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### Audit and Procurement Committee

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**Time and Date**

2.30 pm on Monday, 11th December 2023

**Place**

Committee Room 3 - Council House - **Please Note Venue**

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**Public Business**

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meeting** (Pages 3 - 10)  
To agree the minutes of the meeting held on 9<sup>th</sup> October 2023
4. **Outstanding Issues** (Pages 11 - 16)  
Report of the Chief Legal Officer
5. **Work Programme 2023-2024** (Pages 17 - 18)  
Report of the Chief Legal Officer
6. **Treasury Management Update 2023-24 - Half Year Progress Report**  
(Pages 19 - 30)  
Report of the Chief Operating Officer (Section 151 Officer)
7. **2023-24 Second Quarter Financial Monitoring Report (to September 2023)** (Pages 31 - 56)  
Report of the Chief Operating Officer (Section 151 Officer)
8. **Internal Audit Plan 2023-24 - Half Year Progress Report** (Pages 57 - 70)  
Report of the Chief Operating Officer (Section 151 Officer)
9. **Half Year Fraud and Error Report 2023-2024** (Pages 71 - 78)  
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**

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Julie Newman, Chief Legal Officer, Council House, Coventry

Friday, 1 December 2023

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

**Membership:**

Councillors S Agboola, M Ali, J Blundell, R Lakha (Chair), G Ridley, E Ruane and B Singh (Deputy Chair)

**By invitation:**

Councillor R Brown – Cabinet Member for Strategic Finance and Resources

**Public Access**

Any member of the public who would like to attend the meeting in person is encouraged to contact the officer below in advance of the meeting regarding arrangements for public attendance. A guide to attending public meeting can be found here: <https://www.coventry.gov.uk/publicAttendanceMeetings>

**Michelle Salmon**

**Governance Services**

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**Coventry City Council**  
**Minutes of the Meeting of the Audit and Procurement Committee held at 2.30 pm**  
**on Monday, 9 October 2023**

Present:

Members: Councillor R Lakha (Chair)  
Councillor M Ali  
Councillor G Ridley  
Councillor B Singh

Other Member Present (by invitation) Councillor R Brown - Cabinet Member for Strategic Finance and Resources

Employees (by Service Area):

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

Law and Governance: R Amor, S Bennett

Others present: M Stocks, External Auditors (Grant Thornton)

Apologies: Councillor S Agboola  
Councillor J Blundell

## **Public Business**

### **18. Declarations of Interest**

There were no disclosable pecuniary interests.

### **19. Minutes of Previous Meeting**

The Minutes of the meeting held on 24 July 2023 were agreed and signed as a true record.

Further to Minute 14/23, the Committee noted that the Chair, Councillor R Lakha, had referred to the process of appointing an Independent Member to the Audit and Procurement Committee as part of the Committee's Annual Report to Council on 5 September 2023.

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

**RESOLVED** that the Audit and Procurement Committee agrees to exclude the press and public under Sections 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 27 below headed 'Procurement and Commissioning Progress Report' on the grounds that the report involves the likely disclosure of information as defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial

**affairs of a particular person (including the authority holding that information) and in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information**

21. **Audited 2019/20 Statement of Accounts and Audit Findings Report**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) which sought approval for the audited 2019/20 Statement of Accounts and Grant Thornton's Audit Findings Report provided alongside the accounting statements. The Audit & Procurement Committee was approving these accounts on the Council's behalf. This follows a very significant period of delay resulting in these accounts being brought much later than the original regulatory deadline of 30<sup>th</sup> November 2020.

The report indicated that responsibility for approving the Council's Statements rests with the Audit & Procurement Committee, which is the key body in respect of understanding, analysing, and discussing the content of these statements. The Committee's attention was drawn to the appended Audit Findings Report as the key document detailing the changes to previous versions and key issues which need to be addressed by the Council.

Audit and Procurement Committee had been informed previously of the regulations requiring local authority 2019/20 Accounts to be audited and published by 30<sup>th</sup> November 2020. Although the Council sought to meet this requirement, further work and challenges from the Council's auditors, Grant Thornton, led to delays which have become very significant and have led to an extremely protracted audit of the accounts. Formal updates on this position were provided to the Committee on 28<sup>th</sup> June 2021, 29<sup>th</sup> November 2021 and Grant Thornton provided a further verbal update to Committee on 20<sup>th</sup> March 2023.

The Committee had been informed previously of some of the factors responsible for the delay including: practical issues with undertaking audit work in a 'virtual' way; additional work required of the auditors including that insisted upon by the Financial Reporting Council in relation to the valuation of Property, Plant and Equipment; well publicised pressure on the auditing sector which were outlined in the Redmond Review; delays elsewhere in the process, for instance in the completion of the accounts of the Council's companies; and national issues in relation to accounting for highways infrastructure assets. Despite these mitigating factors, in the final analysis it is reasonable to conclude that the majority of the lapsed time in completing the Council's accounts is as a result of errors relating to the Council's Group Accounts and property valuations.

Although a previous report obtained delegated approval for the final Statement of Accounts to be approved by the Section 151 Officer in consultation with the Chair of Audit and Procurement Committee, the extent of the changes made since the previous draft notified to Committee had led to the conclusion that it is more appropriate for these changes to be considered formerly by a full meeting of Committee.

The report and the Statement of Accounts were presented alongside the Audit Findings Report of the Council's external auditors Grant Thornton which details the significant changes to the draft accounts published in November 2020.

These changes have been agreed between Grant Thornton and the Chief Operating Officer (Section 151 Officer). The Committee was recommended to approve the Statement of Accounts and endorse the Audit Findings Report. A marginal change (in relation to the delay in completing the accounts) had also been made to the Annual Governance Statement (AGS) approved previously by Audit and Procurement Committee, which was now being asked to re-approve the AGS with these marginal amendments.

The Committee noted that once approved, the final Statement of Accounts will be published on the Council's website with almost immediate effect.

The Committee asked questions and sought assurances at the meeting from officers and the external auditor, Grant Thornton, who attended the meeting, particularly in relation to the delay in approving the accounts. The Committee noted that this was a national issue, experienced by Local Authorities across the country. It was also noted that the issue had been recognised by the Government and a letter from the Department for Levelling Up, Housing and Communities regarding the future of local audits had been sent to all Local Authorities.

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

- 1) Following consideration, approves the final 2019/20 Statement of Accounts.**
- 2) Following consideration, accepts Grant Thornton's Audit Findings Report provided alongside the accounting statements.**
- 3) Following consideration, approves the Annual Governance Statement as amended and incorporated within the 2019-20 Statement of Accounts.**
- 4) Requests that a copy of the letter from the Department for Levelling Up, Housing and Communities to all Local Authorities regarding the future of local audits be circulated to the Committee for their information.**

**22. 2023/24 First Quarter Financial Monitoring Report (to June 2023)**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), which had also been considered at the meetings of Cabinet on 29 August 2023 (Minute 22/23 refers) and Council on 5 September 2023 (Minute 52/23 refers) and which advised of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of June 2023. The net revenue forecast position after management action was for spend in 2023/24 of £12.1m over budget. At the same point in 2022/23 there was a projected overspend of £9.5m.

The Council continued to face budget pressures within both Adults and Children's Social Care which together accounted for £11m of the underlying overspend. The overwhelming majority of this was caused by the continuing high level of inflation

within the economy and difficult conditions within social care markets. Other smaller but still significant overspends were also being reported in Business Investment and Culture, Transportation, Highways and Sustainability, and Streetscene and Regulatory Services.

Recent weeks have seen a number of Councils with social care responsibilities report large in-year budgetary difficulties and it was clear that there were systemic problems for the whole sector which represented a serious threat to its financial sustainability. The Council's position above reflected a number of largely one-off actions that had already been taken to reduce the overspend. As the underlying position was significantly higher than had been experienced in recent years, further urgent action was proposed to address the pressure in order to prevent the 2024/25 position increasing to unmanageable levels.

The Council's capital spending was projected to be £163.6m and included major schemes progressing across the city. The size of the programme and the nature of the projects within it continued to be fundamental to the Council's role within the city. Inflationary pressures were also affecting capital projects. The assumption was that stand-alone projects that were already in-progress would be delivered as planned but that future projects that had not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The materiality of the emerging financial pressures, both revenue and capital, had renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This would be a priority across all services as the Council developed its future budget plans in the coming months.

**RESOLVED that the Audit and Procurement Committee notes the proposals in the report.**

### 23. Whistleblowing Annual Report 2022-23

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) which provided the Audit and Procurement Committee with a summary of the concerns raised under the Council's Whistleblowing Policy during 2022-23 and the Council's response to the issues, including any organisational learning to prevent similar reoccurrences.

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

- A criminal offence
- Breach of any legal obligation
- Miscarriages of justice
- Danger to health and safety

- Damage to the environment
- The deliberate concealing of information about any of the above

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

The report provided a summary of the concerns raised under the Council's Whistleblowing Policy during 2022-23 and the Council's response to the issues and was presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference "to monitor Council policies on whistleblowing and the fraud and corruption strategy".

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

During 2022-23, the Council received six whistleblowing disclosures. Of these, two were made by a third party and as such, the legal protection afforded to employees who raise concerns does not extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way as disclosures made by employees and consequently have made every reasonable effort to protect all individuals under the whistleblowing process.

Action had also been taken during the year to introduce a digital reporting form which can be used to raise concerns alongside other routes and is available on the Council's website.

A summary of the disclosures made by type and service area was provided in a Table in the report. Whilst all concerns are taken seriously, the responses will differ on a case-by-case basis. In some cases, if the disclosure has been made anonymously and insufficient details have been provided, the Council may be restricted in the action it can take. However, typically a preliminary fact-finding investigation will be undertaken which if required, will result in a full investigation and formal action being considered. A summary of the responses to the disclosures made in 2022-23 were provided in a further table.

The report detailed management action taken as a result of the disclosures and indicated that was recognised that the Council's Whistleblowing Policy should be promoted and easily accessible to employees. To support this aim, action is currently being taken to review the Council's "I Have A Concern" intranet page, following which, it will be promoted across the Council.

**RESOLVED that the Audit and Procurement Committee considers and notes the summary of whistleblowing concerns raised during 2022-23 and confirms its satisfaction with the actions taken to respond to the issues raised.**

## 24. **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 the Committee were aware of them and could manage their progress.

Appendix 1 to the report provided details of issues where a report had been requested to a meeting along with the anticipated date for consideration of the issue. The Committee noted that there were no issues in Appendix 1.

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. The Committee received an oral update at the meeting regarding the action taken in relation to the three items the Committee had requested be added to the Corporate Risk Register (Minute 65/22), which discharged this matter.

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

## 25. **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.

**RESOLVED that the Work Programme be noted.**

## 26. **Any Other Items of Urgent Public Business**

There were no other items of urgent public business.

## 27. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a report of the Chief Legal Officer which provided an update on the procurement and commissioning undertaken by the Council since the last report to Committee on 20 March 2023. Details of the latest positions in relation to individual matters were set out in the Appendices to the report. The report contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report indicated that since the last Committee when the procurement report had been presented, the Procurement Panel had received 38 reports and the Procurement Board 27 reports.



In addition, there have been a total of 69 exceptions. An exception to the Contract Procedure Rules may be granted subject to conditions, such as urgency, single source availability, technical nature etc. An exception cannot be granted where a breach of any UK legislation would be incurred.

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

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

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

There were no other items of urgent private business.

(Meeting closed at 3.15pm)

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Audit and Procurement Committee

27th November 2023

**Name of Cabinet Member:**

N/A

**Director approving submission of the report:**

Chief Legal Officer

**Ward(s) affected:**

N/A

**Title:**

Outstanding Issues

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**Is this a key decision?**

No

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**Executive summary:**

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

**Recommendations:**

The 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 25<sup>th</sup> January 2017, the Audit and Procurement Committee requested that, in addition to further reports being incorporated into the Committee's Work Programme, 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.

