audit Recommendation Tracking Report

18th March 2024

External Audit Plan Year Ending March 2023 (Grant Thornton)
RIPA (Regulation of Investigatory Powers Act) Annual Report 2024
Corporate Risk
Quarter Three Revenue and Capital Monitoring Report 2023/2024
Quarter Three Internal Audit Progress Report 2023/2024
Six Monthly Procurement Progress Report (Private)

Date to be confirmed

Data Analytics, Including Use of Artificial Intelligence
Audited 2020/2021 Statement of Accounts
Audit Findings Report 2020/2021 (Grant Thornton)
External Audit Plan Year Ending March 2022 (Grant Thornton)
External Auditor's Annual Report 2021/2022 (Grant Thornton)
Statement of Accounts 2019/2020
Audit Findings Report 2019/2020 (Grant Thornton)



Cabinet
Council
Audit and Procurement Committee

11th July 2023
18th July 2023
24th July 2023

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: All

Title:

Revenue and Capital Outturn 2022/23

Is this a key decision?

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

Executive Summary:

This report outlines the final revenue and capital outturn position for 2022/23 and reviews treasury management activity and 2022/23 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position includes the following headline items:

- An overspend of **£6.7m**, balanced by a contribution from legacy COVID reserves.
- Capital Programme expenditure of **£146.9m**
- A reduction in the level of available Council revenue reserves from £140m to **£123m**

Further detail includes:

- An overspend of £9.4m within Streetscene and Regulatory Services includes the combined impact of the refuse drivers' strike, strike mitigation costs and the loss of commercial refuse service income as a result of the strike.
- An overspend of £4.1m within Childrens' Services reflecting high placement costs and social worker recruitment and retention pressures.
- An overspend of £2.7m in Adults' Social Care reflecting an increased number of high-cost complex cases.
- An overspend of £2.7m on Business & Investment Culture which represents significant energy inflationary pressure, as well as running costs and business rates for the Collection Centre in advance of construction start dates.

- A net underspend of £13.5m within central budgets including lower superannuation costs, interest income from loans and higher than budgeted investment income, and a surplus from the Coventry and Warwickshire Business Rates Pool.

The underlying revenue position has improved by £1.8m since Quarter 3 when an overspend of £8.5m was forecast. In particular the improved position relates to improvements within Contingency and Central budgets which are set out in the report.

The prudent management of the Councils financial position throughout the Covid crisis enabled the Council to retain some resources to manage any legacy issues. £6.7m of this has been used to balance the position at the end of 2022/23. Although the Covid crisis is no longer a significant threat to the Councils service delivery and financial position, the cost-of-living crisis and growing levels of inflation have had tangible impacts on demand for both Childrens and Adults services. The complexity of need, support required and sufficiency of the external market to provide for this has directly impacted the Councils financial outturn reported up to 31st March 2023 and will be an ongoing financial challenge in 2023/24.

Recommendations:

Cabinet is recommended to approve:

- 1) The final balanced revenue outturn position after a contribution of £6.7m from reserves.
- 2) The final capital expenditure and resourcing position (section 2.3 and Appendix 2 of the report), incorporating expenditure of £146.9m against a final budget of £160.9m; £14m expenditure rescheduled into 2023/24.
- 3) The outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.

Cabinet is requested to recommend that Council: -

- 4) Approves the reserve contribution of £6.7m for the purposes described in Section 5.1 of the report.

Council is recommended to:

- 1) Approve the reserve contribution of £6.7m for the purposes described in Section 5.1 of the report.

Audit and Procurement Committee is recommended to:

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

List of Appendices included:

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

Other useful background papers:

None

Has it been or will it be considered by Scrutiny?

No

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

Yes - Audit and Procurement Committee 24th July 2023

Will this report go to Council?

Yes – 18th July 2023

Report title: Revenue and Capital Outturn 2022/23

1. Context (or background)

- 1.1 This report sets out the Council's revenue and capital outturn position for 2022/23 and performance against its Prudential Indicators for the year. The City Council set a revenue budget for the year of £237.4m and has a revised Capital Programme of £160.9m.
- 1.2 The reported figures show the Council's financial position in relation to management accounts used to monitor performance through the year. The Audit and Procurement Committee will consider separately the Council's statutory Statement of Accounts.

2. Options considered and recommended proposal

2.1 Revenue Outturn

- 2.1.1 Table 1 below summarises the outturn position for each division and the required contribution from reserves to achieve a balanced position for the Council.

Table 1 Summary Outturn Position

Quarter 3 Forecast Variance		Revised Budget	Final Outturn	Outturn Variance Overspend/ (underspend)	Movement from Q3 worse/ (better)
£m		£m	£m	£m	£m
(0.7)	Adult Services & Housing	99.6	102.3	2.7	3.4
2.1	Business, Investment & Culture	5.7	8.3	2.7	0.6
4.0	Children & Young People's Services	84.9	89.0	4.1	0.1
(9.7)	Contingency & Central Budgets	(22.5)	(36.0)	(13.5)	(3.8)
0.0	Education & Skills	19.8	19.5	(0.4)	(0.4)
1.8	Finance & Corporate Services	6.9	7.6	0.8	(1.0)
(0.5)	Human Resources	1.9	0.9	(1.0)	(0.5)
0.8	Legal & Governance Services	4.8	5.5	0.7	(0.1)
0.0	People Directorate Management	1.2	1.1	0.0	0.0
1.0	Project Management & Property Services	(7.1)	(6.0)	1.1	0.1
(0.5)	Public Health	2.2	0.7	(1.6)	(1.1)
8.5	Streetscene & Regulatory Services	31.6	41.0	9.4	0.9
1.6	Transport & Highways	8.3	10.0	1.7	0.1
8.5	SUBTOTAL	237.3	243.9	6.7	(1.8)
-	Contribution from reserves	-	-	(6.7)	(6.7)
8.5	TOTAL	237.3	243.9	0.0	(8.5)

The quarter 3 position reflected an overspend of £8.5m with the key variations between quarter 3 and Outturn occurring within Contingency and Central Budgets which improved by £3.8m and Adults Services worsening by £3.4m. The reasons for these variations are included in the explanations of overall budgetary variations below.

Explanation of Variations

Movement from Quarter 3

The most significant unfavourable movement since Quarter 3 has been within **Adult Services & Housing** which has worsened by £3.4m. This was driven by a larger than normal number of high complex social care cases being transferred retrospectively from Health to Adult Services which was further exacerbated by a revision to one element of the income forecast.

Other significant unfavourable movements have occurred in both **Streetscene** and **Business Investment & Culture**, primarily relating to less income from commercial waste customers than forecast as a legacy impact of the driver strike, together with a higher cost of maintaining interim arrangements for domestic waste collections, and less planning application income reflecting a worse trend in the development industry than had been expected.

A £3.8m favourable movement in **Corporate and Contingency** budgets incorporates an improved Asset Management Revenue Account position (£1.1m), a windfall distribution of Business Rates Levy Account Surplus by the Government (£0.7m), service commercial income in excess of budget (£0.5m), reserves not required for their original purpose contributed to the bottom line (£0.5m), increased Business Rates Pool income (£0.4m) and lower superannuation costs (£0.2m).

Most other remaining services have improved or maintained their quarter 3 position.

Final Outturn Position

Contingency and Central (£13.5m Underspend)

The overall Corporate and Contingency underspend of £13.5m incorporates favourable variances of £6.0m in the Asset Management Revenue Account (AMRA) and £7.5m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council, higher than budgeted investment income from a combination of larger short-term investment balances and higher interest rates, lower than assumed interest debt costs and higher dividends from Council owned companies. In addition to inflationary impacts reported within individual services, central budgets include the cost of the expected 2022/23 pay award which averages c6% for the Council and represents a cost c£6m above the original budget. This is offset by other contingency budgets and a £1m reserve contribution set aside to manage unbudgeted pay costs. Favourable variations include lower than budgeted superannuation costs (£4m), a Business Rates Pool surplus (£2m) and savings derived from new commercialisation activities (£0.5m).

Council Services (£20.2m Overspend)

Adult Social Care & Housing

The £2.7m overspend in Adult Social Care is multi-faceted. There has been an increasing number of high-cost complex cases although this has been partially mitigated by reductions in some lower complexity cases. However, a larger than normal number of cases has been transferred retrospectively from Health to Adult Social Care in the final quarter causing a worsened financial position.

Children and Young People

Children and Young People's Services continues to report a significant overspend linked to circumstances exacerbated by the pandemic. Of the overall £4.1m overspend, £1.9m is caused by the insufficiency of the children's external placement market to meet demand, which is impacting on the average unit cost of those placements. There are also still significant concerns regarding staffing, accounting for a further £2.2m 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.

Streetscene & Regulatory Services

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 (Tom White Waste) have been incurred. This together with lost contractual income within the commercial service and planning development income pressures have resulted in a net combined pressure of c£9.4m. The dispute has now been resolved such that strike mitigation pressures 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.

Inflation and Other

Within Property, Transport and Highways, and Business Investment & Culture, significant inflation pressures have been reported for operational properties and street lighting energy totalling £2.4m, as costs have risen sharply 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 and until construction starts are resulting in a pressure of £1.2m, the vast majority of which relates to business rates which will ultimately credit the fund.

2.2 Reserves

2.2.1 The Council's revenue reserve balance at the end of 2022/23 is £123m compared with £140m at the end of 2021/22. Resources set aside to support the Better Care Fund (delivered jointly with the health sector), Homes for Ukraine and to support capital projects have increased. These increases have been more than offset by use of resources to balance the year-end position (Covid funding) and the 2023/24 Budget (Business Rates reserve), and to deliver corporate projects such as the Very Light Rail scheme and City Readiness for the City of Culture and Commonwealth Games.

2.2.2 Balances generated from capital receipts and capital grants to fund future capital projects have increased from £37m to £40m and reserve balances belonging to or earmarked to support schools have increased from £31m to £33m. The total reserve movement in 2022/23 is summarised in the table below.

