



Audit and Procurement Committee

Time and Date

4.00 pm on Monday, 23rd September, 2013

Place

Diamond Room 2 - Council House

1. **Apologies**
2. **Declarations of Interest**
3. **Minutes of Previous Meetings** (Pages 3 - 10)
 - (a) To agree the Minutes from the meeting of the Audit and Procurement Committee held on 5 August 2013
 - (b) To agree the Minutes from the meeting of the Audit and Procurement Committee held on 19 August 2013
 - (c) Matters Arising from the above.
4. **Outstanding Issues and Work Programme 2013/14** (Pages 11 - 16)

Report of the Executive Director, Resources
5. **Audit Findings Report, 2012/13** (Pages 17 - 52)

Report of the Council's external auditors, Grant Thornton (attached)
6. **Statement of Accounts 2012/13** (Pages 53 - 58)

Report of the Executive Director, Resources
7. **Revenue Monitoring Report and Corporate Capital Monitoring and Treasury Management Report 2012/13** (Pages 59 - 80)

Report of the Executive Director, Resources
8. **Annual Audit Letter Update (Audit 2011/12)** (Pages 81 - 86)

Report of the Executive Director, Resources

9. **RIPA (Regulation of Investigatory Powers Act) Annual Report** (Pages 87 - 98)
Report of the Executive Director, Resources
10. **Any other items of public business which the Chair decides to take as matters of urgency because of the special circumstances involved.**

Private Business

11. **Confirmation of Minutes** (Pages 99 - 100)
 - (a) To confirm the minutes of the Audit and Procurement Committee Meeting held on 24 July 2013
 - (b) Matters arising from the minutes
12. **Procurement - Monthly Progress Report** (Pages 101 - 102)
Report of the Executive Director, Resources

Chris West, Executive Director, Resources, Council House Coventry

Friday, 13 September 2013

Note: The person to contact about the agenda and documents for this meeting is Hugh Peacocke

Membership: Councillors S Bains (Deputy Chair), L Harvard, R Sandy, T Sawdon, B Singh and H Sweet (Chair)

Please note: a hearing loop is available in the committee rooms

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

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Coventry City Council

Minutes of the meeting of the Audit and Procurement Committee held at

4.00 pm. on 5 August 2013

Present:

Committee Members: Councillor Sweet (Chair)
Councillor Bains (Deputy Chair)
Councillor Harvard
Councillor Sandy
Councillor Sawdon
Councillor Thay

Employees (by Directorate):

Finance & Legal Services: M. Burns, L. Commane, J Evans and S. Mangan
Customer & Workforce Services: H. Peacocke

Public business

21. Apologies

Councillor B. Singh

22. Declarations of Interest

There were no declarations of interest.

23. Minutes of Audit and Procurement Committee 8 July 2013

The Minutes of the Audit and Procurement Committee held on 8 July 2013 were agreed and signed as a true record.

24. Exclusion of the Press and Public

RESOLVED to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report on Item 12 on the agenda: Procurement – Monthly Progress Report, on the grounds that it involved the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act as it contained information relating to the financial or business affairs of any particular person (including the authority holding that information) and that in all circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

25. Procurement – Monthly Progress Report

The Committee received a Briefing Note from the Director of Finance and Legal Services on procurement matters.

It was noted that there was a procurements savings target of £8M over the coming 3 years, comprising £2m per annum for 2013/14, an additional £3m from 2014/15 and a further £3m per annum from 2015/16.

RESOLVED that the Committee approve the July monthly progress report on procurement.

26. **Outstanding Issues and Work Programme 2013/14**

The Committee considered the report of the Director of Customer and Workforce Services and Director of Finance and Legal Services on outstanding issues and the Work Programme 2013/14.

It was noted that items 1 to 8 were due at the Committee but that item no. 1 (Network Security) would now be considered at the November meeting within the Internal Audit Quarterly Progress report. Item no. 8, Safeguarding Awareness, had been delayed due to changes in key personnel and this would now be considered at the December meeting.

The Committee noted that the agendas for the November and December meetings looked light and it was proposed that these 2 meetings be amalgamated, with the date to be agreed with the Chair.