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

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## Appendix 1

### Further Reports Requested to Future Meetings

	<b>Subject</b>	<b>Minute Reference and Date Originally Considered</b>	<b>Date for Further Consideration</b>	<b>Responsible Officer</b>	<b>Proposed Amendment to Date for Consideration</b>	<b>Reason for Request to Delay Submission of Report</b>
1.	Nil					

\* 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.	Audited 2019/20 Statement of Accounts and Audit Findings Report	21/23 9th October 2023	Minister's letter on the future of Local Audits to be circulated to the Committee	P Jennings	09/10/23



## 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  
External Auditor's Annual Report 2020/2021 (Grant Thornton)  
Annual Fraud and Error Report 2022/2023

#### 9th October 2023

Audited 2019/20 Statement of Accounts and Audit Findings Report (Grant Thornton)  
2023/24 First Quarter Financial Monitoring Report (to June 2023)  
Whistleblowing Annual Report 2022/2023  
Six Monthly Procurement Progress Report (Private)

#### 11<sup>th</sup> December 2023 (formerly 27th November)

Treasury Management Update 2023-24 – Half Year Progress Report  
Half Year Internal Audit Report 2023/2024  
Half Year Fraud and Error Report 2023/2024  
Quarter Two Revenue and Capital Monitoring Report 2023/2024

#### 29th January 2024

Annual Governance Statement 2022/2023  
Information Governance Annual Report 2022  
External Auditor's Annual Report 2021/2022 (Grant Thornton)  
Coventry Municipal Holdings Group Accounts

#### 18th March 2024

RIPA Annual Compliance Report 2024  
Corporate Risk  
Internal Audit Recommendation Tracking Report  
Quarter Three Revenue and Capital Monitoring Report 2023/2024  
Complaints to the Local Government and Social Care Ombudsman 2022/2023  
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  
External Audit Plan Year Ending March 2022 (Grant Thornton)  
External Audit Plan Year Ending March 2023 (Grant Thornton)  
External Auditor's Annual Report 2022/2023 (Grant Thornton)



Coventry City Council

## Public report

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### Report to

Audit and Procurement Committee

27<sup>th</sup> November 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:

City Wide

### Title:

Treasury Management Update 2023-24 – Half Year Progress Report

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### Is this a key decision?

No

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### Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the Council's Treasury Management activity in 2023/24 to the end of September 2023.

### Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the update against the Treasury Management Strategy 2023-24 as at 30 September 2023.

### List of Appendices included:

Appendix One - Short-term Borrowing and Investment Summary as at 29 September 2023.

Appendix Two - UK and Foreign Counterparty Lending List as at 31 October 2023.

### Background papers:

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: Treasury Management Update 2023-24 – Half Year Progress Report

### 1. Context (or background)

- 1.1 The Council adopts the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice (the CIPFA code). This requires the Council to approve an annual Treasury Management Strategy and a mid-year update report. Treasury Management performance is reported as part of regular budget monitoring reports to this Committee.
- 1.2 The Council's Treasury Management activity is undertaken in line with the Treasury Management and Commercial Investment Strategy and Policy for 2023/24, which was agreed by Cabinet as part of the Budget Report 2023/24 at its meeting of 21 February 2023. There are no breaches of the strategy and policy to report.
- 1.3 The Council is supported in the Investment Strategy and Policy by its Treasury Management Advisors - Arlingclose. The advisors provide economic analysis and specialist advice. A key element of this is the provision of advice on credit risk and the supply of information on credit ratings. Regular review meetings with the advisors continue to be held.
- 1.4 Staff with involvement in treasury issues continue to attend on-line events focused on treasury management as appropriate.
- 1.5 **Appendix 1 to the report** is a detailed list of short-term borrowing and investments that the Council holds as at 29<sup>th</sup> September 2023.

### 2. Options considered and recommended proposal

#### 2.1 Borrowing Update

The first table at Appendix 1 to the report identifies that there is no short-term borrowing outstanding as at 29 September 2023. Current cash projections indicate that the Council may require short-term borrowing to cover cash shortfalls for the final quarter of 2023/24.

Other than an £18m loan from WMCA on behalf of UKBIC, no new long-term borrowing has been undertaken since 2009, due in part to the level of investment balances available to the Council. The Council has no immediate plans to take any new long-term borrowing, however, this will be kept under review. As at 30 September 2023, the Council's long-term liabilities totalled £310.3m. This total is mainly made up of long-term borrowing sourced from the Public Works Loan Board (PWLB); Liabilities arising from the Private Finance Initiative (PFI) and Lender Option Borrower Option (LOBO's) borrowing.

The Public Works Loan Board (PWLB) remains the main source of loan finance for funding local authority capital investment. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet on 22 February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

## 2.2 Investments Update

The final three tables at **Appendix 1** to the report provide a detailed list of investments held as at 29th September 2023 and identifies a total investment of £91.1m. This compares to £82.5m one year prior to this. These balances are a snapshot and impacted by timing differences.

The breakdown of these balances is shown below:

	1/10/2022 £m	29/09/2023 £m
Banks and Building Societies	0.0	0.0
Local Authorities	0.0	33.0
Debt Management Office	16.8	0.0
Money Market Funds	35.7	28.1
Collective Investment Funds	30.0	30.0
Corporate Bonds	0.0	0.0
Registered Providers	0.0	0.0
Total	82.5	91.1

For the twelve-month period to 30 September 2023, the Council's investments earned an average rate of interest of 5.12%. This can be split down between Collective Investment Funds at 4.59% and other investments at 5.36%. This is against a backdrop of the Bank of England base rate rising from 2.25% in September 2022 to 5.25% in September 2023.

Whilst the Council's Collective Investment Funds have continued to provide an annualised return of around 4.59%, their capital value (£26.9m) remains below the original sum invested (£30.0m). Whilst all seven funds are showing a capital value loss, there are now signs of recovery on all but two. Income received from these investments still far exceeds any reduced value.

Normally this would not be an issue unless the Council intended to disinvest from the funds (the intention is that the Council keeps these for the long term) however, there is currently a statutory override for gains and losses on pooled investment funds held outside of a pension fund being taken to revenue. This was introduced in 2018 following a change to International Financial Reporting Standards (IFRS). At the time, the government felt it was inappropriate for revaluations to "impact on the balanced budget requirement or on the quantum of funds available to support delivery of services." This override was time-limited and was due to expire in April 2023 however, the Government have further extended this to March 2025 pending the outcome of a formal consultation process.

**Appendix 2** to the report shows the Council's Lending List as at 31 October 2023. This list shows those banking and government institutions that the Investment Strategy allows the Council to invest cash balances with. The list is taken using specialist advice from Arlingclose and is split between UK and foreign institutions. The Council does not hold any funds with counterparties that are not on this list. Duration limits for counterparties on the Council's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

## 2.3 National issues

The ongoing impact of financial uncertainty in the UK together with events in the Middle East, higher inflation and the current high interest rate environment are major influences on the economy and the Council's ability to gain returns on investments.

Through 2023, the Bank of England Monetary Policy Committee (MPC) has raised bank interest rates on 5 occasions with the rate rising from 3.50% at the start of the year to 5.25% in August. This rate was maintained in September and November. The speed of inflation is slowing from a peak of 11% in 2022 to 4.6% in October 2023. The latest forecast from the Council's Treasury Management Advisors, Arlingclose, is for the Bank Interest Rate to remain at 5.25% until Q3 2024 at which point they are forecasting an initial reduction.

## 3. Results of consultation undertaken

3.1 None

## 4. Timetable for implementing this decision

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

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

5.1 Financial Implications

The financial implications are discussed in the body of this report.

5.2 Legal implications

Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services; Code of Practice 2017 Edition* (the CIPFA code) which requires the Council to approve a treasury management strategy before the start of each financial year. The Council's treasury management activity must be carried out in accordance with the requirements of the *Local Government Act 2003* which gives legal obligation to have regard to the CIPFA Code.

## 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>)

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rate. The successful identification, monitoring and control of financial risk is therefore central to the Council's prudent financial management.

## 6.2 How is risk being managed?

In terms of risk management, there are two main focuses:

- Credit Risk – This is the risk of an investment counterparty defaulting and any subsequent loss of funds or delay in making returns. The risk is mitigated through investment counterparties being subject to a minimum credit rating limit (A-) as determined by the Fitch crediting rating agency. Credit ratings are obtained and monitored by the Council’s treasury advisors, who will notify changes in ratings as they occur. The Lending List at **Appendix 2** to the report identifies the credit rating for each counterparty on 31<sup>st</sup> October 2023. The minimum credit rating and funding limits on counterparty investment levels are agreed by the Council as part of the Treasury Management Strategy.
- Liquidity Risk – This is the risk of not having access to cash when needed. Detailed forecasts on future daily cashflows are made and based on known outgoings and incomings (e.g. cost of salaries and government funding). Surplus funds are invested in counterparties (e.g. Money Market Funds as shown in **Appendix 1** to the report) with high liquidity so there is quick access to cash to cover payments.

## 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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Finance Manager (Corporate Finance)

**Service:**

Finance

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Enquiries should be directed to the above person.

<b>Contributor/approver name</b>	<b>Title</b>	<b>Service Area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
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Mike Revis	Lead Accountant Control and Treasury Management	Finance	09/11/23	09/11/23
Daniella Owen	Finance NGDP Graduate	Finance	09/11/23	09/11/23
<b>Names of approvers: (officers and members)</b>				
Phil Helm	Head of Finance (Deputy S151 Officer)	-	15/11/23	15/11/23
Oluremi Aremu	Head of Legal and Procurement Services	Law and Governance	15/11/23	16/11/23
Councillor R Brown	Cabinet Member for Strategic Finance and Resources	-	15/11/23	15/11/23
Councillor R Lakha	Chair of Audit and Procurement Committee	-	15/11/23	15/11/23

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## Appendix One - Short-term Borrowing and Investment Summary as at 29th September 2023

### TEMPORARY LOANS BOOK

Balances as at the 29/09/23

<u>LOAN REF.</u>	<u>LENDER NAME</u>	<u>BROKER</u>	<u>PRINCIPAL</u>	<u>START DATE</u>	<u>MATURITY DATE</u>	<u>INITIAL INT RATE</u>	<u>DAYS</u>	<u>INT DUE</u>
<b><u>TEMPORARY LOAN OUT (DEPOSIT)</u></b>								
200004243	LIVERPOOL CITY COUNCIL	IMP	8,000,000.00	28//04/23	7 Day Notice	5.250000		@ Base Rate
200004291	PETERBOROUGH CC	IMP	5,000,000.00	29//08/23	30/10/23	5.350000	62	45,438.36
200004292	SUFFOLK COUNTY COUNCIL	IMP	7,000,000.00	01//09/23	02/10/23	5.250000	31	31,212.33
200004293	EASTLEIGH BC	IMP	3,000,000.00	28//09/23	30/10/23	5.500000	32	14,465.75
200004294	BLACKPOOL COUNCIL	IMP	5,000,000.00	29//09/23	31/10/23	5.500000	32	24,109.59
200004295	WAKEFIELD COUNCIL	IMP	5,000,000.00	29//09/23	19/10/23	5.600000	20	15,342.47
			<b>33,000,000.00</b>					<b>130,568.50</b>
<b><u>MMF DEPOSITS</u></b>								
2400000002	ABERDEEN LIQUIDITY FUND	N/A	8,080,000.00	04/09/12		5.282097		
2400000003	HSBC STERLING LIQUIDITY	N/A	0.00	04/09/12		5.190263		
2400000004	FEDERATED PRIME RATE	N/A	20,000,000.00	17/09/12		5.345315		
2400000005	DEUTSCHE MANAGED STERLING	N/A	0.00	19/07/13		5.209316		
2400000006	MORGAN STANLEY	N/A	0.00	10/06/16		5.263154		
			<b>28,080,000.00</b>					
<b><u>COLLECTIVE INVESTMENT FUNDS</u></b>								
2600000006	CCLA INVESTMENT MGT LTD	N/A	12,000,000.00	28/11/13		3.870000		
2600000011	SCHRODERS UNIT TRUSTS LTD	N/A	4,500,000.00	01/08/18		8.190000		
2600000012	INVESTEC ASSET MANAGEMENT	N/A	4,500,000.00	10/08/18		4.040000		
2600000013	COLUMBIA TREADNEEDLE	N/A	1,500,000.00	16/08/18		4.270000		
2600000014	M&G INVESTMENTS	N/A	1,500,000.00	20/08/18		2.500000		
2600000015	M&G INVESTMENTS	N/A	3,000,000.00	20/08/18		4.900000		
2600000016	M&G INVESTMENTS	N/A	3,000,000.00	20/08/18		6.000000		
			<b>30,000,000.00</b>					
<b>GRAND TOTAL</b>			<b>91,080,000.00</b>					