Table 3 Summary of Reserve Movements in 2022/23

	1st Apr 2022 £000	(Increase)/ Decrease £000	31st Mar 2023 £000
<u>Council Revenue Reserves</u>			
General Fund Balance	(10,277)	0	(10,277)
Adult Social Care	(28,287)	(2,961)	(31,248)
Private Finance Initiatives	(9,626)	1,518	(8,109)
Early Retirement and Voluntary Redundancy	(9,323)	2,082	(7,242)
Management of Capital	(3,410)	(2,913)	(6,324)
Innovation and Development Fund	(5,499)	431	(5,068)
Reset and Recovery	(5,467)	0	(5,467)
Covid 19 Funding	(10,981)	6,721	(4,260)
Air Quality Early Measures	(4,232)	312	(3,920)
Public Health	(2,469)	(1,280)	(3,749)
Potential Loss of Business Rates Income	(7,735)	4,302	(3,433)
Corporate Priorities (2020/21 Outturn Underspend)	(8,698)	5,705	(2,993)
Commercial Developments	(3,348)	666	(2,682)
Homes for Ukraine	0	(2,530)	(2,530)
Friargate Lifecycle	(1,594)	0	(1,594)
City of Culture & Commonwealth Games Legacy	(3,983)	2,582	(1,401)
Adult Education Income	(1,086)	(5)	(1,091)
Insurance Fund	(1,497)	433	(1,064)
Corporate Property Management	(1,369)	550	(819)
Children's Social Care Family Valued Programme	(1,229)	585	(644)
Other Directorate	(14,538)	(613)	(15,151)
Other Corporate	(5,843)	2,383	(3,460)
Total Council Revenue Reserves	(140,493)	17,967	(122,527)
Extra-Ordinary Item - Covid Business Rates Relief	(18,635)	18,635	0
<u>Council Capital Reserves</u>			
Useable Capital Receipts Reserve	(31,187)	(3,292)	(34,479)
Capital Grant Unapplied Account	(5,469)	(276)	(5,745)
Total Council Capital Reserves	(36,656)	(3,567)	(40,224)
<u>School Reserves</u>			
Schools (specific to individual schools)	(25,065)	2,108	(22,956)

Schools (related to expenditure retained centrally)	(5,927)	(4,310)	(10,237)
Total Schools Reserves	(30,991)	(2,202)	(33,193)
Total Reserves	(226,776)	30,833	(195,943)

2.2.3 It should be noted that the Council's reserve balances included an extra-ordinary balance of £19m at the end of 2021/22. Government Covid Business Rates reliefs announced previously had the effect of reducing the amount of Business Rates payable in 2021/22 causing a deficit within the Business Rates Collection Fund. Accounting rules meant that the corresponding grant (from Government) could not be applied to the Collection Fund until 2022/23. This grant has been fully used during 2022/23.

2.2.4 Adult Social Care resources represent the largest area of balances. These are overwhelmingly funded through ring-fenced grant and health sector resources for the delivery of jointly managed pooled budget arrangements with Health. In addition to these, the revenue reserve balances include £13m set aside as Funding for the Future approved previously, £8m set aside as part of the Council's three long-term Private Finance Initiative models and £7m set aside to fund costs arising from early retirement and redundancy decisions.

2.2.5 In line with recent practice, analysis of these balances will be undertaken as part of a wider exercise examining the Council's financial position in 2023/24 and going forward.

2.3 Capital Outturn

2.3.1 The capital outturn position for 2022/23 is shown in summary below and in greater detail in Appendix 2:

Table 4: Capital Outturn Summary

Final Budget £m	Final Spend £m	Net Rescheduling Now Reported £m	Under- spends £m	Total Variance £m
160.9	146.9	(14.0)	(0.0)	(14.0)

The quarter 3 monitoring report to Cabinet on 14th February 2023 approved a revised capital budget of £159.5m for 2022/23. Since then, there has been a net programme increase of c£1.4m giving a final budget for the year of £160.9m. Since February, a total of £14m net rescheduled spending has arisen within the capital programme. A scheme by scheme analysis is included in Appendix 2, a summary of key schemes is in the table below.

Table 5: Summary of Rescheduling

Project	(Rescheduling) /Accelerated Spend £m	Explanations
City Centre South	(2.8)	The timescales to acquire the Albert Buildings site (Iceland) and one of the external stalls in Coventry Market were different to those originally estimated. Furthermore, the CPO Inquiry for the scheme took place later than originally anticipated (January 2023) due to the commercial negotiations with the developer and CCC funding decisions

		(Cabinet Report Nov 2022) and this has resulted in changes to planned CPO related expenditure
Friargate (Building 2 and Hotel)	(5.3)	£3.3m of the slippage is related to construction which has slipped from April to July 23, the remainder relates to the public realm works being paid in instalments and the Hotel Loan being deferred to 2023/24
Transportation S106 Programme	(1.2)	There have been a number of S106 funded schemes that have been forward funded or developed pending the S106 funding being legally signed, and income received, for example, Keresley Link Road, Shultern Lane/Lynchgate Cycle Scheme, Coundon Park and Coundon Wedge Drive schemes. This has resulted in designs/programmed works slipping into 2023/24
Binley Road Cycleway	(2.2)	Work has been progressing well on the construction of the Binley Cycle Route, but there has been a need to review the design of one section of the route, on Clifford Bridge Road, to take account of consultation feedback. This has delayed the construction of that section of the route.
Palmer Lane Deculverting	(1.0)	Palmer Lane works have been delayed by legal processes taking longer than anticipated. Works will start summer 2023.
Schools Basic Need Programme	3.0	Spend against forecasts works have progressed quicker than expected on secondary expansion. Some additional works have been required to accommodate SEND pupils which were not factored into forecasts
Uk City of Culture / St Marys / Albany Theatre / Cultural Gateway	(1.9)	The Albany Theatre Project is progressing well but has been subject to c£1.3m of slippage due to unforeseen ground obstructions that had been discovered on site. The scheme is due to complete in November 2023. There is Cultural Gateway slippage of £0.3m caused by a slight delay in the commencement of the stage 4 design works.
Other	(2.6)	Smaller schemes
TOTAL	(14.0)	

2.3.2 The 2022/23 programme continued to maintain a significant investment in the city's transport and public infrastructure, including schemes demonstrating an increasing engagement with environmental initiatives and a range of other projects showing the Council's desire to make Coventry an attractive place to live, work and do business:

- £35.4m has been spent on transport and highways infrastructure across a range of both major and minor schemes. These included works to deliver the A46 Stoneleigh Junction due for completion in Summer 2023, further research and development investment in Very Light Rail, the overbridge installation on the A45 Eastern Green to unlock development land and schemes to improve and maintain the city's highways via the City Region Sustainable Transport Settlement (CRSTS) for Highways Maintenance and our Local Network Improvement Plan.
- A further £5.0m has been spent on City Centre South, this has predominantly been on the acquisition of land and promoting the CPO Process.
- Further programme spend of £27.2m has been made in 2022/23 on the completion of Friargate Building 2 and commencement of the hotel within Friargate Business District. The new hotel facilities are due to complete in October.

- Air quality and Binley Cycleway works amounting to c£15.3m have continued with the majority of the works completed by summer 2023.
- There have been works totalling £21.3m across the school's property estate as part of the One Coventry Strategic Plan. There is an increasing focus now on providing additional capacity in secondary schools across the city to meet the growing numbers amongst the secondary intake.
- City of Culture capital programme spend of £3.7m has continued this year on a range of Coventry's cultural capital assets, building a legacy for the city following the City of Culture year.
- External grants have been used to allow c£1.7m across a range of greener travel options including the cycle schemes, clean bus and electric vehicle technology and charging points.
- £5m of grant funding for the investment in Climate Change related project has been invested in 22/23 covering activities around solar, green home grant and decarbonisation project, the investment continues into 2023/24.
- Material Recycling Facility investment this year of £6m, the majority of which is a loan facility to Sherbourne Recycling Limited towards the Council's contribution to the creation of the facility.
- A range of smaller scale but not insignificant schemes have advanced including the purchase of more homes to provide homelessness provision, improved facilities at Lenton's Lane Cemetery and continued investment in Disabled Facilities Grants.

2.3.3 The funding in respect of this capital expenditure of £146.9m is summarised in Table 7 below
Approximately 77% of the programme has been resourced from capital grants.

Table 7: Capital Funding

	Funding the Programme £m	Available Resources £m	Resources Carried Forward £m
Prudential Borrowing	18.9	18.9	0
Grants and Other Contributions	112.9	133.1	(20.2)
Revenue Contributions	4.6	4.6	0
Capital Receipts	9.7	44.2	(34.5)
Management of Capital Reserve	0.6	6.9	(6.3)
Private Finance Initiative (PFI)	0.2	0.2	0
Total Resourcing	146.9	207.9	(61.0)

2.4 Treasury Management Activity

2.4.1 The key policy to combat inflation still seems to be to raise interest rates. At the beginning of the year the Bank of England interest rate was 0.75% and by the end of the year it was 4.25%. The current market forecasts predict the base rate will continue to rise to 5% if not

higher. The UK is not alone in this situation as inflation and rising interest rates is at the forefront of most of the world's economies.

Long Term (Capital) Borrowing

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 twelve 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 2021/22 approved by Cabinet on 23 February 2021 it was agreed the Council will not buy investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loan Board (PWLB) for 2022/23 have varied within the following ranges:

Table 8: PWLB Interest Rates

PWLB Loan Duration (standard rates)	Minimum in 2022/23	Maximum in 2022/23	Average in 2022/23
5-year	2.41	5.63	3.82
20-year	2.75	6.08	4.29
50-year	2.44	5.70	3.98

It has been more cost effective in the short-term to either use internal resources (cash balances) or to use short-term borrowing. By doing so, the Council has reduced net borrowing costs (despite foregone investment income) and reduced overall treasury risk.