An extra meeting would be held on 19 August to consider issues arising from the Chair's JEEP (Justify Expenditure, Examine Performance) Campaign which had the potential to achieve savings for the Council.

RESOLVED that the outstanding issues and The Work Programme (2013-14), as amended, be agreed by the Committee.

27. **Internal Audit Report Update - Council Tax Exemptions and Discounts**

The Committee considered the report of the Director of Finance and Legal Services on Council Tax Exemptions and Discounts. . An audit review in 2012-13 highlighted a number of significant concerns that required urgent action. This report highlighted progress made since the audit including the fact that as a result of the audit findings and a subsequent project set up by the Assistant Directors responsible for Revenue and Benefits and Special Projects Finance, revised bills to the value of £105,000 had been issued to those customers where it has been established that they are no longer entitled to a discount or exemption.

The report highlighted that the project is still on-going and that further work was still required to determine the scale of the issue and the longer solution to addressing the issues raised.

The Committee welcomed the work to date but requested a report in January 2014, to provide an update on the action being taken to address the full concerns raised in the audit. In particular, the Committee were keen that officers focused consideration on more proactive processes to encourage customers to notify the Council when their circumstances change and mean they no longer are entitled to a discount or exemption.

RESOLVED that the Audit and Procurement Committee approve the internal audit update on Council Tax and Exemptions.

28. **Audit Committee Annual Report to Council 2012-2013**

The meeting heard that the Committee was required under the Council's constitution and the Committee's terms of Reference to submit an annual report of its activities to full Council. The Director of Finance and Legal Services in consultation with the Chair had drafted the report for consideration and approval by the Committee.

RESOLVED that the Committee approve the Annual Report 2012-13 for full Council.

29. **Annual Fraud Report 2012-2013**

The Director of Finance and Legal Services presented the Report which was a summary of the Council's anti-fraud activity for the financial year 2012-13, focusing primarily on corporate and benefit fraud. The Committee noted the results of anti-fraud activity during the year and noted the continued improvement in performance of the Benefit Fraud Team. In response to discussions around employee fraud, the Committee asked officers to consider whether current systems in respect of ensuring employees have the right to work in the UK were sufficiently robust and also to consider whether tracking devices should be standard across all Council vehicles. It was agreed that briefing notes would be produced on these matters for consideration by the Committee.

RESOLVED that the Audit and Procurement Committee approve the outcome of the Council's response to fraud activity during 2012-13.

30. **Review of the Effectiveness of the System of Internal Audit**

The Committee considered a report from the Director of Finance and Legal Services on the outcome of the various activities and assessments for the period 2012-13, to aid the Audit and Procurement Committee in undertaking the review of the effectiveness of the Council's System of Internal Audit, on behalf of the Council.

The meeting noted that Officers offer of training and advice to all members of the Committee in order to carry out their roles on the Audit and Procurement Committee.

RESOLVED that the Audit and Procurement Committee:

1. **Approve the findings of the 2012-13 review of the effectiveness of the System of Internal Audit.**
2. **Endorse the areas for development highlighted in the Report.**

31. **Internal Audit Update Report**

The Director of Finance and Legal Services provided an update on a number of recently completed audits that were considered high priority by the Audit Committee in 2012-13. These were deemed high priority as a result of the level of assurance provided when the areas were last audited by Internal Audit.

The four audit reviews in question were:

- CareDirector (Expenditure)
- Housing Benefit Overpayments
- Complaints
- Reed Recruitment Agency – Contract Monitoring

The Committee noted the findings of the report including the significant progress that had been made in addressing audit actions across all four audits.

RESOLVED that the Audit and Procurement Committee approve the progress made in these audits.

32. **Any Other Public Business**

There were no other items of public business.

(The Meeting closed at 5.15 pm)

Signed: _____
Chair.