## Appendix 2 - Counterparty Lending List as at 31<sup>st</sup> October 2023

Counterparty	Country of Domicile	Maximum Duration	Fitch Long-term	Moodys Long-term	S&P Long-term	Banking Group	Limit £
Debt Management Office	UK	50 Years					
Local Authorities	UK	2 years +					
<b>UNITED KINGDOM: BANKS</b>							
BANK OF SCOTLAND PLC	GB	35 days	A+	A1	A+	Lloyds Banking Group	£10m
LLOYDS BANK PLC	GB	35 days	A+	A1	A+	Lloyds Banking Group	£10m
BARCLAYS BANK PLC	GB	35 days	A+	A1	A+	Barclays Group	£10m
BARCLAYS BANK UK PLC	GB	35 days	A+	A1	A+		£10m
HANDELSBANKEN PLC	GB	35 days	AA		AA-	Svenska HB	£10m
HSBC BANK PLC	GB	35 days	AA-	A1	A+	HSBC Group	£10m
HSBC UK BANK PLC	GB	35 days	AA-	A1	A+		£10m
NATIONAL WESTMINSTER BANK	GB	35 days	A+	A1	A+	NatWest Group	£10m
NATWEST MARKETS PLC	GB	35 days	A+	A1	A		£10m
ROYAL BANK OF SCOTLAND PLC/T	GB	35 days	A+	A1	A+		£10m
SANTANDER UK PLC	GB	35 days	A+	A1	A	Santander	£10m
STANDARD CHARTERED BANK	GB	35 days	A+	A1	A+		£10m
<b>UK: BUILDING SOCIETIES</b>							
NATIONWIDE BUILDING SOCIETY	GB	35 days	A+	A1	A+		£10m
<b>UK: OTHER INSTITUTIONS</b>							
LCR FINANCE PLC	EN	10 years	AA-	Aa3	AA		£10m
NETWORK RAIL INFRASTRUCTURE	GB	10 years	AA-	Aa3			£10m
WELLCOME TRUST FINANCE PLC	GB	15 years		Aaa	AAA		£10m
<b>AUSTRALIA</b>							
AUST AND NZ BANKING GROUP	AU	35 days	A+	Aa3	AA-		£10m
COMMONWEALTH BANK OF AUSTRAL	AU	35 days	A+	Aa3	AA-		£10m
NATIONAL AUSTRALIA BANK LTD	AU	35 days	A+	Aa3	AA-		£10m
WESTPAC BANKING CORP	AU	35 days	A+	Aa3	AA-		£10m
<b>AUSTRIA</b>							
OESTERREICHISCHE KONTROLLBAN	AS	10 years		Aa1	AA+		£10m
<b>CANADA</b>							
BANK OF MONTREAL	CA	35 days	AA	Aa2	A+		£10m
BANK OF NOVA SCOTIA	CA	35 days	AA	Aa2	A+		£10m
CAN IMPERIAL BK OF COMMERCE	CA	35 days	AA	Aa2	A+		£10m
EXPORT DEVELOPMENT CANADA	CA	10 years		Aaa	AAA		£10m
NATIONAL BANK OF CANADA	CA	35 days	AA-	Aa3	A		£10m
ROYAL BANK OF CANADA	CA	35 days	AA	Aa1	AA-		£10m
TORONTO-DOMINION BANK	CA	35 days	AAu	Aa1	AA-		£10m
<b>DENMARK</b>							
KOMMUNEKREDIT	DE	10 years		Aaa	AAA		£10m
<b>FINLAND</b>							
MUNICIPALITY FINANCE PLC	FI	10 years		Aa1	AA+		£10m
NORDEA BANK ABP	FI	35 days	AA	Aa3	AA-		£10m

OP CORPORATE BANK PLC	FI	35 days		Aa3	AA-		£10m
<b>GERMANY</b>	<b>GE</b>		<b>AAAu</b>	<b>Aaa</b>	<b>AAAu</b>		
BAYERISCHE LANDESBANK	GE	35 days	A	Aa3	NR		£10m
DZ BANK AG DEUTSCHE ZENTRAL-	GE	35 days	AA	Aa2	A+		£10m
FMS WERTMANAGEMENT	GE	25 years		Aaa	AAA		£10m
KREDITANSTALT FUER WIEDERAUFBRAU (KFW)	GE	25 years	AAAu		AAA		£10m
LANDESBANK BADEN-WUERTTEMBER	GE	35 days	A	Aa3	NR		£10m
LANDESBANK HESSEN-THURINGEN	GE	35 days	AA-	Aa3	NR		£10m
LANDESKRED BADEN-WUERTT FOER	GE	25 years	AAAu	Aaa	AA+		£10m
LANDWIRTSCHAFTLICHE RENTENBA	GE	25 years	AAA	Aaa	AAA		£10m
<b>NETHERLANDS</b>	<b>NE</b>		<b>AAAu</b>	<b>Aaa</b>	<b>AAAu</b>		
BNG BANK NV	NE	5 years	AAA	Aaa	AAA		£10m
COOPERATIEVE RABOBANK UA	NE	35 days	AA-	Aa2	A+		£10m
NEDERLANDSE WATERSCHAPSBANK	NE	5 years		Aaa	AAA		£10m
<b>NORWAY</b>	<b>NO</b>		<b>AAAu</b>	<b>Aaa</b>	<b>AAA</b>		
KOMMUNALBANKEN AS	NO	5 years		Aaa	AAA		£10m
<b>SINGAPORE</b>	<b>SI</b>		<b>AAAu</b>	<b>Aaa</b>	<b>AAAu</b>		
DBS BANK LTD	SI	35 days	AA-	Aa1	AA-		£10m
OVERSEA-CHINESE BANKING CORP	SI	35 days	AA-	Aa1	AA-		£10m
UNITED OVERSEAS BANK LTD	SI	35 days	AA-	Aa1	AA-		£10m
<b>SWEDEN</b>	<b>SW</b>		<b>AAAu</b>	<b>Aaa</b>	<b>AAAu</b>		
SVENSKA HANDELSBANKEN-A SHS	SW	35 days	AA+	Aa2	AA-	Svenska HB	£10m
SVENSK EXPORTKREDIT AB	SW	5 years		Aa1	AA+		£10m
<b>UNITED STATES OF AMERICA</b>	<b>US</b>		<b>AA+u</b>	<b>Aaa</b>	<b>AA+u</b>		
NORTHERN TRUST CO	US	#N/A	AA	Aa1	AA-		£10m
<b>SUPRANATIONAL</b>							
COUNCIL OF EUROPE DEVELOPMENT BANK (CEDB)	FR	15 years	AAA	Aaa	AAA		£10m
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (EBRD)	GB	25 years	AAA	Aaa	AAA		£10m
EUROPEAN INVESTMENT BANK (EIB)	LX	25 years	AAA	Aaa	AAA		£10m
INTER-AMERICAN DEVELOPMENT BANK (IADB)	US	25 years	AAAu	Aaa	AAA		£10m
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (THE WORLD BANK)	US	25 years	AAAu	Aaa	AAA	World Bank Group	£10m
INTERNATIONAL FINANCE CORP	US	25 years		(P)Aaa	AAA		£10m
NORDIC INVESTMENT BANK (NIB)	FI	25 years		Aaa	AAA		£10m

### Money Market Funds

ABERDEEN ASSET MANAGEMENT	LX	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
AVIVA INVESTORS	IR	Overnight	-	Aaa-mf	AAAm	£20m
BLACKROCK	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
BNP PARIBAS ASSET MANAGEMENT	LX	Overnight	-	Aaa-mf	AAAm	£20m
CCLA - PSDF	GB	Overnight	AAAmmf	Aaa-mf	-	£20m
DWS	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
FEDERATED INVESTORS (UK)	GB	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
FIDELITY INTERNATIONAL	IR	Overnight	-	Aaa-mf	AAAm	£20m
GOLDMAN SACHS ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
HSBC ASSET MANAGEMENT	IR	Overnight	-	Aaa-mf	AAAm	£20m
INVESTMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m

INVESCO AIM	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
J.P.MORGAN ASSET MANAGEMENT	LX	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
LEGAL & GENERAL INVESTMENT MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
MORGAN STANLEY INVESTMENT MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
NORTHERN TRUST ASSET MANAGEMENT	IR	Overnight	-	Aaa-mf	AAAm	£20m
ROYAL LONDON STERLING LIQUIDITY FUND	IR	Overnight	AAAmmf	Aaa-mf	-	£20m
STATE STREET GLOBAL ADVISORS ASSET MANAGEMENT	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m
UBS ASSET MANAGEMENT	IR	Overnight	-	Aaa-mf	AAAm	£20m
AVIVA INVESTORS GOV	IR	Overnight	-	Aaa-mf	AAAm	£20m
BLACKROCK GOV	IR	Overnight	-	Aaa-mf	AAAm	£20m
GOLDMAN SACHS ASSET MANAGEMENT GOV	IR	Overnight	AAAmmf	Aaa-mf	AAAm	£20m

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Audit and Procurement Committee  
Cabinet

11<sup>th</sup> December 2023  
12<sup>th</sup> December 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:**

City wide

**Title:**

2023/24 Second Quarter Financial Monitoring Report (to September 2023)

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**Is this a key decision?**

No

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**Executive Summary:**

The purpose of this report is to advise Cabinet of the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2023. The net revenue forecast position after management action is a net overspend of **£11.5m**. At the same point in 2022/23 there was a projected overspend of £11.3m.

The Council continues to face budget pressure within both Adults and Children's social care, Housing, and Streetscene services. Other smaller but still significant overspends are also being reported in Project Management and Property and Transportation and highways. Financial pressures are being caused by a combination of continuing high levels of inflation, increased service demands, difficult conditions within social care markets and recruitment difficulties in some services.

Recent months have seen a number of councils with social care responsibilities report large in-year budgetary difficulties and it is clear that there are systemic problems for the whole sector which represent a serious threat to its financial sustainability. The Council's position above includes a number of largely one-off actions that have already been taken to reduce the overspend, which means that the underlying position is higher than has been experienced in recent years. In response, the Council is implementing a range of measures, proposed at quarter 1, to address the pressure in order to manage down the overspend to a less severe level.

The Council's capital spending is projected to be £129.7m and includes major schemes progressing across the city. The size of the programme and the nature of the projects within it continue to be fundamental to the Council's role within the city. Inflationary pressures are also affecting capital

projects. The assumption is that stand-alone projects that are already in-progress will be delivered as planned but that future projects that have not yet started may need to be re-evaluated to determine their deliverability within previously defined financial budgets.

The materiality of the emerging financial pressures, both revenue and capital, has renewed the imperative to maintain strict financial discipline and re-evaluate the Council's medium-term financial position. This is reflected in the Pre-Budget report which is being considered at the same meeting of Cabinet as this report.

### **Recommendations:**

The Audit and Procurement Committee is requested to:

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

The Cabinet is requested to:

- 1) Approve the Council's Second Quarter revenue monitoring position.
- 2) Approve the revised forecast capital outturn position for the year of £129.7m incorporating £2.2m net increase in spending relating to approved/technical changes, £0.2m underspend and £35.9m of net rescheduling of expenditure into future years.

### **List of Appendices included:**

Appendix 1 - Revenue Position: Detailed Directorate breakdown of forecast outturn position  
Appendix 2 - Capital Programme: Analysis of Budget/Technical Changes  
Appendix 3 - Capital Programme: Analysis of Rescheduling  
Appendix 4 - Capital Programme: Analysis of Over / Under Spend  
Appendix 5 - Prudential Indicators

### **Background papers:**

None

### **Other useful documents**

None

### **Has it been or will it be considered by Scrutiny?**

No

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

Yes - Audit and Procurement Committee, 29<sup>th</sup> January 2024

### **Will this report go to Council?**

No



**Report title:**

2023/24 Second Quarter Financial Monitoring Report (to September 2023)

**1. Context (or background)**

- 1.1 Cabinet approved the City Council's revenue budget of £260.5m on 21st February 2023 and a Capital Programme of £159.2m. This is the Second Quarterly monitoring report for 2023/24. The purpose is to advise Cabinet of the forecast outturn position for revenue and capital expenditure, recommending any action required, and also to report on the Council's treasury management activity.
- 1.2 The current 2023/24 revenue forecast is for net expenditure to be **£11.5m over budget** (after management action). The reported forecast at the same point in 2022/23 was an overspend of £11.3m. Capital spend is projected to be £129.7m.
- 1.3 It is not unusual for the revenue position to reflect a forecast overspend at this stage which then improves over the remainder of the year. However, this is a significantly high figure by historical standards, and represented a serious enough position for the Council to approve the emergency in year actions endorsed by Cabinet at Quarter 1. As significant management action has already been factored in, the **underlying position is significantly** higher than the £11.5m forecast. The overspend is caused largely by factors external to the Council and which can be expected to be ongoing, affecting future years' financial positions if the actions approved are not successful.
- 1.4 Following on from the £6.7m reported at 2022/23 outturn this indicates a serious financial trend for the Council which is not sustainable over the long-term. Section 2 of the report provides further detail on the revenue position and Section 5 sets out the Council's proposed approach to managing the position.
- 1.5 As a final backstop it should be noted that the Council maintains a strong balance sheet, in part to protect itself from circumstances such as this, although it should be re-iterated that reserves are a finite resource and should only be applied sparingly to mitigate ongoing revenue overspends, and once a medium-term solution is in place.