2.4.2 At outturn, the Capital Financing Requirement (CFR), which indicates the Council's underlying need to borrow for capital purposes, has reduced by £0.3m: -

Table 9: 2022/23 Capital Financing Requirement (CFR)

	£m
Capital Financing Requirement at 1 st April 2022	513.3
Borrowing required to finance 2022/23 Capital Programme	18.9
PFI & Finance Leases liabilities	(3.0)
Provision to Repay Debt (Minimum Revenue Provision)	(14.4)
Provision to Repay Debt (Capital Receipts Set Aside)	0.0
Repayment of Transferred Debt	(1.8)
Reduction of Provision and other restatements	0.0
Capital Financing Requirement at 1 st April 2023	513.0

Within 2022/23, the movements in long-term borrowing and other liabilities were (stated at nominal value, excluding soft loan adjustments): -

Table 10: Long Term Liabilities (debt outstanding)

Source of Borrowing	Balance at 31st March 2022 £m	Repaid in Year £m	Raised in Year £m	Balance at 31st March 2023 £m
PWLB	190.4	(5.4)	0	185.0
LOBO's	38.0	0	0	38.0
Stock Issue	12.0	0	0	12.0
West Midlands Combined Authority	18.0	0	0	18.0
Other	0.4	0	0	0.4
subtotal ~ long term borrowing	258.8	(5.4)	0	253.4
Other Local Authority Debt	8.4	(1.8)	0	6.6
PFI & Finance Leasing Liabilities	59.9	(3.0)	0	56.9
Total	327.1	(10.2)	0.0	316.9

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

Table 11: Long Term Borrowing Maturity Profile (excluding PFI & transferred debt)

Period	Long Term Borrowing £m
Under 12 Months	17.2
1 – 2 years	31.0
2 – 5 years	16.5
5 – 10 years	64.9
Over 10 years	123.7
Total	253.4

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

Short-Term Borrowing and Investments

2.4.3 The Treasury Management Team acts daily 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. During the year, the Council held short-term investments, as set out in Table 12. The average short-term investment rate in 2022/23 was 2.6%. There was £10m of short-term borrowing in February 2023 to cover a forecasted shortfall in cash at the year-end

Table 12: In House Investments at 31st March 2023

	At 30 th June 2022 £m	At 30 th Sept 2022 £m	At 31 st Dec 2022 £m	At 31 st Mar 2023 £m
Banks and Building Societies	0.0	0.0	0.0	0.0
Local Authorities	15.0	0.0	0.0	0.0
Money Market Funds	41.85	35.65	56.55	42.96
Corporate Bonds	0.0	0.0	0.0	0.0
HM Treasury	0.0	16.8	0.0	0.0
Total	56.85	52.45	56.55	42.96

Pooled Investments

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

In order to manage credit risk these investments are spread across a number of funds as highlighted in the table below:

Table 13: External, Pooled Investments as at 31st March 2023

	Date Invested	Cost £m	Value £m	Annualised Return from Investment %
CCLA LAMIT Property Fund	Nov 2013	12.0	11.82	3.62%
M&G Optimal Income Fund	Aug 2018	1.5	1.34	4.27%
M&G Strategic Corporate Bond Fund	Aug 2018	3.0	2.59	3.59%
M&G UK Income Distribution Fund	Aug 2018	3.0	2.69	4.78%
Ninety One (Investec) Diversified Income Fund	Aug 2018	4.5	3.99	4.01%
Schroder Income Maximiser	Aug 2018	4.5	3.59	6.96%
Threadneedle Strategic Bond Fund	Aug 2018	1.5	1.36	3.26%
Total		30.0	27.38	4.20%

Credit risk remains central to local authority investment management and the Council’s risk is managed in line with the Treasury Management Strategy, approved by Cabinet as part of the budget setting report at the meeting of 21 February 2023. Central to this is the assessment of credit quality based on a number of factors including credit ratings, credit default swaps (insurance cost) and sovereign support mechanisms. Limits are set to manage

exposure to individual institutions or groups. Credit ratings are obtained and monitored by the Council's treasury advisors, Arlingclose.

Pooled funds provided an income return of £1.3m over the year although as at 31st March 2023 the accumulated deficit on their capital value was £2.62m (£0.92m surplus at the end of 2021/22). All seven funds show a deficit in capital value which is reflective of the current property and financial markets. There remains an expectation that the full value will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any 'losses' to be held on the Council's balance sheet and not counted as a revenue loss. These investments will continue to be monitored closely.

Summary Prudential Indicators

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

The indicators, together with explanatory notes and the relevant figures are included in **Appendix 3**. This highlights that the 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 31st March 2023 the value is -£79.4m (minus) compared to +£94.9m within the Treasury Management Strategy, reflecting the fact that the Council has more significantly 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 31st March 2023 the value is £328.0m 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.

Commercial Investment Strategy

2.4.5 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.

In order to manage risk, the Council has limits for investing in shares and service loans, with total limit of £146m in 2022/23.

As at the end of 2022/23, the council had cumulatively invested £106.3m in shares and service loans with this rising to £134.6m when commitments to make potential payments of £28.3m are taken into account.

	As at 31 st March 2023				
	Limit	Actual	Committed	Total	Variation
	£m	£m	£m	£m	£m
Shares	55.0	52.1	0.0	52.1	(2.9)
Loans	91.0	54.2	28.3	82.5	(8.5)
	146.0	106.3	28.3	134.6	(11.4)

The total of £134.6m is within the limit of £146m set for the 2022/23.

The Council's investment in commercial assets is proportionate:

- with commercial income totalling approximately £22.8m in 2022/23 (£23.4m in 2021/22) equivalent to c3.6% of the Council's budgeted net service expenditure of £640.1m in 2022/23.
- With commercial assets valued at £452m (25% of the Council's total asset base of c£1,779m). This is not the amount invested by the Council, for example through past capital programmes, as it includes revaluations over time. In addition, many assets classified by the Council as commercial have significant service dimensions, including economic development aspects, thereby contributing more broadly to the provision of services.
- with a Capital Financing Requirement of £513m representing the Council's underlying need to borrow, at 29% of the Council's total asset base.

3. Results of consultation undertaken

None.

4. Timetable for implementing this decision

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

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

5.1 Financial implications

The final revenue outturn picture for 2022/23 is balanced only after a year-end contribution of £6.7m from legacy COVID reserve balances. The need to draw down from reserves to balance the budget in-year reflects a serious position for the Council although this has improved from the £8.5m revenue overspend forecast at Quarter 3.

External factors, in particular inflationary pressures, contribute largely to the position presented and will have an impact on the Council beyond 2022/23. There are other intractable on-going issues including those relating to children's social care which are common to many councils across the country whilst the Council also managed local time-limited pressures in the year.

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 represented a cost of c£16m, exceeded the budgetary provision available by c£8m. The pay costs reflected the agreed local government pay award. 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. The Council's 2023/24 Budget anticipates further high levels of inflation although early signs are that a continuing high inflation environment will continue to put renewed pressure on the 2023/24 budgetary position.

Despite further increases to Children's Services' budgets for 2022/23, the demand and overall cases in Children's Services continued to rise in the city leading to high agency social worker levels as well as the sufficiency issues in the external placement market driving costs up disproportionately against already high inflation. The refuse drivers' dispute led to costs being incurred well into the second quarter of the year. A wide range of other challenges are reported in Appendix 1 which, together with the issues reported above, reflect the 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 growing demand on statutory intervention from Children's Services, subdued car park income and lower dividend levels, are now being treated as reflecting a new normal rather than extra-ordinary Covid impacts.

Although the Council has faced its most challenging in-year budgetary position for some years, the overall level of overspend has reduced somewhat towards the year end. The Council has taken steps previously to maintain a strong balance sheet position, including robust reserve balances, which have enabled it to manage the adverse budget variations encountered. It will be vital for the Council to continue to ensure that it maintains a prudent approach going forward.

The underlying position for future years continues to be very challenging and the Council needs to identify how it will be able to manage its medium-term financial position which is likely to come under severe pressure without further support from Government. The Council's strong financial planning approach has taken account of the risk of volatility across a range of budgets such as those in Children's Services, Adult Services, and inflationary pressures. In 2022/23, the level of demand and the increase in costs for this area have continued to exceed the Council's budgetary provision. Further funding has been provided by the Council as part of its 2023/24 budget although it remains to be seen whether this will be sufficient, especially given the economic and social realities currently being experienced across the country.

Several areas within corporate budgets including dividends, investment interest, superannuation and the Coventry and Warwickshire Business Rates Pool yield can be subject to volatility and were budgeted for on a prudent basis in 2022/23. The outturn position on these items was favourable against the range of reasonable expected outcomes and this has enabled the Council to partly absorb overspent budgets elsewhere within the bottom line and minimise the overall overspend. Several of these favourable financial outturns have occurred in areas that have been subject to affirmative Council decisions in recent years such as dividends and investment income.

The local government sector has witnessed risks materialise in the form of some high-profile financial failures often linked to ambitious local plans with scope to deliver financial returns. The Council is itself involved in a range of commercial ventures, company structures and external loan financing arrangements and is committed to ensuring that it maintains a high degree of self-awareness of its position. High standards of due diligence, good governance and monitoring arrangements and the maintenance of a broad mix of activities to guard

against a concentration of risk are all vital factors to protect the Council's financial position. The Council continues to be bold with its aspirations for the city and maintains a measured appetite for risk to achieve this. It is important for the Council to maintain contingency balances to protect against the risk of financial failure in one or more key areas.

With the exception of the Council's General Fund balance all reserves have been set aside to deliver specific projects or risks. Given the size of the Council's ambitions defined by its Capital Programme, its transformation programme and its financial involvements that extend beyond traditional local authority service provision it is entirely appropriate for the Council to support this in the form of balances to pump prime such areas and provide some financial risk mitigation. Nevertheless, the Council remains firmly within a 'mid-table' position with the most recent CIPFA Resilience Index in relation to the level of its reserve balances. This has enabled the Council to place itself in a strong financial position as well as providing the best basis for the Council to improve services for residents and invest in the city and its communities.

The level of expenditure across a broad number and type of capital schemes has once again demonstrated the Council's appetite to embark on ambitious and innovative projects and its success in attracting grant funding to do this. Although the Programme has, not surprisingly, dipped below the very high levels experienced previously it is nevertheless still high in a historical context and has been 77% funded from external grant. The programme's coverage of projects affecting the city centre skyline, enhancing transport infrastructure, improving the profile of the city, and providing support to local economic development, a range of projects dealing with the issues of Air Quality and helping to deliver the Council's climate change agenda.