Date: _____

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Coventry City Council

Minutes of the Audit and Procurement Committee held on 19 August 2013

Members Present: H Sweet (Chair)
S Bains, J Blundell and R Sandy,

Other Members Present: D Gannon

Employees Present: M Reeves, F Collingham , J West (Chief Executive's)
H Abraham, B Hastie, S Iannantouni and H Peacocke
(Resources)

33. **Apologies**

Councillors T Sawdon and B Singh

34. **Declarations of Interest**

None

35. **JEEP (Justify Expenditure, Examine Performance) Campaign - Initial Report**

The Committee considered a report from the Director of finance and Legal Services which summarised the actions identified so far as part of the JEEP (Justify Expenditure, Examine Performance) Campaign and were in the process of being implemented by management.

The Campaign was started by the Chair in June and aimed at identifying everyday changes that can be made to save cash and to help the Council become more efficient. Sixty suggestions had already been received and categorised as follows:

1. Things we can already do
2. Matters which required further exploration by officers
3. Matter which required political approval and
4. Some which were not feasible

It was agreed to communicate with each of the people who had responded to the campaign.

It was agreed that JEEP would be a standard item on the committee's agenda.

Resolved that the Audit and Procurement Committee

- (1) Approve the way forward proposed in the report for managers to implement the actions identified.**

(2) Endorse the way forward for further actions to come forward to Audit and Procurement Committee at an appropriate point in the decision making process.

36. Citivision Magazine

The Committee considered a report from the Executive Director, Resources, which outlined the context and rationale for considering options around the future of Citivision magazine.

The Council issued the magazine quarterly to 127,000 premises in Coventry and the Report put forward 4 options:

1. Continue as at present
2. Reduce to 3 issues per annum
3. Reduce to 2 issues per annum
4. Publish online only.

RESOLVED that options for the future of Citivision are referred to Cabinet Member (Policy, Leadership and Governance) for consideration at a future meeting.

37. Reduction in spend of print related promotional literature

The Committee considered a report from the Director of finance and Legal Services which outlined the context and rationale for considering options around the reduction in spend of print related promotional literature.

The report presented proposals to reduce the amount spent on print by limiting the number of paper items and instead making them available for download from the Council's website as well as promoting events more effectively through the use of online communications tools including social media.

Resolved that the Audit and Procurement Committee recommend that the Centralised Communications budget be reduced by £50,000 per annum

38. Greater use of Salary Sacrifice Schemes

The Committee considered a briefing note update on salary sacrifice employee offer.

It was noted that the Council had an employee salary sacrifice cycle offer and also a child care voucher salary sacrifice offer which were popular with employees.

The possibility of a further salary sacrifice offer in the form of IT equipment (lap tops, tablets and mobile phones) was also being investigated.

RESOLVED that an IT equipment employee salary sacrifice offer continues to be moved forward and implemented once a suitable supplier is found.

39. **"Paperless" Meetings**

The Committee considered a briefing note on savings and efficiencies which could be achieved by operating "paperless" meetings.

RESOLVED that the Audit and Procurement Committee endorses the proposal that electronic working is rolled out in a phased manner, as follows:

Phase 1:

- 1. Individual Cabinet Member meetings and Advisory Panels**
- 2. Cabinet Briefing and all other briefings/ agenda conferences, etc.**
- 3. Scrutiny boards (all 5) plus Scrutiny Co-ordination Committee**
- 4. Audit and procurement Committee**

Phase 2 – 3 months' later:

- 1. Cabinet**
- 2. Health and Well-Being Board**
- 3. Ethics committee**

Phase 3 – in 6 months:

- 1. Council**
- 2. All other committees and bodies (excluding Planning and Licensing & regulatory, for now)**

40. The Chair thanked the Officers for their contribution to the JEEP campaign and assisting in formulating the proposals before the meeting.

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

None.

(Meeting closed at 16.45)

Signed: _____
Chair

Date: _____

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Public Report

Audit and Procurement Committee

23 September 2013

Director Approving Submission of the report:

Executive Director, Resources.

Ward(s) affected:

None

Title:

Work Programme 2013/14

Is this a key decision?

No

Executive Summary:

This report sets out the Outstanding issues for the Audit and Procurement Committee and the Committee's Work Programme for the rest of the Municipal Year.

Recommendations:

That the Audit and Procurement Committee notes the outstanding issues and approves the Committee's Work Programme.