**2. Options considered and recommended proposal.**

- 2.1 This is a budget monitoring report and as such there are no options.

**Table1 Revenue Position** - The revenue forecast position is analysed by service area below.

	Revised Budget	Forecast Spend	Forecast Variance Overspend/ (underspend)
	£m	£m	£m
Adult Services & Housing	113.7	119.7	<b>6.0</b>
Business, Investment & Culture	8.1	9.3	<b>1.2</b>
Children & Young People's Services	93.2	97.4	<b>4.2</b>
Contingency & Central Budgets	(26.7)	(28.7)	<b>(2.0)</b>
Education & Skills	19.3	18.6	<b>(0.7)</b>
Finance & Corporate Services	9.2	9.6	<b>0.4</b>
Human Resources	0.7	0.7	<b>0.0</b>
Legal & Governance Services	7.6	7.8	<b>0.2</b>

People Directorate Management	0.9	1.2	<b>0.2</b>
Project Management & Property Services	(8.6)	(8.5)	<b>0.1</b>
Public Health	0.9	(0.4)	<b>(1.3)</b>
Streetscene & Regulatory Services	32.0	34.4	<b>2.4</b>
Transport & Highways	10.3	11.1	<b>0.8</b>
<b>SUBTOTAL</b>	<b>260.5</b>	<b>272.0</b>	<b>11.5</b>

- 2.2 An explanation of the major forecast variances is provided below, the vast majority of which are of an ongoing nature if urgent action is not taken. Further details are provided in Appendix 1 to the report.

### **Directorate**

#### Adult Services & Housing £6.0m

Within Adult Services & Housing the largest element of overspend relates to Housing and Homelessness (£3.1m) due to a greater than 40% increase in the number of people seeking assistance and being placed in temporary accommodation – a trend which is continuing on an upward trajectory. Alongside this there has been a 15% increase in temporary accommodation fees which is required to ensure temporary accommodation continues to be available and mitigate the use of more expensive Bed and Breakfast accommodation. The other significant variance is an overspend on Adult Social Care (£2.9m) which is due to increased activity & complexity of placements and increased package costs (inflation).

#### Children's and Young People £4.2m

Within Children & Young People's Services £3.3m of the total overspend relates to the cost of looked after children's placements. The overspend is caused by a lack of sufficiency in the market to meet the needs of young people in care which has significantly increased the average unit cost of those placements. There is a further overspend of £1.3m against staffing in Help and Protection due to high levels of cases requiring additional workers and agency staff. There are short term one-off savings that are offsetting these budget pressures across the directorate from additional grants, and the use of earmarked reserves.

#### Business Investment & Culture £1.2m

Of the total Business Investment and Culture overspend, £0.8m relates to one-off holding costs of the Cultural Gateway building, sponsorship income shortfall and Godiva Festival costs. An increase of £0.2m is reported this quarter due to the potential loss of St Marys income for which an action plan is being drawn up.

#### Streetscene & Regulatory Services £2.4m

The Streetscene & Regulatory Services overspend includes £1m accumulation of changes in gate fee calculation at the Waste to Energy Plant and additional refuse vehicle costs to meet safety standards. The remaining variance includes a c£0.4m reduction in Planning income due to delayed major applications, however planning fees will increase in October 2023 to partially mitigate this. £0.9m relating to the agency and overtime costs relating to vacancies (Streetpride and Parks and Street Team Enforcement), income shortfalls (Car Parks and Pest Control)

#### Transport & Highways £0.8m.

There are income pressures of £0.5m in Bus Lane and Parking Enforcement attributed to temporary bus gates closures and lower than expected enforcement activity due to the impact of sickness and not recruiting to vacancies. This is offset by higher car park usage/income. Current planned cost of addressing the backlog in highways defects at £0.35m and an under-recovery within Highways Operations as a result of vacancies and sickness of £0.3m form part of an additional overspend £0.6m. However, savings generated in Transport Policy

(£0.3m) by foregoing expenditure and utilising grant more effectively has reduced the overall spend from £1.2m at Quarter 2 to £0.8m

### **Corporate**

#### **Contingency and Central (£2.1m Underspend)**

There is a forecast overspend for pay inflation contingencies (£1.6m) reflecting the final agreed local government employers' pay award. This is more than offset by favourable variances for other contingency budgets (£1.7m), anticipated controls to reduce discretionary expenditure (£1m), a delayed need to replace DSG funded education expenditure (£0.6m) and other minor underspends.

### **2.3 Capital**

The quarter 2 2023/24 capital outturn forecast is £129.7m compared with the first quarterly outturn of £163.6m. Table 3 below updates the budget at quarter 2 to take account of £2.2m of new approved/technical changes, a £0.2m underspend and £35.9m of rescheduling now planned to be carried forward into future years.

The resources available section of Table 3 explains how the Capital Programme will be funded in 2023/24. It shows 78.9% of the programme is funded by external grant monies, whilst 10% is funded from borrowing. The programme also includes funding from capital receipts of £12.9m.

**Table 3 – Movement in the Capital Budget**

CAPITAL BUDGET 2023/24 MOVEMENT	Qtr 2 Reporting £m
Revised Programme (Reported at Q1)	163.6
Approved / Technical Changes (see Appendix 2)	2.2
“Net” Rescheduling into future years (See Appendix 3)	(35.9)
Underspend (see Appendix 4)	(0.2)
<b>Revised Estimated Outturn 2023-24</b>	<b>129.7</b>
<hr/>	
RESOURCES AVAILABLE:	Qtr 2 Reporting £m
Prudential Borrowing (Specific & Gap Funding)	13.0
Grants and Contributions	102.3
Capital Receipts	12.9
Revenue Contributions and Capital Reserve	1.5
<b>Total Resources Available</b>	<b>129.7</b>

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

2.4 Treasury Management

Interest Rates

Inflation remains the key driver for setting interest rates with headline Consumer Price Index running at at 6.7% in September. The Bank of England’s Monetary Policy Committee increased the Bank Rate by 0.25% at the beginning of August to 5.25% and this rate was held at the September meeting. Further rises in Bank Rate are unlikely now given the fall in headline CPI already embedded for October and wider economic weakness. Arlingclose, the authority’s treasury advisor, revised its forecast and now believe that this is the peak and that that Bank Rate will remain at 5.25% for some time. Rates may begin to fall in the mid to late part of 2024.

Long Term (Capital) Borrowing

The Council’s long-term borrowing requirement for the Capital Programme is forecast to fall by £1.9m in 2023/24, taking into account borrowing set out in Section 2.3 above (total £13.0m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£14.9m). In the current interest rate climate, the Council has no immediate plans to take any further new long-term borrowing although this will continue to be kept under review.

The Public Works Loan Board (PWLB) remains the main source of loan finance for funding local authority capital investment. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more details and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Under the Treasury Management Strategy 2022/23 approved by Cabinet in February 2022 it was agreed the Council will not purchase investment assets primarily for yield.

Interest rates for local authority borrowing from the Public Works Loans Board (PWLB) between 1<sup>st</sup> of July and 30<sup>th</sup> of September 2023 have varied within the following ranges:

<b>PWLB Loan Duration (maturity loan)</b>	<b>Minimum 2023/24 to Q2</b>	<b>Maximum 2023/24 to Q2</b>	<b>As at the End of Q2</b>
5 year	5.24%	6.13%	5.42%
50 year	5.06%	5.63%	5.61%

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

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

Short Term (Temporary) Borrowing and Investments

The Council’s Treasury Management Team acts 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.

Returns provided by the Council's short-term investments yielded an average interest rate of 5.36% over the last quarter. This rate of return reflects low risk investments for short to medium durations with UK banks, Money Market Funds, Certificates of Deposits, other Local Authorities, Registered Providers, and companies in the form of corporate bonds.

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

	<b>As at 30<sup>th</sup> June 2023</b>	<b>As at 30<sup>th</sup> September 2023</b>
	<b>£m</b>	<b>£m</b>
Banks and Building Societies	0.0	0.0
Local Authorities	41.0	33.0
Money Market Funds	36.96	28.08
Corporate Bonds	0.0	0.0
HM Treasury	0.0	0.0
<b>Total</b>	<b>77.96</b>	<b>61.8</b>

### **External Investments**

In addition to the above in-house investments, a mix of Collective Investment Schemes or "pooled funds" is used, where investment is in the form of sterling fund units and not specific individual investments with financial institutions or organisations. The pooled funds are generally AAA rated; are highly liquid, as cash can be withdrawn within two to four days; and have a short average duration. These investments include Certificates of Deposit, Commercial Paper, Corporate Bonds, Floating Rate Notes, Call Account Deposits, Property and Equities. However, they are designed to be held for longer durations allowing any short-term fluctuations in return due to volatility to be smoothed out. In order to manage risk these investments are spread across several funds (CCLA, Schroders, Ninety-One Investec, Columbia Threadneedle and M&G Investments).

Returns provided by the Council's pooled funds yielded an average interest rate of 4.59% over the last 12 months. At 30 September 2023, the pooled funds were valued at £26.9m (£26.8m at 30 June 2023), against an original investment of £30m (a deficit of £3.1m). All seven pooled funds show a deficit, mainly as a consequence of dropping property prices and volatility in bonds and equities. Most of the funds are showing encouraging signs of recovery in their capital value. There remains an expectation that the full value for each pooled fund will be recovered over the medium term - the period over which this type of investment should always be managed. Current accounting rules allow any 'losses' to be held on the Council's balance sheet and not counted as a revenue loss. This override was due to change in April 2023 but a further extension to 31<sup>st</sup> March 2025 has been granted by the government. These investments will continue to be monitored closely and are likely to be redeemed when they reach par value.

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

Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing for capital purposes

is affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30 September 2023 are included in **Appendix 4** to the report. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2023/24. Specific points to note on the ratios are:

- The Upper Limit on Variable Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. At 30 September 2023 the value is -£66.3m (minus) compared to +£96.2m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.
- The Upper Limit on Fixed Interest Rate Exposures (indicator 9) sets a maximum amount of net borrowing (borrowing less investments) that can be at fixed interest rates. At 30 September 2023 the value is £223.7m compared to £480.9m within the Treasury Management Strategy, reflecting both the level of actual borrowing and that a significant proportion of the Council's investment balance is at a fixed interest rate.

## 2.5 Commercial Investment Strategy – Loans and Shares

The Council's Commercial Investment strategy is designed to ensure there are strong risk management arrangements and that the level of commercial investments held in the form of shares, commercial property and loans to external organisations, is proportionate to the size of the Council. In doing this the strategy includes specific limits for the total cumulative investment through loans and shares. The total combined limit for 2023/24 is £146m, against which there are £110.7m of existing commitments: -

	Limit	Actual 31st March 2023	2023/24 Committed and Planned	Total	Headroom
	£m	£m	£m	£m	£m
Shares	55.0	52.1	0.0	52.1	2.9
Loans	91.0	53.4	5.2	58.6	32.4
	<b>146.0</b>	<b>105.5</b>	<b>5.2</b>	<b>110.7</b>	<b>35.3</b>

The committed or planned total of £5.2m includes a number of loan facilities to lend which may not necessarily be taken up, although the Council is committed to provide the funds if requested. The commitment figure is £21.4m lower than Q1 due to Tom White Waste confirming that the company will not draw down the loan in respect of recycling developments.

## 3. Results of consultation undertaken

3.1 None

## 4. Timetable for implementing this decision.

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

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

### 5.1 Financial implications

#### Revenue

The net quarter 2 forecast continues to reflect an extremely serious and concerning position for the Council although this has improved marginally from quarter 2. The net forecast, after significant management action is a **£11.5m revenue overspend** and incorporates a range of intractable ongoing issues and the continuation of inflationary pressures which will have an impact beyond the current financial year.

At this stage of the monitoring cycle there is a real and significant threat that the Council will not be able to balance its revenue position by year-end without the use of reserve contributions. This position **increases the initial 2024/25 budget gap** as set out in the Pre-Budget Report considered alongside this one.