Although the Council has undertaken some borrowing in-year this has been undertaken on a short-term basis at this stage, taking advantage of relatively low interest rates available from other local authorities. In other areas the Council continues to undertake prudent treasury activity and pursue commercial activity that is ambitious but proportionate to the size of its asset base and overall budget.

A report to the Council's Finance and Corporate Services Scrutiny Board 1 (29th March 2023) provided a detailed update on the background to the Council's decision to make a £1m loan to the Coventry City of Culture Trust during 2022/23. The Trust entered into administration during the year leaving the loan unpaid and also owing the Council c£0.6m for other services provided during the City of Culture programme. The Council has made it clear that it does not expect the large majority of this overall debt to be settled and a decision has been taken to write the whole sum off within the Council's accounts. This does not preclude the Council from seeking repayment from any resources available within the administration process although this is not considered a likely prospect. The debt write-off has been funded from c£1m set aside previously to fund legacy City of Culture activity and c£0.6m of City Readiness money approved previously to support initiatives and preparations aligned to the city's hosting of the City of Culture year and legacy programmes. This has enabled the debt to be written off without creating further budgetary pressure within the Council's revenue position.

5.2 Legal implications

The Cabinet has a responsibility to keep under review the budget of the Council and any other matter having substantial implications for the financial resources of the Council.

The Council must ensure sufficient flexibility to avoid going into deficit at any point during the financial year. The Chief Financial Officer is required to report on the robustness of the proposed financial reserves, under Section 25 of the Local Government Act 2003.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan?

This report provides an account of the overall financial performance of the Council compared with its original Budget. The Council also monitors the quality and level of service provided to the citizens of Coventry and the key objectives of the One Coventry Plan.

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

The revenue and capital outturn position reported here demonstrates that the Council continues to undertake sound overall financial management. This will continue to be important in the light of the current inflationary risks and the continued uncertainty with regard to the level of funding available to local government.

6.4 Equalities / EIA

No specific impact.

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

None.

6.6 Implications for partner organisations?

None.

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Appendix 1 Revenue Variations

Appendix 1 details directorate forecast variances.

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

	Revised Budget	Actual Spend	Centralised Variance	Budget Holder Variance	Total Over/ (Under) Spend
	£m	£m	£m	£m	£m
Adult Social Care & Housing	99.6	102.3	(1.2)	4.0	2.7
Business Investment & Culture	5.7	8.3	0.5	2.1	2.7
Children & Young People's Services	84.9	89.0	(1.3)	5.4	4.1
Contingency & Central Budgets	(22.5)	(36.0)	0.0	(13.5)	(13.5)
Education and Skills	19.8	19.5	(0.9)	0.6	(0.4)
Finance & Corporate Services	6.9	7.6	(0.3)	1.1	0.8
Human Resources	1.9	0.9	0.0	(1.1)	(1.0)
Legal & Governance Services	4.8	5.5	(0.5)	1.2	0.7
People Directorate Management	1.2	1.1	(0.1)	0.1	(0.0)
Project Management & Property Services	(7.1)	(6.0)	0.2	0.9	1.1
Public Health	2.2	0.7	(0.0)	(1.5)	(1.6)
Streetscene & Regulatory Services	31.6	41.0	(0.6)	10.0	9.4
Transportation & Highways	8.3	10.0	(0.4)	2.1	1.7
Total	237.4	244.1	(4.6)	11.3	6.7

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

Centralised Variance Explanation	£m
These are underspends against a combination of salary budgets and turnover savings target. They result from vacancies across Council services. Turnover has remained consistent across the Council, however areas such as Adults & Childrens Services remain high, due to the national and regional Social Worker retention issues. Some of these vacancies will be covered by agency and overtime to ensure services can be maintained. These costs are included within the service positions described below.	(4.6)
Total Centralised Variance	(4.6)

Budget Holder Variance

Service Area	Reporting Area	Explanation	£M
Public Health	Public Health - Insight	The underspend is due to maximising the utilisation of COMF (Contain Outbreak Management Fund) grant funding	(0.4)
Public Health	Public Health – Inequalities	The underspend is due to maximising the utilisation of Domestic Abuse Safe Accommodation grant funding	(0.2)
Public Health	Public Health - Health Protection	The underspend is due to maximising the utilisation of COMF grant funding	(0.1)
Public Health	Public Health - Health Protection	This underspend relates to the holding of migration grant income centrally which is funding costs of other services across the Council.	(0.8)
Public Health			(1.5)
Education and Skills	Customer and Business Services	The Budget Holder underspend is mainly the result of short-term grant income from the Household Support Fund	(0.1)
Education and Skills	SEND & Specialist Services	The overall SEN Transport variance is predominately attributable to an increase in Out of City placements, coupled with higher value bid awards through the e-auction process and the requirement to expand Post 16 routes in response to a higher number of learners accessing Further Education (FE). Occasionally there has also been a need to commission additional taxis to compensate for unavoidable service disruption.	0.3
Education and Skills	Education Entitlement	A significant proportion of the underspend is as a result of reduced expenditure 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 companies at the end of last financial year means that where passes are not used charges are not incurred. New passes will be issued for the 2023/24 academic year and the position will continue to be monitored. There was also an underspend on the interpreter service as a result of cost review and increased efficiencies. Work is underway to ensure this is reflected in the charging model for the 2023/24 financial year.	(0.3)
Education and Skills	Employment & Adult Education	The yearend overall position for Employment is net nil with the majority of Budget Holder "overspend" is reserve contribution of £0.38m from underspend against centralised salaries due to high level of vacancies. Overspend in non-salary cost is £0.17m with £0.12m of that relates to delivery of extra programme funded by additional income, remaining of £0.05m non-pay overspend is made up of various minor operational spending.	0.4
Education and Skills	Other Variances Less than 100K		0.3
Education and Skills			0.6
Children and Young People's Services	Children's Services Management Team	Budgetary pressure in the Social Worker Academy was linked to staffing a second team to increase the amount of Newly Qualified Social Workers that could be recruited into the service. This cost was offset by an underspend on Financial Strategy.	(0.5)
Children and Young People's Services	Commissioning, QA and Performance	Safeguarding training income is £100k below the budgeted target and the Professional Support Service saving target of £53k has not been met. The remaining overspend is agency spend for Independent Reviewing Officers', Child Protection	0.3

		Chairs and Local Authority Designated Officers, due to pressures caused by vacancies and increasing caseloads	
Children and Young People's Services	Help & Protection	<p>There is an overall budgetary pressure in Help and Protection, which includes the following:</p> <p>£1.6m pressure in the Area Teams linked to staff costs, with high levels of cases requiring additional workers and agency staff.</p> <p>£0.3m pressure in LAC legal costs linked to ongoing high levels of demand. Development work regarding pre proceedings work is envisaged to reduce this pressure once new procedures are implemented.</p> <p>£0.4m pressure in Section 17 spend linked to a high number of households being housed in temporary accommodation. There is an additional £0.1m pressure in NRPF (No recourse to public funds). This is unavoidable due to statutory responsibilities to financially support children and families who reside in Coventry without legal status to access benefits.</p> <p>There are short term savings which are currently offsetting the budget pressures from additional Grants and vacant posts across Early Help.</p>	2.3
Children and Young People's Services	LAC & Care Leavers	<p>There is a £1.9m overspend on looked after children's (LAC) placements. This is mainly linked to increasing unit costs for placements due to a lack of sufficiency in the market to meet the needs of young people in care.</p> <p>There is a further budget pressure of £500k due to staffing challenges within LAC permanency service and the need for agency staff to ensure that care proceedings continue to be progressed. This is an improving position as measures taken are now starting to have a positive impact.</p> <p>LAC transport has an overspend of £340k and this is as a result of placement arrangements where transport needs to be provided for children to continue in their current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure.</p> <p>There is a overspend of £132k on Adoption Central England, this relates to an increase in Interagency fees and pay increases. Work is being undertaken to address this.</p> <p>There is a further budgetary pressure of £0.3m within the Children's disability service. This overspend relates to increased costs for short breaks & direct payments, DFG shortfalls and intensive support for some children to enable them to remain living at home, as an alternative to living in residential care.</p> <p>These overspends are offset by an increase in income from central government for unaccompanied asylum-seeking children.</p>	3.3
Children and Young People's Services			5.4

Adult Social Care	Strategic Commissioning (Adults)	£0.6m underspend relates to New Homes for Old PFI due to additional client fee income. A further underspend relates to lower than anticipated transport costs to day opportunities.	(0.8)
Adult Social Care	Adult Social Care Director	The underspend represents an increase in the amount of iBCF and other resources that are drawn down to contribute to the overall budget position. This does mean there is less flexibility and therefore increased risk of overspends in subsequent years. This has been partly offset by increases in bad debt provision (£0.5m).	(1.8)
Adult Social Care	Internally Provided Services	Overspends relating to additional hours, agency and overtime costs have been offset by centralised underspends due to staff vacancies.	0.1
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.	0.2
Adult Social Care	Localities and Social Care Operational	Overspends relating to additional agency costs have been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care	Community Purchasing Mental Health	Demand for mental health services continues to increase, this impacts on provision of statutory services to meet essential need.	2.4
Adult Social Care	Community Purchasing Other	see above - Community purchasing spend is managed at an overall level and increased complexity of demand is being seen across all areas alongside increases to package costs driven by high levels of inflation. Activity throughout the year has also increased. In addition, costs relating to Hospital Discharge that were grant funded in the previous year were not funded for the first 6 months of the year. A hospital discharge grant was received covering the latter stage of the year.	3.9
Adult Social Care	Enablement & Therapy Services	Overspends on equipment purchases due to high inflation which have been offset by centralised underspends in salaries due to vacancies.	0.2
Adult Social Care	Housing and Homelessness	The number of households in temporary accommodation has continued to increase, particularly during Jan – April 2023 although the increase was not at the rate forecast. In addition, a further £0.2m homelessness prevention grant has been available by the DLUHC during 2022/23 offsetting the cost of temporary accommodation.	(0.7)
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.2m).	0.2
Adult Social Care			4.0
Business Investment & Culture	Sports, Culture, Destination & Bus Relationships	BH overspend of £2m mainly due to £1.22m Cultural services unfunded running costs in respect of the corporate Cultural Gateway project, the majority of which is business rates), £0.46m in respect of the Wave heatline (energy) costs and contribution to lifecycle costs, £0.33m deficit / income not achieved in the first year of the new St Mary's catering facility due to a delayed opening whilst capital works were completed, staff recruited etc.	2.3
Business Investment & Culture	Economic Development service (EDS)	Overspend of £0.15m mainly due to overspend Growth Hub unfunded £0.13m, various other net overspend £0.02m. e.g. MIPIM project deficit.	0.3