List of Appendices included

1. Outstanding issues for the Audit and Procurement Committee at 5 August 2013
2. Work Programme 2013/14 for the Audit and Procurement Committee (Excluding External Audit).

Other useful background papers:

Audit Committee Minutes

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

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Directorate: Resources

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Enquiries should be directed to the above person.

Contributor/approver name	Title	Directorate or organisation	Date doc sent out	Date response received or approved
Contributors:				
Names of approvers: (officers and members)				

This report is published on the council's website:

www.coventry.gov.uk/meetings

	Subject	Date	Responsible Officer(s)
1	<p>Network Security</p> <p>The Committee agreed to receive a further report following the follow up audit.</p> <p>(Minute 35/12 of the Audit Committee refers)</p>	November 2013	Steve Mangan
2	<p>Corporate Risk Register Update – Safeguarding Awareness</p> <p>The Committee requested an update report on the current position in respect of the safeguarding Awareness, in light of concerns on lack of progress.</p> <p>(Minute 59/12 of the Audit Committee refers)</p>	December 2013	Steve Mangan
3	<p>Council Tax Exemptions and Discounts</p> <p>The Committee requested internal audit to continue to review this matter and report back in January 2014, prior to the next billing year, from March 2014.</p> <p>(Minute 27/13 refers)</p>	January 2014	Janice Evans / Steve Mangan
4	<p>Arena Risk Update</p> <p>The Committee requested a further update on the management of the Arena Coventry Limited / Coventry City Football club corporate risk.</p> <p>(Minute 60/12 of the Audit Committee refers)</p>	October 2013	Barry Hastie
5	<p>Progress on Matters Raised by the 2011/12 Annual Audit Letter</p> <p>The Committee requested a further report on issues considered in this report.</p> <p>(Minute 74/12 of the Audit Committee refers)</p>	September 2013	Paul Jennings

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Coventry City Council
 Audit and Procurement Committee Workplan 2013-14

Stakeholder	Report	03/06/13	08/07/13	05/08/13	19/08/13	23/09/13	07/10/13	04/11/13	02/12/13	06/01/14	03/02/14	03/03/14	07/04/13	12/05/14
Internal Audit	Internal Audit Annual Report 2012-13													
	Quarterly Internal Audit Progress Reports 2013-14													
	Internal Audit Recommendation Tracking Report													
	Annual Audit Plan 2014-15													
Risk Management	Corporate Risk Register Update													
	Corporate Risk - Nuckle Update													
	Corporate Risk - Safeguarding Awareness Update													
Fraud	Fraud Annual Report 2012-13													
	Half Yearly Fraud Update 2013-14													
External Audit (Grant Thornton)	Informing the Audit Risk Assessment													
	Annual Governance Report													
	Annual Audit Letter													
	Grant Certification Work													
Accountancy	Annual Audit Plan													
	Statement of Accounts 2012-13													
	Revenue and Capital Out-Turn 2012-13													
	Revenue Monitoring Report and Corporate Capital Monitoring and Treasury Management Report 2012-13													
	Annual Audit Letter Update													
Procurement	Transformation Programme Financial Savings													
	Progress Report													
	Post and Fastprint													
Others	JEEP Update													
	Annual Governance Statement 2012-13													
	Review of the Effectiveness of the System of Internal Audit 2012-13													
	Annual Audit Committee Report 2012-13													
	Council Tax Discounts / Exemptions Update													
	RIPA Annual Report													
	Covert Monitoring of Employees Policy Statement													
Arena Coventry Limited Update														
Training														

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The Audit Findings for Coventry City Council

Year ended 31 March 2013

3 September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Coventry City Council's (the Council's) financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan.

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit **Financial statements opinion**

We anticipate providing an unqualified opinion on the financial statements.

We have identified one adjustment affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £347,719k; the audited financial statements show net expenditure of £348,795k. This change relates to the omission of a creditor following the transfer of Caludon Castle School to academy status. We have also identified a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- there are no unadjusted misstatements. All adjustments identified during the audit have been made within the final set of financial statements.
- the audit did not identify any material misstatements.
- the draft accounts were of good quality and an improvement on previous years. There has been a significant reduction in the number of audit adjustments required.