These circumstances are common to councils across the country with instances of financial stress being widely reported. Alongside authorities that have already been in difficult financial circumstances due to a variety of largely local reasons, 2023 has seen an increasing number of councils give dire warnings about their ability to balance their 2023/24 budgetary positions and beyond. The failure of the local government finance system to tackle issues around social care funding plus the continued impact of inflation in excess of that anticipated in the 2023/24 budgets, have put many councils in a perilous financial position.

The cost of service delivery has reflected an upwards trajectory for some time as a result of prevailing inflation and market conditions. However, the unprecedented levels of inflation in the last 2 calendar years have affected all service delivery costs creating a very steep upward trend for the Council's key service costs.

Difficulties in the external markets for both children and adults are well documented but issues including the cost of highly complex cases and higher than planned levels of inflationary increases in placement costs have exceeded the additional budgetary provision included within the Council's budget. In addition, very significant increases in demand for housing have developed through the year. It is difficult to accurately predict whether current forecast outturn figures reflect a robust forecast for the year or whether further budgetary shocks will continue in these areas.

#### Management Action

Services have been implementing the budgetary responses outlined in the quarter 1 report to mitigate the overall budgetary position although it is not possible to disaggregate the impact of this from other aspects of the Council's budgetary position. In addition to these primarily one-off solutions, the focus has also turned to other actions with a forward looking perspective to identify options and the service impact of reducing ongoing spend levels to within budget for political decision. Senior managers have undertaken review work looking at service and policy options to feed into the 2024/25 budget process and the result of this work is included within the Pre-Budget Report on today's agenda.

In totality, this work gives sufficient assurance that the Chief Operating Officer does not need to take any extra-ordinary action at this stage to respond to the financial position such as issuing a Section 114 Notice (a self-imposed limit on making any non-statutory expenditure as result of financial distress). However, Cabinet is reminded above that the underlying position for 2023/24 is incredibly challenging and that the Council will face some difficult choices in the future.

## **Capital**

The Council's Capital Programme continues to include a range of strategically important schemes across the city. This continues to be a large mostly grant funded programme continuing the trend of recent years. The programme includes major scheme expenditure on secondary schools' expansion, Very Light Rail, the Air Quality programme, disabled facilities grant (DfG), the A45 Overbridge Eastern Green, City Centre South and support to the Friargate Hotel development. The large forecast rescheduling of expenditure into later years on the City Centre South scheme results from revised plans to accommodate a second staircase following changes in national government policy, which has led to a delay in entering into the Development Agreement.

### **5.2 Legal implications**

None

## **6. Other implications**

### **6.1 How will this contribute to the One Coventry Plan**

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

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

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

The need to deliver a stable and balanced financial position in the short and medium term is a key corporate risk for the local authority and is reflected in the corporate risk register. A recent reassessment indicates that the Council now faces a greatly increased level of risk in this area, described in section 5. Good financial discipline through budgetary monitoring continues to be paramount in managing this risk and this report is a key part of the process. A range of urgent actions has been set out in response to the Council's financial position. It is vital that Council officers and members are aware of the current financial challenge and that activity across the remainder of the year is successful. This in turn will dictate the extent to which the bottom line can be moved significantly closer to a balanced position.

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

It remains important for the Council to ensure that strict budget management continues to the year-end. The Council may be forced to make some difficult policy choices in the forthcoming Budget process especially in areas that do not have a strict statutory basis, and which involve material levels of discretionary and flexible expenditure.

### **6.4 Equalities / EIA**

No current policy changes have been proposed but the possibility remains that the Council may need to consider changes to existing services. If this is the case, the Council's equality impact process will be used to evaluate the potential equalities impact of any proposed changes.



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

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

**6.6 Implications for partner organisations?**

No impact.

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This report is published on the council's website: [www.coventry.gov.uk/councilmeetings](http://www.coventry.gov.uk/councilmeetings)

## Appendix 1

### Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

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

Service Area	Revised Net Budget	Forecast Spend	Centralised Variance	Budget Holder Variance	Total Variance
	£m	£m	£m	£m	£m
<b>Adult Services &amp; Housing</b>	113.7	119.7	(1.7)	7.7	6.0
<b>Business Investment &amp; Culture</b>	8.1	9.3	0.2	1.0	1.2
<b>Children &amp; Young People's Services</b>	93.2	97.4	(2.1)	6.3	4.2
<b>Contingency &amp; Central Budgets</b>	(26.7)	(28.7)	0.0	(2.0)	(2.0)
<b>Education and Skills</b>	19.3	18.6	(0.8)	0.1	(0.7)
<b>Finance &amp; Corporate Services</b>	9.2	9.6	(0.3)	0.6	0.4
<b>Human Resources</b>	0.7	0.7	0.2	(0.2)	0.0
<b>Legal &amp; Governance Services</b>	7.6	7.8	(0.5)	0.7	0.2
<b>People Directorate Management</b>	0.9	1.2	(0.0)	0.3	0.2
<b>Project Management &amp; Property Services</b>	(8.6)	(8.5)	(0.3)	0.4	0.1
<b>Public Health</b>	0.9	(0.4)	0.0	(1.3)	(1.3)
<b>Streetscene &amp; Regulatory Services</b>	32.0	34.4	(0.6)	3.0	2.4
<b>Transportation &amp; Highways</b>	10.3	11.1	(0.4)	1.1	0.8
<b>Total</b>	<b>260.5</b>	<b>272.0</b>	<b>(6.2)</b>	<b>17.7</b>	<b>11.5</b>

### Budget Holder Forecasts

Service Area	Reporting Area	Explanation	Budget Holder Variance £m
Adult Social Care	Strategic Commissioning (Adults)	Underspend relates to New Homes for Old PFI due to additional client fee income and lower than anticipated transport costs to day opportunities.	<b>(0.6)</b>
Adult Social Care	Housing and Homelessness	There are a number of reasons why the service is currently forecasting a significant overspend and why this has increased since Q1. The number of people seeking assistance with housing issues and subsequently the number being placed in Temporary Accommodation has increased by over 40% during 2023 and is continuing in an upward trajectory. The upward trend has continued throughout Q2. Alongside this the cost of TA with private providers has increased by 15% from 1st April (the first increase since the rates were set in 2019). A number of mitigations including purchasing additional TA, working with a Registered provider to provide us with an additional 50 flats for TA and new contracts with private	<b>3.2</b>

		providers are being progressed. The increases in TA is a national issue with the highest number of households in TA in England being reported in March 2023.	
Adult Social Care	Adult Social Care Director	Overspend relates to an increase in bad debt provision of £0.6m and additional spend on joint health initiatives to improve provision across Health and Social Care of £0.2m partly off-set by iBCF grant under-spend of -£0.3m.	0.5
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.	0.1
Adult Social Care	Internally Provided Services	Overspends on other pay and overtime which have been partly offset by centralised underspends in salaries due to 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.	0.4
Adult Social Care	Partnerships and Social Care Operational	Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.	0.4
Adult Social Care	Localities and Social Care Operational	Overspends relating to additional agency costs which have been offset by centralised underspends due to staff vacancies.	0.3
Adult Social Care	Community Purchasing Other	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.	2.2
Adult Social Care	Mental Health Operational	There remains significant pressures in Deprivation of Liberty Assessment demand leading to additional assessment costs (£0.4m) in particular doctors assessment costs. Additional agency costs have been partly offset by underspends on centralised salaries due to vacancies.	0.8
<b>Adult Social Care</b>			<b>7.7</b>
Business Investment and Culture	Sports, Culture, Destination & Bus Relationships	BH £737k overspend mainly relates to: 1. £790k overspend on Ikea collection centre/City Centre Cultural Gateway (CCCG) project with no revenue budget this year but still incurs costs for rates, electricity, security costs, BIDs. Final rate charge to be confirmed once VOA completed evaluation. 2. £78k Godiva overspend mainly due to income underachieved from Premium ticket sales and sponsorship although general ticket sales is higher than previous years even after £130k one off corporate contribution to mitigate part of the pressure (£100k from reserve and £30k on staffing budget). BH (£172k) underspend on General event budget relates to employee budget with (£150k) offsetting centralised variance part of Sports & Culture's overall structure and (£22k) underspend on overtime for event team. 3. £186k income underachieved from sponsorship that the Commercial partner is leading on, with (20k) professional fee reduction to reduce the cost; 4. (320k) underspend from restructure budget, (£100k) from Readiness money to offset overspend in centralised variation before new structure is in place; 5. St Mary's potential loss estimated at	0.7

		£200k, service is in discussion with provider on action plan to bring the business to profit. (Note that Management action on St Mary's code is to correct error in BW forecast). 6. £64k Brandon Wood GC costs with £40k of which to offset centralised underspend variation/staffing, £20k relates to feasibility, valuation of the sites with no budget 7. BH £19k variance DMO overspend is offset against underspend in centralised variance (after reserve of £19k applied from readiness funding)	
Business Investment and Culture	Employment & Adult Education	1. £534k BH variance includes £421k Employment Skills put into reserve for the underspend relates to grant budget in the service. The underspend is due to less grant income e.g for job shop to be claimed with corresponding staffing cost reduction on centralised variation. The remaining £113k is mainly due to reduction in grant claim. E&S is reducing staff cost by limiting vacancies to be filled.	0.5
Business Investment and Culture	Economic Development service (EDS)	(194k) EDS BH variance mainly due to payment reduction to external bodies total around (£1.17m), with extra income of (£35k) offsets reduced grant income of £950k, overspend on consultancy/ professional fees £42k and £21k other overspend.	(0.2)
<b>Business Investment and Culture</b>			<b>1.0</b>
Children and Young People's Services	Children's Services Management Team	Majority of underspend linked to the Social Worker Academy and staffing costs.	(0.8)
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 £39k has not been met. There are also overspends due to agency spend for Independent Reviewing Officers', Child Protection Chairs and Local Authority Designated Officers, due to pressures caused by vacancies and increasing caseloads.  The position is offset partly by underspends in CAMHS and the Coventry Safeguarding Children & Adults Multi-Agency Boards.	0.3
Children and Young People's Services	Help & Protection	There is an overall budgetary pressure of £0.6m in Help and Protection, which includes the following:  A £3m budget holder overspend in the Area Teams, offset by a £1.7m underspend against centralised salaries. This overall £1.3m overspend is linked to staff costs, with high levels of cases requiring additional workers and agency staff.  There is a £0.2m pressure in Section 17 spend linked to a high number of households being housed in temporary accommodation.  There are short-term one-off savings which are currently offsetting the budget pressures from additional grants and the use of earmarked reserves.	2.9

Children and Young People's Services	LAC & Care Leavers	<p>There is a £3.3m overspend on looked after children's (LAC) placements. This figure takes into account our expected increase in income from central government for unaccompanied asylum-seeking children which ensures these children do not contribute to the budgetary pressure. All of the overspend relates to external residential and is linked to unit cost. 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. This is despite a decrease in number of looked after children and placement mix being in line with targets.</p> <p>There is a further budget pressure of £214k 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. The project team is being phased out in line with paper approved at CSLT-Business and will end fully in October. There are some continued pressures in LAC permanency around unbudgeted costs around therapy and assessments.</p> <p>There is an overspend of £348k in internal fostering due to high number of staff on maternity leave and agency cover being provided.</p> <p>LAC transport has an overspend of £216k and this is as a result of placement arrangements where transport needs to be provided for child to continue in current education provision. Work is on-going to improve sufficiency of local placements which will start to address this pressure.</p> <p>There is an overspend of £223k on Adoption Central England that relates to an increase in Interagency fees and pay increases. Work is being undertaken to address this and finance sit on working group to explore budgetary needs of ACE moving forwards.</p> <p>There is a further budgetary pressure of £265k within the Children's disability service. This overspend relates to increased costs for short breaks &amp; 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. We are currently in the process of retendering our short breaks contracts to ensure 'best value' and reduce high-cost support spend.</p> <p>These pressures are offset in part by underspends across the service.</p>	3.9
<b>Children and Young People's Services</b>			<b>6.3</b>
Corporate & Contingency	Corporate Finance	There is a forecast overspend for pay inflation contingencies (£1.6m) reflecting the final agreed local government employers' pay award. This is more than offset by favourable variances for other	(2.0)

		contingency budgets (£1.7m), anticipated controls to reduce discretionary expenditure (£1m), a delayed need to replace DSG funded education expenditure (£0.6m) and other minor underspends.	
<b>Corporate &amp; Contingency</b>			<b>(2.0)</b>
Education and Skills	Customer and Business Services	A budget holder underspend of £97k reduced from last quarters forecast of £185k as a result of an unfunded posts in new cross-Council Complaints Team. There have been a number of savings delivered: £102K underspend on Post & Fastprint (equipment costs, increased internal income), £62K underspend on Client Budget (due to resources being identified from time-limited grant funding), £76K release of Reserves from previous underspend. Customer Services Team is now starting to fill vacancies that have been on hold for a time, but due to timing the impact is not yet showing in the Centralised underspend.	(0.1)
Education and Skills	Transformation Programme Office	Work undertaken in Q1 identified contribution from reserves of £143k as council savings contribution. As per Q1, £150k savings target to be met from reserves. Following review of activity, revised forecast for professional fees, creating a variance of a further £54k in addition to variance reported at Q1. Centralised variance related to staff vacancies. Remaining budget lines inc professional fees to be subject to ongoing review dependent on service need.	(0.2)
Education and Skills	SEND & Specialist Services	The SEN Travel Assistance forecast over-spend of £478k, has increased by a further £182k compared to Q1, primarily as a consequence of continuing demand pressures especially in the early years and primary age range. Consequently, the range of specialist provisions has increased to include two additional specialist mainstream units (+20 places) and the City's growing dependency on out of City providers to meet statutory duties. The unit cost of taxis (per mile) has risen significantly reflecting both inflationary increases and market demand as has the length of average journey. The additional pressure compared to Q1 has been offset by use of reserves. The remainder of the budget holder over spend relates to staffing in Educational Psychology, but this is offset by an equivalent under spend against centralised staffing costs.	0.6
Education and Skills	Education Entitlement	A 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 means that where passes are not used charges are not incurred. There is also an underspend against the interpreter service and multi-lingual assistant service as a result of cost review and increased efficiencies.	(0.1)
Education and Skills	Other Variances Less than 100K		(0.1)
<b>Education and Skills</b>			<b>0.1</b>