Business Investment & Culture			2.6
Human Resources	ICT & Digital	The Budget Holder variance comprises the some one-off underspends (reductions of £473K as a result of a negotiated one off reduction in first year cost of the contract; underspends on EA licence consumption charges, Network related hardware and Out of Hours allowances, plus identification of £288K income which has been subject to negotiation over the past few years but an agreement reached within the last quarter) partially offset by the on-going shortfall of schools income £189K.	(1.2)
Human Resources	Occupational Health, Safety and Wellbeing Services	Continued successful marketing and careful managing of staffing resources has resulted in higher income from external contracts. This continues to support the budget for the Council's core internal service. In 2023/24 most of this additional income will be required to fund continuation of temporary posts.	(0.1)
Human Resources	Other Variances Less than 100K		0.2
Human Resources			(1.1)
Finance & Corporate Services	Revenues and Benefits	<p>There is a gross £0.5m pressure within the discretionary hardship payments (DHP) scheme due to a 30% reduction in government grant funding combined with an increase in demand for services.</p> <p>There is also a net Housing Benefit subsidy pressure of £0.3m 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. In addition, there is a Housing Benefit subsidy pressure of £0.5m, relating to audit testing of the 2020-21 claim.</p> <p>These are offset by a contribution from reserves of £0.2m and by one-off new burdens grant funding for COVID business support and energy rebate administration.</p>	0.8
Finance & Corporate Services	Financial Mgt	<p>The pressure is a result of a significant increase in the number of individuals applying for welfare support from the Household Support Fund resulting in expenditure exceeding the grant allocation for the Oct-22 to Mar-23 period.</p> <p>This is offset by several small cost reductions across the service.</p>	0.4
Finance & Corporate Services	Other Variances Less than 100K		(0.2)
Finance & Corporate Services			1.0
Legal & Governance Services	Legal Services	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 caseload primarily in children's social care as an ongoing impact of COVID-19.	1.1
Legal & Governance Services	Procurement	There was an improved income performance from the early payment scheme in 2022-23 (partially one-off).	(0.1)
Legal & Governance Services	Other Variances Less than 100K		0.1

Legal & Governance Services			1.2
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 £0.8m. In addition, there is a pressure relating to the increased volume and cost of highway asset repairs of £0.2m, which is largely due to unrecoverable costs of traffic accidents	1.1
Transportation & Highways	Highways	An under recovery of income for highways (DLO) operational staff (£0.4m) due to sickness, vacancies, and strike action, together with the delayed achievement of some MTFS savings targets (£0.2m) and greater than anticipated reactive repairs costs (£0.1m).	0.7
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFS targets	0.1
Transportation & Highways	Transport Policy	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.	0.2
Transportation & Highways			2.1
Streetscene & Regulatory Services	Planning Services	As a result of the downturn in the economy, income has been much lower than expected. This reflects a national trend.	0.8
Streetscene & Regulatory Services	Streetpride & Parks	Income targets are not being achieved (Funeral Services £160k, WMP Car Park £64k, Coombe Play £100k and Activities/Concessions across all parks £90k). Vacancies are being held across Streetpride pending the outcome of the review, so posts are being covered by agency/overtime c£100k. There are also Fleet pressures £200k and costs associated with Traveller Incursions of £193k	0.9
Streetscene & Regulatory Services	Waste & Fleet Services	Domestic Waste has overspent by c£7.1m which is predominantly due to mitigating action taken to maintain a waste collection service both during and after the HGV driver strike including the use of an alternative operator, temporary staff and vehicle hire. Additionally, Commercial Waste have overspent by £1.3m as a direct consequence of the dispute. These pressures are slightly offset by a reduction in Waste Disposal costs of (£650k) There were also pressures in Passenger Transport Service of £230k as a result of the higher than expected pay award (not passed on to internal customers) & additional staff required to cover high sickness levels.	8.0
Streetscene & Regulatory Services	Environmental Services	This variation is predominantly due to reduced income as a result of the number of vacancies across the area affecting the opportunity to generate new business, particularly Pest Control.	0.2
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
Streetscene & Regulatory Services			10.0
Project Management and Property Services	Commercial Property and Development	(0.1m) underspend in CPM is mainly due to: (£0.26m) landfill site provision released, which is offsetting Property Development overspend of £0.1m and Major City development £0.07m mainly on professional costs.	(0.1)

Project Management and Property Services	Facilities & Property Services	This pressure of £1.3m is primarily as a result of a £1.1m energy pressure for operational buildings caused by the rise in energy costs from October 2022. In addition, a £0.3m pressure for Fairfax Street unfunded holding costs, which has been partially offset by an expected trading surplus around (£0.17m) in the R&M function.	1.3
Project Management and Property Services	PMPS Management & Support	This reflects accelerated achievement of corporate MTFS savings for the strategic property review.	(0.3)
Project Management and Property Services			(0.9)
Contingency & Central Budgets	Corporate Finance	The overall Corporate and Contingency underspend of £13.5m incorporates favourable variances of £5.8m in the Asset Management Revenue Account (AMRA) and £7.2m across all other contingency budgets. The AMRA variation incorporates higher than budgeted interest income from loans provided by the Council, higher than budgeted investment income from a combination of larger short-term investment balances and higher interest rates, lower than assumed interest debt costs and higher dividends from Council owned companies. In addition to inflationary impacts reported within individual services, central budgets include the cost of the expected 2022/23 pay award which averages c6% for the Council and represents a cost c£6m above the original budget. This is offset by other inflation contingency budgets and a £1m reserve contribution set aside to manage unbudgeted pay costs. Favourable variations include lower than budgeted superannuation costs (£4m), a Business Rates Pool surplus (£2m) and savings derived from new commercialisation activities (£0.5m).	(13.5)
Total Budget Holder Forecast Variances -Contingency & Central Budgets			11.5

Appendix 2 Capital Programme Change and Analysis of Rescheduling

SCHEME	APPROVED CHANGES £m	(RESCHEDULING)/ ACCELERATED SPEND £m	EXPLANATION
Coventry South and North Package - WMCA Investment Programme		(0.5)	Spend on the M6 J3 design has been deferred to 2023/24 following National Highways funding being secured in 2022/23 to undertake an initial Options Appraisal. A46 Link Road spend was re-profiled to align the next phase of Options Appraisal with the programme for the South Warwickshire Local Plan Review.
City Centre South		(2.8)	The timescales to acquire the Albert Buildings site (Iceland) and one of the external stalls in Coventry Market were different to those originally estimated. Furthermore, the CPO Inquiry for the scheme took place later than originally anticipated (January 2023) due to the commercial negotiations with the developer and CCC funding decisions (Cabinet Report Nov 2022) and this has resulted in changes to planned CPO related expenditure.
Friargate (Building 2 and Hotel)		(5.3)	It was anticipated that Two Friargate would complete at the end of April 2023, however, the anticipated completion date has moved to July 2023. This change is caused by delays to the provision of utilities (power) on site and resultant impacts on the final commissioning works for the building. As a result, a larger element of spend has slipped into 2023/24.
Transportation Key Route Network (KRN)		(0.4)	The remainder of this work is scheduled for Quarter 1 2023/24.
Transportation S106 Programme		(1.2)	There have been a number of S106 funded schemes that have been either forward funded or developed pending the S106 funding being legally signed, and income received, for example, Keresley Link Road, Shultern Lane/Lynchgate Cycle Scheme, Coundon Park and Coundon Wedge Drive schemes. This has resulted in designs/programmed works to slip into next financial year. However, the strategic approach to the S106 programme has allowed a successful bid for additional funding, i.e. Sustrans £1.4m grant award to deliver Lynchgate but has also secured additional development packages in areas such as Keresley that will bring forward additional S106 contributions and greater housing numbers.
Active Travel Neighbourhood - Earlsdon & Lower Coundon		(0.9)	Engagement work has commenced for the Earlsdon scheme, but implementation has been deferred to 2023/24 to allow time for full consideration of consultation feedback. The Lower Coundon scheme has not yet commenced engagement due to a need to co-ordinate this with the change control request for the Local Air Quality Action Plan.
CRSTS Foleshill Transport Package		0.3	The delivery of cycle works at Junction 9 of the Ring Road were more than initially estimated due to the impact of inflation on construction prices. This cost

			pressure will be managed within the overall funding envelope.
Housing Infrastructure Fund - Eastern Green		0.9	The £15.6m Homes England grant has now been fully drawn down and passported to the contractor. As part of Homes England conditions, it was a requirement that CCC is the accountable body for scheme delivery. Therefore, the remainder of the scheme value will be included within CCC accounts. Invoices will be raised to receive income from the land developer prior to passporting this over to the contractor, this ensures CCC avoid exposure to any financial risk.
Binley Road Cycleway		(2.2)	Work has been progressing well on the construction of the Binley Cycle Route, but there has been a need to review the design of one section of the route, on Clifford Bridge Road, to take account of consultation feedback. This has delayed the construction of that section of the route.
Palmer Lane Deculverting		(1.0)	Palmer Lane works have been delayed by legal processes taking longer than anticipated. Works will start summer 2023.
Growing Places		(0.4)	The Duplex Investment Fund had a lower than expected take up of grants due to economic uncertainty in 2022/23. There is a growing pipeline of businesses who are interested in Duplex Fund and further drawdown of Capital Funds is expected in 2023/24.
Vehicle and Plant Replacement	0.4		The change to the programme was due to a group of minibuses that were due on order in April, arrived unexpectedly in late March 2023.
Schools Basic Need Programme		3.0	Spend against forecast works have progressed quicker than expected on secondary expansion. Some of this is due to rescheduling last year and needing to mitigate against this on programmes. Some additional works have been required to accommodate SEND pupils which were not factored into forecasts.
Housing Venture		(0.3)	Problems with obtaining Planning Permission have stopped the majority of the projects being carried out this year.
Whitley Depot		(0.3)	Delay in commencement of demolition works due to relocation of ICT connectivity equipment and commissioning.
Disabled Facilities Grant		0.7	Accelerated spend arising from better than expected progress since Q3 in completing DFG adaptations relating to ramps, lifts and minor adaptations.
Green Homes Grant		(0.4)	Planned to spend all the grant funding by the end March in line with the grant conditions. However, BEIS subsequently extended the schemes beyond March so HUG1 is due for complete by end of this month and LAD3 is due for completion by end Sep 2023.
Tom White Waste Commercial Loan	0.5		Approved at Cabinet on 11th October 2022 this is facility A loan for material Recycling Facility, towards TWW business growth. It forms part of a £22.7m agreement.

Battery Plant & Equipment		(0.7)	Remaining funding for UKBIC project retained due to outstanding negotiations with one of the project's major contractors. It is likely that a settlement payment will be required in order to close down the contract and avoid adjudication, as well as funding for associated legal and technical advice required to resolve the matter.
Uk City of Culture / St Marys / Albany Theatre / Cultural Gateway		(1.9)	The Albany Project is progressing well but has been subject some to £1.3m of slippage due to unforeseen ground obstructions that had been discovered on site. This has meant that the team have had to redesign the drainage system to accommodate these and are working on the fit-out programme to mitigate delays to programme. The scheme is due to complete in November 2023. There is Cultural Gateway slippage of £0.3m caused by a slight delay in the commencement of the stage 4 design works, particularly to floors 5&6.
Cycle to Rail		(0.4)	Design work has been undertaken and implementation is being co-ordinated with the adjoining Liveable Neighbourhoods project. Works will be completed in 2023/24.
Interest Capitalisation	0.2		This is in respect to the accounting policy referring to the prudential borrowing costs associated with the new Collection Centre scheme. Borrowing costs, in the form of interest expenses, are capitalised where the asset in question is a qualifying asset and takes a substantial period of time to bring into operation. Borrowing costs will only be capitalised on schemes for which expenditure is incurred over a period or more than 12 months, until the asset is operationally complete, and where a material level of capital expenditure is resourced by borrowing.
Individual schemes less than £250k threshold	0.3	(0.2)	Individual schemes less than £250k threshold
TOTAL CHANGES	1.4	(14.0)	

Appendix 3

<u>Summary Prudential Indicators</u>	Per Treasury Management Strategy	Actual
Feb 22 Cabinet Report Appx 6a	22/23	22/23
Other Sources	£000's	£000's
1 Ratio of financing costs to net revenue stream:		
(a) General Fund financing costs	35,814	33,313
(b) General Fund net revenue stream	237,379	237,379
General Fund Percentage	15.09%	14.03%
2 Gross Debt & Forecast Capital Financing Requirement		
Gross debt including PFI liabilities	366,048	328,429
Capital Financing Requirement (forecast end of 23/24)	518,023	513,024
Gross Debt to Net Debt:		
Gross debt including PFI liabilities	366,048	328,429
less investments	-55,000	-79,837
less transferred debt reimbursed by others	-8,497	-6,666
Net Debt	302,551	241,926
3 Capital Expenditure (Note this excludes leasing)		
General Fund	145,143	146,856
4 Capital Financing Requirement (CFR)		
Capital Financing Requirement	518,023	513,024
Capital Financing Requirement excluding transferred debt	529,540	506,358
5 Authorised limit for external debt		
Authorised limit for borrowing	474,362	474,362
+ authorised limit for other long term liabilities	63,662	63,662
= authorised limit for debt	538,023	538,023
6 Operational boundary for external debt		
Operational boundary for borrowing	454,362	454,362
+ Operational boundary for other long term liabilities	63,662	63,662
= Operational boundary for external debt	518,023	518,023
7 Actual external debt		
actual borrowing at 31 March 2023		264,777
+ PFI & Finance Leasing liabilities at 31 March 2023		56,986
+ transferred debt liabilities at 31 March 2023		6,666
= actual gross external debt at 31 March 2023		328,429
8 Interest rate exposures		
Upper Limit for Fixed Rate Exposures	474,362	328,029
Variable Rate		
Upper Limit for Variable Rate Exposures	94,872	-79,437
9 Maturity structure of borrowing - limits	Upper Limit	
under 12 months	50%	11%
12 months to within 24 months	20%	12%
24 months to within 5 years	30%	7%
5 years to within 10 years	30%	24%
10 years & above	100%	46%
10 Investments longer than 364 days: upper limit	30,000	0

Prudential Indicators

The CIPFA Code imposes on the Council clear governance procedures for setting and revising of prudential indicators and describes the matters to which a Council will 'have regard' when doing so. This is designed to deliver accountability in taking capital financing, borrowing and treasury management decisions.

The Prudential Indicators required by the CIPFA Code are designed to support and record local decision making and not as comparative performance indicators.

There are eleven indicators shown on the previous page, and these are outlined below:

Revenue Related Prudential Indicators

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.

Capital and Treasury Management Related Prudential Indicators

Gross Debt and Capital Financing Requirement (Indicator 2):

The Council needs to be certain that gross external borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional capital financing requirement for the next three financial years. The CFR is defined as the Council's underlying need to borrow for capital purpose, i.e. it is borrowing requirement. The CFR is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.

Capital Expenditure (Indicator 3):

This indicator is an estimation of the Council's future capital expenditure levels, and these underpin the calculation of the other prudential indicators. Estimates of capital expenditure are a significant source of risk and uncertainty and it is important that these estimates are continually monitored and the impact on other prudential indicators (particularly those relating to affordability) are assessed regularly.

Capital Financing Requirement (Indicator 4):

As outlined in Indicator 2 above, the CFR represents the Council's underlying need to borrow for capital purposes.

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.

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.

Actual External Debt (Indicator 7):

This indicator identifies the actual debt at the end of the previous financial year as recognised with the Statement of Accounts.

Adoption of the CIPFA Treasury Management Code (indicator 8):

This indicator is acknowledgement that the Council has adopted the CIPFA's *Treasury Management in the Public Services: Code of Practice*.

Interest Rate Exposures for Borrowing (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.

Maturity Structure of Borrowing – 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.

The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

Investments Longer than 364 days: Upper Limit (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.

All these prudential limits need to be approved by full Council but can be revised during the financial year. Should it prove necessary to amend these limits, a further report will be brought to Cabinet, requesting the approval of full Council for the changes required.

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Audit and Procurement Committee Annual Report to Council 2022-23

To be considered at the City Council meeting
on the 5th September 2023

Audit and Procurement Committee Annual Report 2022-23

Introduction by Chair of Audit and Procurement Committee

I am pleased to present this report which outlines the Committee's work over the municipal year 2022-23.

The Audit and Procurement Committee is a key component of the Council's governance framework, supporting good governance and strong public financial management. 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.

I am looking forward to building on the good work done in 2022-23 and ensuring that the Committee continues to make a positive contribution to the overall governance arrangements within the Council. In terms of priorities for 2023-24 these include ensuring that:

- The Council's risk management, governance, internal control and financial management arrangements continue to operate effectively, especially in light of the inflationary pressures facing the country.
- Matters relating to the publication of the Council's Statements of Accounts are resolved, with an expectation that the 2019-20 accounts are published before the end of 2023.

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



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

1 Activity of the Council's Audit and Procurement Committee

During 2022-23, the Council's Audit and Procurement Committee met on eight occasions. Meetings were held in June, July, August and September 2022, as well as in January, February and March 2023.

The Committee receives a range of:

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

The details of the reports considered in 2022-23 are expanded upon below.

1.1 **Governance** - As part of the Annual Accounts process for 2021-22, the Chief Internal Auditor co-ordinated the development of the Council's Annual Governance Statement. The draft Statement was considered by the Committee in January 2023. The Statement provides assurance that the Council's governance arrangements have been fit for purpose during the year, based on an assessment using a range of sources. As well as highlighting a number of ongoing governance issues that remain a focus for the Council, the Statement also acknowledged the following new governance issues identified from the work undertaken to produce the Statement; updating the Local Code of Governance, mandatory training for Waste Services employees returning to work, raising awareness of the Employees Code of Conduct, approval of the Council's draft Sustainability and Climate Change Strategy and improving the process for raising concerns under the Council's Whistleblowing Policy.

1.2 **Financial Management and Accounting** – The Committee received a report in June 2022, which provided an update on the audit and publication of the 2019-20 and 2020-21 Statement of Accounts. It was highlighted that additional issues identified by the Council's external auditors needed to be resolved before the accounts could be approved. These related to the following technical accounting matters; finalisation of accounting statements for the Council's Group Accounts and accounting for highways infrastructure assets. In addition, it was highlighted that the Council had appointed expert external support for the key valuation processes and internal capacity specifically targeted at some of the more complex areas of accounting. The Committee has continued to receive updates on this during the year, including the impact on subsequent years accounts. Additionally, the following reports were received in year:

- The revenue and capital outturn position for 2021-22 was considered in July 2022. The report showed the Council's financial position in relation to management accounts used to monitor performance through the year.
- Quarterly monitoring reports of the Council's performance against its revenue and capital budgets during 2022-23 were considered in September 2022, January 2023 and March 2023.
- A treasury management activity update was considered in January 2023. The report highlighted investment activity carried out by the Council and provided

assurance that the Council was managing investments in accordance with its Investment Strategy.