Finance & Corporate Services	Revenues and Benefits	<p>The pressure is primarily attributable to the cost of temporary staffing as a result of increased levels of work being received, cover for a higher-than-normal level of staff absence and increased underlying work levels in council tax.</p> <p>There is a net Housing Benefit subsidy pressure of £0.2m caused by an increase in supported accommodation rents for which the Council only receives partial subsidy payments if the provider is not a registered social landlord.</p>	0.7
Finance & Corporate Services	Other Variances Less than 100K		(0.1)
<b>Finance &amp; Corporate Services</b>			<b>0.6</b>
Human Resources	HR - People & Culture	The People and Culture service is forecasting a £126K overspend. This mainly relates to pressures within the Resourcing Team including an un-met savings target, agency covering sickness, increased costs for subscriptions and DBS costs. In addition, there are growing pressures on training and development budgets	0.1
Human Resources	Employment Services	Employment Services has a forecast over-spend of £107K. This relates to a reduction in income from external organisations. It has not been possible to reduce costs further as a range of legislation and regulatory changes has created an increase in overall workload	0.1
Human Resources	ICT & Digital	Digital Services is forecasting a Budget Holder underspend of £432K. A decision to slow down the refresh cycle of laptops has created a one-off saving of over £400K and allowed the release of £250K from the reserves. The shortfall on schools income of £433K due to reduced buy in as schools convert to academies and academies join larger MATs is an on-going and increasing problem. A range of spending reductions have been identified and implemented to offset this and other significant on-going pressures. Where these savings are on-going, they are being built into the MTFs.	(0.4)
<b>Human Resources</b>			<b>(0.2)</b>
Legal & Governance Services	Legal Services	<p>Recruitment of staff (particularly lawyers) into vacant positions remains a challenging situation within the service despite numerous attempts made to advertise vacancies. As a consequence, there is a significant amount of expenditure (circa £600k) on agency staff which is offset in part by vacancies within the Legal Services team. The service is also managing additional workload in the children's social care sector which has made it difficult to end locum contracts.</p> <p>An action plan is in place to address the recruitment and retention issues within the team with the expectation that this will show reductions in subsequent quarters.</p>	0.5
Legal & Governance Services	Procurement	Improved income performance from the early payment scheme	(0.1)



Legal & Governance Services	Regulatory Services	Use of external suppliers to cover vacancies (offset by savings in salaries)	0.2
Legal & Governance Services	Democratic Services	Additional resource required to manage subject access requests whilst a permanent solution is investigated to manage and process the significant number of complex and large cases.	0.1
<b>Legal &amp; Governance Services</b>			<b>0.7</b>
People Directorate Management			0.3
<b>People Directorate Management</b>			<b>0.3</b>
Project Management and Property Services	Commercial Property and Development	Commercial properties BH overspend £1.77m is due to: 1. commercial revenue net income underachieved by £520k as a result of various pressure, e.g. Electricity overspend £136k (Binley Court, street trading, public lighting, voids) although offset by (£74k) recovery of utilities; £122k void service charges pressure etc, £45k overspend professional fees for groundlease review, £14k overspend on service specific software, £50k external fee income underachieved, £250k rental income underachieved (incl. £310k insurance rent forecast) 2. Retail Market overspend around £100k mainly on cleaning and supplies 3. CCS redline overspend £548k including income underachieved £40k and expenditure pressure from business rates & BIDS at £442k, reactive repairs £66k 4. CPM overhead BH overspend of £243k is mainly due to £324k agency overspend partially offset by income overachieved (£13k) and reserve draw down of (£67k) 5. CCS South Aviva sites (code 11949) overspend of £169k is mainly due to voids costs (including estimated business rats £266k, although partially offset by extra income 6. 10310 CCS regeneration overspend £97k (without reserve £154k as there is no forecast of surplus income for Aviva sites) includes £84k agency staff covering principal valuation officer post (partially funded by staffing budget of £67k on centralised variation), £13k relates to Aviva sites cost; 7. £92k Site Development BH overspend on professional fees and repair maintenance is partially covered by underspend in centralised variance of £73k)	1.8
Project Management and Property Services	Facilities & Property Services	Total of (£977k) BH variance is made up of: 1. (£477k) variation in BW as at Qtr2 include: (£300k) Corporate Property Buildings underspend mainly from Friargate (£380k) and net of various other sites (£160k) offsetting pressure on Fairfax £175k and Whitley Depot £65k; (192k) income overachieved from Repair and Maintenance team based on current work plan; net £14k across other services (overspend in compliance, energy is partially covered by underspend in Corporate Property overhead and building cleaning). 2. Further (£500k) saving to be made against corporate property repair and maintenance budget	(1.0)

Project Management and Property Services	PMPs Management & Support	BH variance of (£377k) is made up of reserve contribution (£750k) to fund A60 income target of £373k on Property director code (note that Management action of (£297k) relates to 10523 Director Place to show net nil variation)	(0.4)
<b>Project Management and Property Services</b>			<b>0.4</b>
Public Health	Public Health Staffing & Overheads	A budget holder underspend of £250K as a result of the release of funding previously held in reserve. £250k PH Grant reserve was being held to cover potential FTC redundancy & pension strain costs. PH Grant saving will need to be switched with eligible Core expenditure.	(0.3)
Public Health	Public Health - Migration	A budget holder underspend as a result of additional grant flexibility and the release of funding previously held in reserve. Migration grant income is held centrally and funds costs of other services across the Council.	(1.0)
<b>Public Health</b>			<b>(1.3)</b>
Streetscene & Regulatory Services	Planning Services	There has been an overall reduction in planning applications since COVID which reflects the national trend. This is partly mitigated by an increase in fees w.e.f 1.10.23	0.2
Streetscene & Regulatory Services	Streetpride & Parks	The net variation across Streetpride and Parks is £1.26m overspend due to a) service reviews (Streetpride & Parks) with vacancies (u/spends on centralised variance) being covered by agency/overtime whilst new structures are being implemented, b) some shortfalls in car park income, c) set up costs and non-achievement of savings targets relating to Coventry funeral Service, d) pressures in Urban Forestry as a result of Tree Surveys and associated remedial works as well as inflationary increase and e) traveller incursion costs.	1.3
Streetscene & Regulatory Services	Waste & Fleet Services	Commercial and Domestic Waste has a joint net overspend of £0.742m the majority of which is due to third party Waste Collection costs. The Waste Transfer Station and Waste Disposal are forecasting £0.456m overspend which includes higher than expected gate fees for the disposal of Waste. Additional vehicles and sickness within the Passenger Transport Services forecasting a net overspend of c£0.116m, which includes a Fleet surplus generated by additional income/savings on capital finance as a result of the Electric Vehicle Programme.	1.3
Streetscene & Regulatory Services	Environmental Services	There are vacancies in Street Team Enforcement which are being covered by Agency/Overtime payments c£95k and also a shortfall in Pest Control income c£37k.	0.1
Streetscene & Regulatory Services	Other Variances Less than 100K		0.1
<b>Streetscene &amp; Regulatory Services</b>			<b>3.0</b>
Transportation & Highways	Parking	There are income pressures in Bus Lane and Parking Enforcement due to temporary bus gates	0.6

		closures, activity levels remaining lower than expected due to the impact of staff vacancies and sickness. These are offset by higher-than-expected car park usage and income.	
Transportation & Highways	Highways	There is a pressure largely due to the anticipated costs to be incurred to address highways defects (£350k) together with the delayed achievement of some MTFs savings targets (£250k).	0.6
Transportation & Highways	TH Management & Support	Variance is largely due to unachieved historic MTFs targets	0.1
Transportation & Highways	Transport Policy	Savings have been made by forgoing expenditure and utilising grant funding for scheme development costs	(0.1)
Transportation & Highways	Other Variances Less than 100K		(0.1)
<b>Transportation &amp; Highways</b>			<b>1.1</b>
Ringfenced Funding	SEND & Specialist Services	Dedicated Schools Grant Variance: New demand activity for external placements continues to rise above forecast, this is fuelled by the near exhaustion of in-City specialist provision. Following a revenue funding review the LA has invested an additional £600k to secure sustainable budget provision for pupils attending in-City specialist placements. The opportunity to increase the number of in-year commissioned special school placements has been taken. However, a single residential placement commissioned in partnership with social care placed a further £154k pressure on the budget. It is noted that the average cost of a specialist FE placement has increased from 58K (forecast) to 66K (actual).	1.2
Ringfenced Funding	Schools	Dedicated Schools Grant Variance: The majority of this under spend relates to the Council's High Needs holding pot. This is budget that has been earmarked to support the Council's overall SEND Strategy and fund known provision cost pressures that will arise in future years.	(2.5)
Ringfenced Funding	Financial Strategy	Technical adjustment to remove total Dedicated Schools Grant Variance from the General Fund position.	1.3
<b>Ringfenced Funding</b>			<b>0.0</b>
<b>Total Non-Controllable Variances</b>			<b>17.7</b>

## Appendix 2

### Capital Programme Approved / Technical Changes

SCHEME	EXPLANATION	£m
Local Authority Housing Fund (LAHF) - Stonewater	<p>On the 22nd December 2022 the Government announced a £500 million capital fund for Local Authorities in order to meet the housing needs of Afghan &amp; Ukrainian families.</p> <p>Each identified Local Authority was provisionally eligible for capital grant funding (Section 31) with an indicative allocation. Coventry City Council (CCC) was allocated £2.6m which was accepted using exercise of emergency functions on the 14th March 2023. The £2.6m capital grant has the following 2 tranches:</p> <ul style="list-style-type: none"> <li>• Main element - £1,806,000 to purchase a minimum of 21 Homes</li> <li>• Bridging element - £759,695 to purchase a minimum of 4 larger 4+ bed properties specifically for households residing in bridging hotels</li> </ul> <p>Stonewater were approached by 20 Local Authorities regarding this scheme and their board have confirmed that CCC are one of 6 councils that they will work with to deliver LAHF. It has been agreed with Stonewater that the council will pay them the grant on completion of a property purchase. The council does not retain any financial interest in the properties once they have been purchased.</p>	2.6
Homes Upgrade Grant (Phase 2)	Report - Home Upgrade Grant 2 (HUG2) & Homes Retrofit Programmes Update, taken to Cabinet on 29th August 2023 approves the addition of £2.8m capital grant to the 5-year programme. Forecast of £0.8m spend this financial year, with the remainder of the grant built into 2024-25.	0.8
Material Recycling Facility Loan - Tom White Waste	Shareholder Committee confirmation that the loan facility is now formally withdrawn.	(1.3)
Miscellaneous	Schemes below £250k threshold	0.1
<b>TOTAL APPROVED / TECHNICAL CHANGES</b>		<b>2.2</b>