1.3 **External Audit** - External audit activity undertaken to enable the Council's Statement of Accounts for 2019-20 and subsequent years to be finalised has also impacted on the normal timetable of reports that the Committee receives from the external auditors. However, the following reports were received from the Council's external auditors, Grant Thornton in 2022-23:

- Interim External Auditor's Annual Report 2020-21 - This report was considered in July 2022. Its purpose was to provide assurance that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The report concluded that there were no significant weaknesses in the Council's arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness although recommendations for improvement were made.
- External Auditor's Value for Money Report 2020-21 on Company Governance - This report was also considered in July 2022 and provided an assessment of the Council's governance arrangements for its wholly owned and joint venture companies. This included the Council's arrangements for group governance and the individual company's performance and operational governance. The report concluded that the revised governance structure through establishing a single parent company "Coventry Municipal Holdings" was appropriate and would enable the Council to have appropriate oversight of its companies and investments. A number of opportunities for further improvements were also identified in the report.

1.4 **Internal Audit** – In June 2022, the Audit and Procurement Committee received the Internal Audit Annual Report. This report had two main purposes:

- To summarise the Council's Internal Audit activity for the period April 2021 to March 2022, against the agreed Internal Audit Plan for the same period. This highlighted the Internal Audit Service had delivered 87% of the agreed work plan by the 31st March 2022, against a target of 90%.
- To provide the 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. Based on the work of Internal Audit in 2021-22, the Chief Internal Auditor concluded that 'moderate' assurance could be provided that there was generally an effective and adequate framework of governance, risk management and internal control in place to help the organisation meet its objectives.

Other Internal Audit reports considered during the year include:

- Internal Audit Plan for 2022-23 – This report considered the outcome of the Internal Audit planning process and provided the Committee as a key stakeholder of the Internal Audit Service, the opportunity to comment on scope and coverage outlined in the plan.
- Progress reports on Internal Audit work – Monitoring reports were received in January 2023 and March 2023. These reports provided updates on the performance of the Service, along with a summary of the key findings from a sample of audit reviews carried out in the relevant periods. In considering

these reports, the Committee agreed with the focus of improvements identified and the timescales agreed for implementation.

- Internal Audit Charter – This report set out the Internal Audit Charter which had been reviewed and updated. The Charter defines the purpose, authority, responsibility and position of internal audit activity with the Council. The Committee approved the adoption of the new Internal Audit Charter.
- Recommendation Tracking Report – In January 2023, a report on action taken by service areas in implementing agreed audit recommendations was presented. This highlighted the levels of compliance with the implementation of agreed actions and the approach undertaken by Internal Audit to follow up recommendations.

1.5 **Fraud and Error**- The following fraud reports were considered in 2022-23

- Annual Fraud and Error Report - This report was considered by the Committee in September 2022 and summarised the Council's response to anti-fraud and error activity for the financial year 2021-22. This included:
 - Work undertaken in managing the risk of fraud and error in business support grants which were administered by local authorities on behalf of the government in response to Covid-19. This included pre and post-payment assurance checks and assisting in the administration of the debt recovery process.
 - A summary of the work undertaken in relation to the National Fraud Initiative, a data matching exercise led by the Cabinet Office. It was highlighted that £87k of overpayments had been identified which were subject to recovery action.
 - A summary of the work undertaken in relation to corporate fraud investigations, including one significant fraud which was concluded during 2021-22.
- Half Yearly Fraud and Error Update - A report was received in March 2023 which provided an up-date on anti-fraud and error activity in 2022-23. This included the ongoing work in respect of business support grants which highlighted that £367k of business support grants which had been recovered by the Council had been returned to the Department of Business, Energy and Industrial Strategy.

1.6 **Procurement** – Report relating to procurement was received in September 2022 and March 2023. This area is considered under the private part of the agenda and are progress reports summarising procurement activity considered by the Procurement Board and Panels in the relevant period, as well as providing details of savings made. The reports also provided assurance around the effectiveness of governance arrangements for Procurement Board and Panels and details of exceptions to Contract Procedure Rules which had been granted. The Committee in considering these reports noted the content of reports and sought assurance around specific activity highlighted.

1.7 **Salaries** – Within its terms of reference, the Committee is responsible for determining any salary or severance package for an employee of the Council (except the Chief Executive) of £100k or over. The Committee received reports in June 2022, August 2022 and February 2023 linked to the discharge of this function.

1.8 **Other** - The Audit and Procurement Committee also supports the Council in considering other areas linked to risk management, internal control and governance and in 2022-23, this included the following:

- Whistleblowing Annual Report 2021-22 – This report provided a summary of the concerns raised under the Council’s Whistleblowing Policy during the year and the Council’s response to the issues. Of the three whistleblowing disclosures received, in one case management action was taken to make improvements. In the other two cases, the disclosure was not substantiated / did not satisfy the grounds for whistleblowing.
- Complaints to the Local Government and Social Care Ombudsman 2021-22 - This report provided information regarding the number and outcome of Local Government and Social Care Ombudsman complaints received and investigated during 2021-22 along with outlining the actions taken by the Council where a complaint was upheld by the Ombudsman. Of the 93 complaints, 14 were investigated and 10 were upheld. The Ombudsman issued one formal report of maladministration and injustice, in regards to which the Committee received assurance that the Council had taken appropriate action in response.
- Corporate Risk Register– This report set out the current Corporate Risk Register with an overview of the changes since the last Register was considered and details of the controls in place to address identified risks. The Committee noted the Risk Register having satisfied themselves that risks are being identified and managed, whilst asking for consideration to be given to the inclusion of three additional risks onto the Register.
- Information Governance Annual Report 2021-22 – This report considered the Council’s performance in relation to handling requests for information, managing data protection security incidents and completing data protection training, as well as highlighting the outcome of internal reviews carried out by the Council and complaints considered by the Information Commissioners Office. The Council completed 86% of FOI requests on time and 79% of Subject Access Requests. Twelve Information Commissioners Office complaints were received during the year, which were appropriately dealt with. One security incident was reported to the Information Commissioners Office during the year.
- Regulation of Investigatory Powers Act 2000 Annual Compliance Report – This report focused on providing oversight of the Council’s compliance with this Act. There were no directed surveillance applications granted during the year and no reported instances of the Council having misused its powers under the Act.



Coventry City Council

Public report

Report to

Audit and Procurement Committee

24th July 2023

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:

Internal Audit Plan 2023-24

Is this a key decision?

No

Executive summary:

The purpose of this report is to share the draft Internal Audit Plan for 2023-24 with the Audit and Procurement Committee to allow the Committee to express its views on the extent and nature of the planned coverage.

Recommendations:

Audit and Procurement Committee is recommended to consider the draft Internal Audit Plan for 2023-24 (Appendix One to the report) and provide any comments on the content and scope of the proposed Plan.

List of Appendices included:

Appendix 1 - Draft Internal Audit Plan 2023-24

Background papers:

None

Other useful documents:

None

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:

Draft Internal Audit Plan 2023-24

1. Context (or background)

1.1 The Audit and Procurement Committee, within its terms of reference, is required to:

'Consider the Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activities (actual and proposed) and the level of assurance given within the Annual Governance Statement incorporated in the Annual Accounts'.

1.2 In terms of proposed audit activities, the draft Internal Audit Plan attached at Appendix One documents the outcome of the audit planning process for 2023-24. This report provides the mechanism for allowing the Audit and Procurement Committee to discharge its responsibility as highlighted above, but also enables the Committee, as a key stakeholder of the Internal Audit Service, to comment on the content and scope of the proposed Internal Audit Plan.

2. Options considered and recommended proposal

2.1 **Background** – Internal Audit is an essential part of the Council's corporate governance arrangements. In considering the Public Sector Internal Standards (PSIAS) which became applicable to local authorities in April 2013 (and updated March 2017), Internal Audit is defined as:

"An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The priorities of internal audit activity are determined through the development of an annual risk-based Internal Audit Plan. This report documents the planning process and identifies the outcome of this process, namely the draft Internal Audit Plan for 2023-24.

In developing the Audit Plan, we aim to achieve the following objectives:

- To provide a cost effective, targeted and value-added service to our customers. This requires the Service to achieve a balance between delivering standard audit reviews and responding to new / emerging risks faced by the Council, both at the operational and corporate level.
- To provide a quality Internal Audit Service in line with the Public Sector Internal Audit Standards, to assist the Council in achieving its aims and objectives.
- To provide the Service with a degree of flexibility to allow it to be able to respond to the changing needs of stakeholders during the year and provide relevant assurance.
- Ensuring that the level and skills of audit resources available is appropriate to meet the audit needs of the Council.
- To allow the Chief Internal Auditor to provide the Council with an annual opinion on the effectiveness of the organisation's risk management, internal control and governance arrangements.

2.2 **Draft Audit Plan 2023-24** – The results of the initial assessment of priorities are shown in Appendix One. Key points to note include:

- The draft plan is based on an allocation of priorities against the current level of audit resources available. For 2023-24, it has been assessed that the resources available are 480 days for audit and corporate fraud work. However, due to unplanned absence within the Service at the current time (which has been factored in as far as possible), this assessment may be subject to some adjustment during the course of the year. In the event that there are significant changes to the level of resources available for 2023-24 which impact on the delivery of the Audit Plan, this will be reported to the Audit and Procurement Committee.
- In addition to the 480 available audit days, The Service also has two trainee posts 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 2023-24, although they will provide support to the Team in delivery of audit work.
- In focusing the available resources to develop a plan which meets the needs of the Council and adds value, the following approach has been taken:
 - An initial risk assessment has been undertaken, which considers 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 has been included in Appendix One. Where the risk has been assessed as medium rather than high, this generally reflects the findings of previous audit reviews in the respective area / an initial assessment of the control environment.
 - The approach to undertaking annual audits of the Council's key financial systems has been reviewed and where appropriate to do so (e.g. where there is history of the system being well controlled) it has been determined that full audits will be undertaken on a bi-annual basis. However, where it has been agreed that there are areas of identifiable risk within these systems, these have been included as specific engagements within the draft audit plan for 2023-24, e.g Housing Benefit (HB) subsidy.
 - 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 are 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.
- Areas of planned work include:
 - Corporate Risks – the focus of audit coverage in 2023-24 in regards to the corporate risk register is aligned to those areas where it is clear Internal Audit can make a contribution to the management of these risks, including emerging issues linked to these activities. This includes reviews of compliance with the enabling attendance

policy, near miss reporting and assurance over the governance of Coventry Municipal Holdings.