### Appendix 3

#### Capital Programme: Analysis of Rescheduling

<b>SCHEME</b>	<b>EXPLANATION</b>	<b>£m</b>
City Centre South	Transfer of Council land into the scheme and some demolition costs now expected in 2024/25. This is due to delays to scheme development caused by changes in national government policy in relation to dual stair cores requiring all residential schemes above 30m to have a second staircase. The developer has had to revise the plans to accommodate this, which has led to a delay in entering into the revised Development Agreement.	(32.2)
Woodlands School	Project delayed due to planning pre-commencement conditions issues and change of requirement by SSMAT in relation to the temporary accommodation to rehouse pupils out of building scheduled for demolition.	(0.7)
Vehicle & Plant Replacement	Delay on ordering new refuse vehicles. Binlift/HSE investigation; lead times for tippers mean reschedule for 2024/25 and mowing equipment delayed due to trialling alternatives.	(2.9)
Miscellaneous	Schemes below £250k rescheduling	(0.1)
<b>TOTAL RESCHEDULING</b>		<b>(35.9)</b>

## Appendix 4

### Capital Programme: Analysis of Over / Under Spend

<b>SCHEME</b>	<b>EXPLANATION</b>	<b>£m</b>
Multi Recycling Facility	A significant number of customers were lost during the strike and as a result no skip service is operated (so spend on skips containers will be zero) and FEL & Bulk Bin services are operating at a much-reduced level.	(0.2)
<b>TOTAL UNDERSPEND</b>		<b>(0.2)</b>

## Appendix 5

### Prudential Indicators

Indicator	per Treasury Management Strategy 2023/24	As at 30 Sept 2023
<p><b>Ratio of Financing Costs to Net Revenue Stream (Indicator 1)</b>, 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.</p>	14.98%	14.66%
<p><b>Gross Borrowing should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) at 31<sup>st</sup> March 2023 plus the estimates of any additional CFR in the next 3 years (Indicator 2)</b>, illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme and is the amount of capital expenditure that has not yet been financed by capital receipts, capital grants or contributions from revenue.</p>	Estimate / limit of £546.2m	£312.7m Gross borrowing within the limit.
<p><b>Authorised Limit for External Debt (Indicator 5)</b>, 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.</p>	£534.8m	£312.7m is less than the authorised limit.
<p><b>Operational Boundary for External Debt (Indicator 6)</b>, 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.</p>	£514.8m	£312.7m is less than the operational boundary.
<p><b>Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 9)</b>, 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.</p>	£480.9m	£223.7m
<p><b>Upper Limit on Variable Rate Interest Rate Exposures (Indicator 9)</b>, as above highlighting interest rate exposure risk.</p>	£96.2m	-£66.3m
<p><b>Maturity Structure Limits (Indicator 10)</b>, 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.</p> <p>&lt; 12 months</p>	0% to 50%	6%

12 months – 24 months	0% to 20%	13%
24 months – 5 years	0% to 30%	7%
5 years – 10 years	0% to 30%	12%
10 years +	40% to 100%	62%
<b><i>Investments Longer than 364 Days (Indicator 11)</i></b> , 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.	£30m	£0.0m





Coventry City Council

## Public report

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### Report to

Audit and Procurement Committee

27th November 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:

Internal Audit Plan 2023-24 – Half Year Progress Report

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### Is this a key decision?

No – this is a monitoring report

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### Executive summary:

The purpose of this report is to provide the Audit and Procurement Committee with an update on the internal audit activity for the period April to September 2023, against the Internal Audit Plan for 2023-24.

### Recommendations:

Audit and Procurement Committee is recommended to:

- 1) Note the performance as at quarter two against the Internal Audit Plan for 2023-24.
- 2) Consider the summary findings of the key audit reviews (attached at Appendix Two to the report).

### List of Appendices included:

Appendix One - Audit Reviews Completed between April and September 2023

Appendix Two - Summary Findings from Key Audit Reports

### 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:** Internal Audit Plan 2023-24 – Half Year Progress Report

**1. Context (or background)**

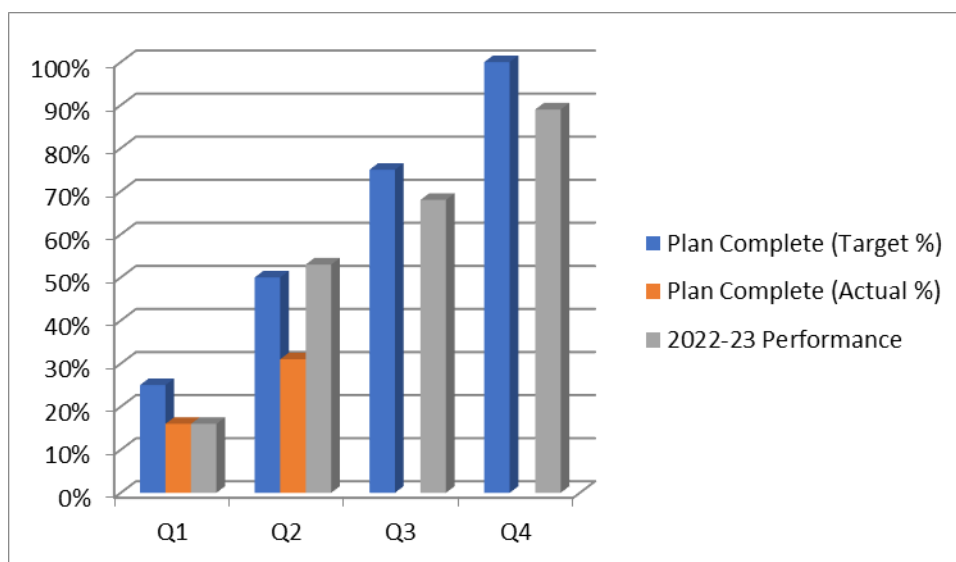
1.1 This report is the first monitoring report for 2023-24, which is presented in order for the Audit and Procurement Committee to discharge its responsibility 'to consider summaries of specific internal audit reports as requested' and 'to consider reports dealing with the management and performance of internal audit'.

**2. Options considered and recommended proposal**

**2.1 Delivering the Audit Plan**

The key target facing the Internal Audit Service is to complete 90% of its work plan by the 31<sup>st</sup> March 2024. The chart below provides analysis of progress against planned work for the period April to September 2023.

**Chart One: Progress against delivery of Internal Audit Plan 2023-24**



As at the end of September 2023, the Service has completed 31% of the Audit Plan against a benchmark of 50% (which reflects delivery of 100% of the Plan.) It is recognised that performance is below expectation, although the quarterly targets do not take account of the varying length of audits and as such performance will vary across the year. It is also apparent that performance has been impacted by on-going unplanned absence in the Service. The Internal Audit Plan for 2023-24 was presented to the Audit and Procurement Committee at its meeting on the 24<sup>th</sup> July 2023. In this report, it was explained to the Committee that the level of assessed resources on which the Plan is based may be subject to some adjustment during the course of the year due to this unplanned absence. Whilst this was factored into the planning process as far as possible, as the absence has continued, it is now apparent that this will require some changes to the Audit Plan. Work is currently on-going to assess the impact and make appropriate revisions to the Plan. The details of this will be reported to the Audit and Procurement Committee in the next monitoring report, but in general terms, it is likely that some reviews will need to be rescheduled into the 2024-25 programme of work.

It should be noted that whilst the Annual Audit Plan is agreed at the start of the financial year, it may always be subject to change as a result of emerging risks, requests from service areas to reschedule work, and any exceptions. It is important that the Internal Audit Service retains a flexible approach in order to ensure it can respond to issues on a timely basis and add value. Any significant changes to the Plan are reported to the Audit and Procurement Committee.

## 2.2 Other Key Performance Indicators (KPIs)

In addition to the delivery of the Audit Plan, the Internal Audit Service has a number of other KPI's which underpin its delivery. The table below shows a summary of the performance for 2023-24 to date against these five KPIs, with comparative figures for the financial year 2022-23. There is one indicator (i.e. audit delivered within budget days) where the Service's current performance is below expectations. Whilst performing work in a timely way is clearly important to achieving the overall Audit Plan for the year, this must be balanced with ensuring the quality of work undertaken. Ongoing monitoring of internal audit work and identifying opportunities for improvement remains a key focus for management, in line with the Public Sector Internal Audit Standards.

**Table One: Internal Audit Key Performance Indicators 2023-24**

<b>Performance Measure</b>	<b>Target</b>	<b>Performance Q2 2023/24</b>	<b>Performance 2022/23</b>
<b>Planned Days Delivered</b>	100%	46%	96%
<b>% of work time spent on audit work</b>	90%	91%	91%
<b>Draft Report to Deadline</b> (Draft issued within two weeks of deadline)	80%	86%	60%
<b>Final Report to Deadline</b> (Final issued within two weeks of deadline)	80%	100%	92%
<b>Audit Delivered within Budget Days</b> (Where budget days have not been exceeded by more than 50%)	80%	61%	76%

## 2.3 Audits Completed to Date

Attached at Appendix One is a list of the audits finalised between April and September 2023, along with the level of assurance provided.

As at the 30<sup>th</sup> September 2023, the following audits were in progress:

- **Audits at Draft Report Stage** – Transparency code
- **Audits On-going** – Enabling attendance, Annual Governance Statement, Sports asset maintenance, IR35, CareDirector post upgrade assurance, IT storeroom physical security, Pot Hole Pro stage 2 health check, Implementation of new IT systems, EDI in pay decisions, End user computing.

Details of a selection of key reviews completed in this period are provided at Appendix Two. In all cases, the relevant managers have agreed to address the issues raised in line with the timescales stated. These reviews will be followed up in due course and the outcomes reported to the Audit and Procurement Committee.

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

3.1 None

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

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

### **5. Comments from the 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**

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

### **6. Other implications**

#### **6.1 How will this contribute to achievement of the One Coventry Plan? (<https://www.coventry.gov.uk/onecoventryplan>)**

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

## 6.2 How is risk being managed?

In terms of risk management, there are two focuses:

- Internal Audit perspective - The main risks facing the Service are that the planned programme of audits is not completed, and that the quality of audit reviews fails to meet customer expectations. Both these risks are managed through defined processes (i.e. planning and quality assurance) within the Service, with the outcomes included in reports to the Audit and Procurement Committee. Delays in the delivery of individual audits could occur at the request of the customer, which could impact on the delivery of the plan. This risk is managed through on-going communication with customers to agree timing and identify issues at any 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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Finance

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<b>Contributor/approver name</b>	<b>Title</b>	<b>Service Area</b>	<b>Date doc sent out</b>	<b>Date response received or approved</b>
<b>Contributors:</b>				
Michelle Salmon	Governance Services Officer	Law and Governance	8/11/2023	9/11/2023
Tina Pinks	Finance Manager Corporate Finance	Finance	8/11/2023	15/11/2023
<b>Names of approvers: (officers and members)</b>				
Phil Helm	Head of Finance	Finance	16/11/2023	17/11/2023
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	8/11/2023	10/11/2023
Councillor R Lakha	Chair of Audit and Procurement Committee	-	8/11/2023	10/11/2023

This report is published on the council's website: [www.coventry.gov.uk/meetings](http://www.coventry.gov.uk/meetings)

## Appendix One – Audit Reviews Completed between April and September 2023

Audit Area	Audit Title	Assurance
<b>2022-23 B/Fwd</b>	Climate Change risk assessment	Fact finding
	Compliance with pre-employment checks	Limited
	Payroll 22-23	Significant
	Business Rates	Moderate
	Formal Follow up – Information Governance Risk Management	Moderate
<b>Regularity</b>	Growth Hub core grant	Verification
	Family Hubs and Start for Life grant	Verification
	Turnaround Programme grant	Verification
	Changing Places capital grant	Verification
	Homelessness grants	Verification
	Teachers Pension Statements	Verification
	Energy Bill Support Scheme – post payment assurance	Verification
	John Gulson Primary School	Reasonable <sup>1</sup>
	Holyfast Primary School	Reasonable
	Disabled Facility grant	Verification
	Bus Subsidy grant	Verification
	Homes Upgrade grant	Verification
	Innovate UK MACAM grant	Verification

<sup>1</sup> From 2023-24 the term moderate assurance has been revised to reasonable assurance.