- ICT – The programme of IT audit work is established through an IT audit needs assessment which identifies areas of focus. In 2023-24, the areas which have been agreed are, cyber security, asset management and end user computing.
- Council / Audit priorities – this incorporates audit work linked to specific priorities which have a corporate impact such as equality impact assessments, compliance with the Transparency Code and implementation of new IT systems / upgrades.
- Regularity – this includes 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.
- Directorate risks – this audit area includes those issues highlighted through dialogue with Directors which could affect the achievement of operational objectives. In 2023-24 identified areas include sports asset maintenance, adult education and the Public Health visitors' contract.

As a result, it is believed that the draft Audit Plan for 2023-24 is 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.

3. Results of consultation undertaken

- 3.1 There is an on-going process of consultation with Senior Officers across the Council to inform development of the Audit Plan and areas of specific focus throughout the year.

4. Timetable for implementing this decision

- 4.1 The Internal Audit Plan is an annual plan and is based on a completion date of the 31st March 2024. Progress is monitored by the Audit and Procurement Committee. In addition to the planned quarterly progress reports, the Internal Audit Service is required to produce an annual report. This report is due in June / July 2024 and will include the opinion of the Chief Internal Auditor on the adequacy of the Council's risk management, internal control and governance arrangements, highlighting issues relevant to the preparation of the Annual Governance Statement.

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

5.1 Financial Implications

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

5.2 Legal implications

The effective planning of audit activity across the organisation ensures that the Council meets its statutory obligations in respect of maintaining an internal audit function and represents good governance.

6. Other implications

6.1 How will this contribute to achievement of the One Coventry Plan?

[\(www.coventry.gov.uk/councilplan/\)](http://www.coventry.gov.uk/councilplan/)

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

6.2 How is risk being managed?

In terms of risk management, there are two focuses:

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

6.3 What is the impact on the organisation?

None

6.4 Equalities / EIA

None

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

No impact

6.6 Implications for partner organisations?

None

Report author:

Name and job title:

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Chief Internal Auditor

Service:

Finance

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Service Area	Date doc sent out	Date response received or approved
Contributors:				
Suzanne Bennett	Governance Services Co-ordinator	Law and Governance	5/7/2023	7/7/2023
Paul Jennings	Finance Manager Corporate Finance	Finance	5/7/2023	11/7/2023
Names of approvers: (officers and members)				
Barry Hastie	Chief Operating Officer (Section 151 Officer)	-	5/7/2023	
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	5/7/2023	5/7/2023
Councillor R Lakha	Chair of Audit and Procurement Committee	-	5/7/2023	13/7/2023

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

Appendix One – Internal Audit Plan 2023-24

KEY DRIVER	RISK LEVEL	AUDIT AREA	PLANNED DAYS
Corporate Risk			
	High	ICT and Digital*	30
	High	CWRT loan book health check	5
	High	Coventry Municipal Holdings	15
	High	Near miss reporting	15
	High	Enabling Attendance	15
Council / Audit Priorities			
	Medium	Payment Audit*	3
	High	Implementation of new systems / upgrades	15
	Medium	IR35	12
	Medium	Equality Impact Assessments	15
	Medium	Transparency code	5
Financial Systems			
	High	Care Director	20
	Medium	Business Rates	15
	Medium	Accounts Payable	8
	Medium	Council Tax arrears	7
	Medium	Payroll	10
	Medium	HB subsidy	15
Regularity			
		Grants	60
		Corporate Governance	10
		Risk Management	7
		Schools	36
Other			
		Contingency / Directorate Risks	100
		Fraud	15
		Follow up	14
		2022/23 B/Fwd	33
		Total Days Available	480



Coventry City Council

Public report

Report to

Audit and Procurement Committee

24th July 2023

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 2022-23

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 2022-23.

Recommendation:

The Audit and Procurement Committee is recommended to note and consider the anti-fraud and error activity undertaken in the financial year 2022-23.

List of Appendices included:

None

Background papers:

None

Other useful documents:

Half Yearly Fraud and Error report 2022-23

[Agenda for Audit and Procurement Committee on Monday, 20th March, 2023, 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 2022-23

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 This report documents the Council’s response to fraud and error during 2022-23 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 three main areas during 2022-23, namely:
- Business Support Grants
 - National Fraud Initiative
 - Referrals and investigations considered through the Council’s Fraud and Corruption Strategy

A summary of the key activity that has taken place during 2022-23 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. Table two summaries the current position in respect of the recovery of grants paid fraudulently / in error identified 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	Debt assigned to BEIS	Still under recovery processes (including ongoing payment arrangements)
Grants classified as fraudulent	64	£489,495	£209,624	£217,613	£62,258
Grants classified as ineligible for funding	179	£1,435,599	£1,339,107	£82,264	£14,229
Total	243	£1,925,094	£1,548,731	£299,877	£76,486

2.2.2 Where the Council have taken all reasonable steps to recover the grant but have been unsuccessful, they are able to refer the debt to BEIS. Under the legal framework for debt referral, the Council is required to provide evidence of the steps undertaken to ensure the grant was awarded in a reasonable and practicable way and demonstrate they have undertaken all reasonable and practicable steps to reclaim incorrectly paid grant funds. BEIS will only accept responsibility for the debt where they are satisfied these conditions have been met. If they refuse the referral, they will seek reimbursement of the affected grant from the Council. For all the grants referred to date, BEIS are satisfied that the Council have taken reasonable and practical steps and have accepted responsibility for the debts.

2.2.3 Processes are in place to regularly monitor the status of those debts which are still undergoing recovery action, including monitoring of on-going payment plans to ensure they are still being adhered to and taking decisions around further referrals to BEIS. There are currently 13 grants which are being recovered under a payment plan and 9 grants which are subject to ongoing recovery action (including pending referral to BEIS.)

2.2.4 It is noted that the number of cases across all grant schemes which have been identified as fraudulent / ineligible remains low in comparison to the overall number / value of grants awarded (2%.) Whilst some comparative data has been published by BEIS, work across all grant schemes is still ongoing and information will be provided to the Committee on this in future reports. Where debts are successfully reclaimed, these monies are returned to BEIS and a process has been established to return reclaimed funds which have not already been accounted for through grant reconciliations on a quarterly basis. To date, the Council has returned £486,300.

2.2.5 In addition to the work on debt recovery in 2022-23, Internal Audit have also led on complying with the evidence requirements for sample checks undertaken by BEIS across all of the grant schemes. This involved collating and submitting evidence in relation to a sample of grants to demonstrate that the grant was awarded correctly in line with the eligibility criteria for each

grant scheme and that appropriate and proportional assurance checks were undertaken. In total, evidence in relation to 58 grants was provided to BEIS. BEIS have concluded that in relation to the cohort 1 schemes (covering the Small Business Grant Fund, the Retail, Hospitality and Leisure Grant Fund and the Local Authority Discretionary Grant Fund) the Council followed an appropriate and robust process in completing the minimum assurance checks when awarding and paying a grant. The results in relation to the other grant schemes are expected later this year and will be reported to the Audit and Procurement Committee.

2.3 National Fraud Initiative - The NFI exercise is led by the Cabinet Office. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. Internal Audit work in 2022-23 has been focused on collating and submitting the datasets for the next exercise. This was completed in early October 2022. The matches were released in January 2023 and form part of the planned programme of work for 2023-24. Matches relating to council tax single person discounts are released annually and now fall under the responsibility of the Revenues and Benefits Service.

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 2022-23, along with figures for the previous three financial years.

Table Three - Fraud Reports Received between 2019-20 and 2022-23

Source	Reports 2019-20	Reports 2020-21	Reports 2021-22	Reports 2022-23
Whistleblower	3	4	1	1
Manager	16	14	20	10
External	1	6	2	2
Total	20	24	23	13

It is important to note that there is no mechanism for determining the number of reports the Council should receive on an annual basis and it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. Notwithstanding this, the Internal Audit Service are planning to undertake a programme of fraud awareness work in 2023-24. 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 13 referrals received in 2022-23, six 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, e.g. the fraud has been prevented, and (c) the nature of the event means it is impractical to pursue further.

In addition to the six investigations highlighted in 2.4.1 above, three investigations were carried forward from 2021-22. All nine investigations related to fraud / theft or other activities linked to obtaining a financial benefit. Three out of the total nine investigations are still on-going, whilst of the remaining six:

- In one case, the officer left their post during the disciplinary process.
- In three cases, the concern was not substantiated, although other appropriate actions were identified and implemented.
- In one case, the officer received a final written warning and was moved to a different post.

- In one case involving an external fraud against a School amounting to £25k, Internal Audit assisted the School to seek redress under the Contingent Reimbursement Model Code for Authorised Push Payment Scams. As a result, the bank awarded the School £15k in compensation. This case related to a push payment fraud by a 3rd party whereby they deceived the School into sending them money. Following identification of the fraud, staff at the School have received fraud awareness training from the West Midlands Police Cyber Crime Unit. Alongside this, Internal Audit have used the School Finance newsletter to raise awareness of this type of fraud across all local authority maintained schools, giving practical advice on how to prevent such frauds from occurring.

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 2022 to March 2023, one significant fraud has been concluded (as detailed in 2.4.1 above.)

2.6 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 Four – 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 0.5)
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	£0 (direct costs only, does not include salary costs)
Total number of fraud cases investigated	6 (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 Chief Legal Officer

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.

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 One Coventry Plan?

www.coventry.gov.uk/councilplan/

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 involved in the collation of evidence and undertake, or contribute to, the disciplinary investigation supported by a Human

Resources representative. Matters of fraud can be referred to the police concurrent with, or consecutively to, a Council disciplinary investigation.

6.4 Equalities / EIA

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

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

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

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

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

No impact

6.6 Implications for partner organisations?

None

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Councillor G Duggins	Cabinet Member for Policy and Leadership	-	5/7/2023	5/7/2023
Councillor R Lakha	Chair of Audit and Procurement Committee	-	5/7/2023	13/7/2023

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