**Appendix Two – Summary Findings from Key Audit Reports Completed between April and September 2023**

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
<p><b>Compliance with pre-employment checks</b></p> <p><b>April 2024</b></p> <p><b>Recruitment &amp; Resourcing Business Partner / Resourcing Compliance Lead</b></p>	<p><b>Overall Objective:</b> To ensure that the Council undertakes all required pre-employment checks for posts effectively and efficiently to support delivery of the People Plan and comply with legal requirements.</p> <p><b>Key controls assessed:</b></p> <ul style="list-style-type: none"> <li>- Appropriate procedures and guidance is in place to support compliance with pre-employment checks, including ensuring all legal requirements are met.</li> <li>- Roles and responsibilities of managers and the Resourcing Team are clearly defined and understood, with appropriate demarcation of roles.</li> <li>- Arrangements are in place to determine what pre-employment checks are required for a post as part of the recruitment process.</li> <li>- Appropriate records are kept to evidence that pre-employment checks have been undertaken on a timely basis.</li> <li>- Arrangements are in place to ensure follow-up checks for employees with time limited permission to work in the UK are undertaken and rules around UK visa sponsorship are complied with.</li> <li>- Mechanisms are in place to ensure that the results of pre-employment checks are used appropriately to inform recruitment decisions.</li> </ul> <p><b>Opinion:</b> Limited Assurance</p> <p>Whilst recognising that the transactional nature of undertaking pre-employment checks carries an inherent risk of error, the testing undertaken identified instances of non-compliance across all of the areas we reviewed. In addition, the review highlighted weaknesses in control arrangements to ensure that robust systems are in place, resulting in significant risk that the Council will breach legislation and could make inappropriate recruitment decisions. We acknowledge that further resources have been put in place over the last year and there has been ongoing activity to create and implement procedures to standardise team working practices. However, it is clear that further work is still required to strengthen arrangements.</p> <p><b>Agreed Actions - risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Update the Inclusive Recruitment and Selection Policy in respect of schools and strengthen arrangements in respect of pre-employment for school-based employees. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> <li>• Update the Inclusive Recruitment and Selection Policy to ensure that all links are up to date and work and requirements for the use of the Right to Work coversheet are defined. (M)</li> <li>• Update guidance on the intranet to include details of all relevant pre-employment checks and introduce a periodic review process to ensure all links within the Policy and Recruitment Guide are up to date and work correctly. (M)</li> <li>• Develop appropriate team guidance covering the role of the Recruitment Administrator, review of the Managers Starter Form, completion of the Recruitment Checklist and reference risk assessments. (M)</li> <li>• Ensure that on-going work to train managers in the use of Tribepad is completed. (M)</li> <li>• Update the Managers Starter Form to include questions about continuous service, lone working and driving checks. (M)</li> <li>• Take action to reset standards in respect of the completion of recruitment checklists. (M)</li> <li>• Ensure that right to work checks are conducted in accordance with legislation and internal policy requirements. (H)</li> <li>• Update the Inclusive Recruitment and Selection Policy / Recruitment Guidance to provide clarity on the requirements for medical clearance for transfers and additional posts. (M)</li> <li>• Ensure that DBS checks are undertaken for all applicable posts and a record of the check, including whether the result is satisfactory is retained. (H)</li> <li>• Ensure that references are transferred from Tribepad to the employee's file in all instances and approval of references is obtained and retained for all posts. (M)</li> <li>• Ensure that evidence of qualifications and other registrations / checks are obtained and saved on the employee record. (M)</li> <li>• Ensure that salary matches are only approved in accordance with the Council's starting salary guidance. (H)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings
	<ul style="list-style-type: none"> <li>• Take steps to ensure that all outstanding right to work follow up checks are completed as soon as practicable and consider whether it is more appropriate to run Resourcelink reports on a monthly basis. (H)</li> <li>• Take action to develop documented procedures which detail the processes required to manage and evidence sponsorship applications and ensure other officers are trained in the process. Ensure that Home Office evidence is retained on file for all sponsored employees. (H)</li> <li>• Take action to remind staff of the requirement to complete the recruitment pre-employment spreadsheets on a daily basis and ensure that the spreadsheet is updated consistently when checks are not required. (M)</li> <li>• Ensure that all evidence from DBS panels is saved in a central repository. (M)</li> </ul>

Audit Review / Actions Due / Responsible Officer(s)	Key Findings								
<p><b>Formal follow up: Information Governance Information Risk Management</b></p> <p><b>January 2024</b></p> <p><b>Head of Governance</b></p> <p><b>A summary of progress made against the agreed actions is shown below:</b></p> <table border="1" data-bbox="129 742 530 884"> <tbody> <tr> <td><b>Number of actions</b></td> <td><b>8</b></td> </tr> <tr> <td><b>Implemented</b></td> <td><b>5</b></td> </tr> <tr> <td><b>No Progress</b></td> <td><b>3</b></td> </tr> <tr> <td><b>On-going</b></td> <td><b>-</b></td> </tr> </tbody> </table>	<b>Number of actions</b>	<b>8</b>	<b>Implemented</b>	<b>5</b>	<b>No Progress</b>	<b>3</b>	<b>On-going</b>	<b>-</b>	<p><b>Overall Objective:</b> To provide assurance that agreed actions have been implemented as planned and there are now effective systems in place to identify, evaluate, control and monitor information risks.</p> <p><b>Recommendations followed up:</b></p> <ul style="list-style-type: none"> <li>- Undertake a fundamental review of the Information Governance Handbook with a view to providing a more simplified and coherent structure. (H)</li> <li>- Clarify the roles and responsibilities of the Information Management Strategy Group in relation to information risk management and ensure that they are clearly and consistently defined in appropriate documentation.(H)</li> <li>- Ensure that meetings are resumed as soon as practical to do so and include appropriate consideration of matters relating to information risk management. (H)</li> <li>- Reallocate the Senior Information Risk Owner role to the Director of Law and Governance. (H)</li> <li>- Re-evaluate the overall approach to information risk management, with consideration given to Information Governance coordinating the production of the risk register using the range of sources available to them. (H)</li> <li>- Ensure that appropriate policies and procedures are updated to reflect any changes to the risk management approach. (H)</li> <li>- Re-introduce the programme of spot checks across service areas and utilise the findings to update the information risk register as appropriate. (M)</li> <li>- Consider how the information risk management process can be coherently linked to the Council’s directorate risk register processes. (H)</li> </ul> <p><b>Opinion:</b> Reasonable Assurance It is clear that a much more robust system has been put in place to ensure that information risks are effectively managed. This includes creation of a risk register, which is subject to regular review and update by the Information Management Strategy Group and a defined process for the escalation of significant risks. Notwithstanding this, the review highlighted a small number of actions which still need to be progressed in order for arrangements to be fully effective.</p> <p><b>Agreed Actions – risk level high (H) or medium (M):</b></p> <ul style="list-style-type: none"> <li>• Take action to complete the review / update of the Information Governance Handbook. (H)</li> <li>• Ensure that the Information Risk Management Policy (and any related procedures) are updated to reflect the changes in approach to information risk management. (H)</li> </ul>
<b>Number of actions</b>	<b>8</b>								
<b>Implemented</b>	<b>5</b>								
<b>No Progress</b>	<b>3</b>								
<b>On-going</b>	<b>-</b>								

<b>Audit Review / Actions Due / Responsible Officer(s)</b>	<b>Key Findings</b>
	<ul style="list-style-type: none"><li>• Take action to adopt the revised approach to monitor compliance with data protection requirements and identify service areas for specific review / intervention by Information Governance. (M)</li></ul>

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Coventry City Council

## Public report

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**Report to**

Audit and Procurement Committee

27<sup>th</sup> November 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:**

Half Yearly Fraud and Error Report 2023-24

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service during the first half of the financial year 2023-24.

**Recommendation:**

The Audit and Procurement Committee is recommended to note and consider the anti- fraud and error activity undertaken during the first half of the financial year 2023-24.

**List of Appendices included:**

None

**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:** Half Yearly Fraud and Error Report 2023-24

**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 the first half of the financial year 2023-24 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 strategic response to the risk of fraud and error. The work of the team has focused on four main areas during 2023-24, namely:

- Business Support Grants
- National Fraud Initiative
- Referrals and Investigations considers through the Council's Fraud and Corruption Strategy
- Fraud awareness

A summary of the key activity that has taken place during 2023-24 to date is detailed below.

- 2.2 Business Support Grants – Work to assist in the administration of the debt recovery process of grants paid fraudulently or in error has continued during 2023-24. This has included:

- Ongoing meetings with colleagues from the Revenues Service to monitor the status of debts which are still undergoing recovery action, including monitoring of on-going payment plans to ensure they are still being adhered to.
- Where a decision is reached that recovery options have been exhausted, administration of the process to refer the debt to the Department for Business and Trade (DBT.) Grants in relation to four businesses have been referred to DBT during the year. In one case, the Department have accepted assignment of the debt, whilst in the other cases, the Council is awaiting a decision.
- Assisting in the process to return recovered grant funding to DBT.

As there are now only a small number of grants which remain outstanding, work in this area has reduced in 2023-24. However, a detailed update on the debt recovery position will be provided in the next monitoring report to Audit and Procurement Committee.

2.3 National Fraud Initiative (NFI) – The NFI exercise is led by the Cabinet Office. The main exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. The follow up of matches can also provide assurance that the Council’s own arrangements for preventing and detecting fraud / error are effective. The results of the last exercise were released in March 2023. As from April 2023, the Revenues and Benefits Service have become responsible for matches relating to Housing Benefit / Council Tax Support, whilst the Internal Audit Service are responsible for other match types. (The Internal Audit Service have continued to support Revenues and Benefits during this transitional period.)

2.3.1 Given the number of matches released, a risk-based approach is used in following up the matches. To date, around 800 matches have been processed. Table one below provides a breakdown of those areas where overpayments / forward savings have been identified to date (where overpayments are identified, these are subject to standard recovery arrangements.)

**Table One – Breakdown of National Fraud Initiative results April to September 2023**

Match Type	Purpose of Match	Number of errors / discrepancies	Overpayments	Cabinet Office Estimate of Forward savings
Pensions to DWP deceased data	To identify instances where an occupational pensioner has died but the pension is still being paid.	8	£1,418	£13,140
Blue badges to DWP deceased data	To identify cases where a blue badge holder has died but the local authority has not been notified.	160	-	£104,000
<b>Total</b>		<b>168</b>	<b>£1,418</b>	<b>£117,140</b>

2.4 Referrals and Investigations – From time to time, the Internal Audit Service receive referrals or are asked to assist with investigations relating to employee misconduct and other fraud against the Council involving external individuals. Table two below indicates the number of referrals by source in 2023-24, along with figures for the previous three financial years.

**Table Two - Fraud Reports Received between 2020-21 and 2023-24**

Source	Reports 2020-21	Reports 2021-22	Reports 2022-23	Reports 2023-24 April to September
Whistle blower	4	1	1	2
Manager	14	20	10	8
External	6	2	2	0
<b>Total</b>	<b>24</b>	<b>23</b>	<b>13</b>	<b>10</b>

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

In addition to the four investigations highlighted in 2.4.1 above, three further investigations were carried forward from 2022-23. All seven investigations related to fraud / theft or other activities linked to obtaining a financial benefit. Four out of the seven investigations are still on-going, whilst of the remaining three:

- In two cases, the concern was not substantiated, although action was taken to re-set standards.
- In one case involving the provision of false information to support a claim for homelessness assistance, the Council withdrew the application for assistance and rescinded its duty to provide temporary accommodation.

- 2.5 Fraud Awareness – In 2023-24 to date, the Internal Audit Service have attended four training sessions with employees from Adult Social Care to raise awareness of the types of fraud that can occur within the social care environment, and particularly within direct payments. The Service are also currently updating the Council's intranet pages in respect of fraud and corruption and are planning to attend an event hosted by a local charity who support immigrants to explain the consequences of benefit fraud, in order to help deter individuals from committing fraud.

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

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

In the period April 2023 to September 2023, no significant frauds have been concluded.

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

- 3.1 None

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

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

## **5. Comments from the Chief Operating Officer and the Chief Legal Officer**

### **5.1 Financial Implications**

All fraud has a detrimental financial impact on the Council. In cases where fraud / error 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 section 151 of the Local Government Act 1972 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?**

(<https://www.coventry.gov.uk/onecoventryplan>)

The scope and content of this report is not directly linked to the achievement of key Council objectives, although it is acknowledged that fraud / error 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

**Report author:**

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Michelle Salmon	Governance Services Officer	Law and Governance	8/11/2023	9/11/2023
Tina Pinks	Finance Manager, Corporate Finance	Finance	8/11/2023	15/11/2023
<b>Names of approvers: (officers and members)</b>				
Phil Helm	Head of Finance	Finance	16/11/2023	17/11/2023
Councillor G Duggins	Cabinet Member for Policy and Leadership	-	8/11/2023	10/11/2023
Councillor R Lakha	Chair of Audit and Procurement Committee	-	8/11/2023	10/11/2023

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