Further details are set out in section 2 of this report.

Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Objection to the accounts

We have received an objection to the Council's accounts from a local elector, in relation to the Council's charges for installing dropped kerbs. We are currently finalising our work on this.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance and Legal Services.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Finance and Legal Services and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Grant Thornton UK LLP
September 2013

Section 2: *Audit findings*

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 10 April 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not had to alter or change our Audit Plan as previously communicated to you on 10 April 2013.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B. While we are working towards determining the objection to the accounts by the time we issue the opinion, if this is not achieved, we will not be able to formally certify completion of the audit at the same time as issuing the opinion. This will require an amendment to the last paragraph of the wording included in Appendix B, to say that we are unable to formally certify completion of the audit and give the reason why.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> We have assessed the Council's arrangements for revenue recognition and concluded that there is not a material risk of fraud. We can therefore rebut the presumption of fraud in revenue recognition. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> review of accounting estimates, judgements and decisions made by management testing of journals entries review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • tested key controls • Substantively tested operating expenses 	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses (year end creditors)	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • Substantively tested creditors 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Remuneration expenses not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • tested key controls • Substantively tested employee remuneration 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • Undertaken substantive testing following the Audit Commission's Housing Benefit Count methodology. 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	PPE activity not valid	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • Substantively tested capital expenditure 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • Substantively tested capital expenditure 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Government grants and contributions are recognised in the Comprehensive Income and Expenditure Account when there is reasonable assurance that the payment will be received and conditions will be satisfied. Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services. 	<ul style="list-style-type: none"> The accounting policy is appropriate and has been adequately disclosed. 	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> pension fund valuations and settlements revaluations provisions accounting for schools 	<ul style="list-style-type: none"> The Code of Practice on Local Authority Accounting does not provide a clear approach on the accounting treatment of schools within the financial statements. Therefore this is a key judgement for Local Authorities. Our review of the financial statements identified that there was scope to improve the disclosure of Council's accounting treatment of schools. There was appropriate disclosure of other key estimates and judgements. 	 Amber
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of accounting policies identified that there was no policy on the allocation of overheads across service lines. This has now been included. All other accounting policies were included and were disclosed appropriately. 	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 Creditors increased by £1.076m to recognise an amount owed to Caludon Castle School following its transfer to academy status in February 2013.	1,076	1,076	1,076
Overall impact	£1,076 (increase)	£1,076 (decrease in net assets)	£1,076 (increase)

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	3,691	Creditors	The housing benefit subsidy grant debtor had been incorrectly included within creditors.
2 Disclosure	N/A	Note 3.26 Members Allowances	The total members allowances was increased from £955k to £967k and the disclosure note amended to show the correct breakdown of allowances and expenses paid.
3 Disclosure	N/A	Note 3.39 Audit Fees	Amended the note to include non-audit service provided of £20k and disclosure of the Audit Commission rebate received of £24k.
4 Disclosure	N/A	Accounting Policies	As noted above, the accounting policies were amended to include a policy on overheads.
5 Misclassification	N/A	2011/12 Movement in Reserves Statement	The total reserves of the authority were incorrectly totalled in the table of unusable reserves and overall position 2011/12 comparatives.

Unadjusted misstatements

There are no unadjusted misstatements. All adjustments identified during the audit have been made within the final set of financial statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We have not identified any significant internal control deficiencies to bring to your attention.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

Issue	Commentary
<p>1. Matters in relation to fraud</p>	<ul style="list-style-type: none"> We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
<p>2. Matters in relation to laws and regulations</p>	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
<p>3. Written representations</p>	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council. Specific representations will be requested from management in respect of the following: <ul style="list-style-type: none"> significant assumptions used in making accounting estimates for the equal pay provision. confirmation that the accounts do not disclose a prudent estimate of the financial effect of the contingent liabilities for equal pay claims because the Council's view is that the obligation cannot be measured with sufficient reliability. the judgement formed on the Caludon Castle PFI that there is not an onerous contract. that no impairment is required on long term debtors.
<p>4. Disclosures</p>	<ul style="list-style-type: none"> See above comments within accounting policies, estimates and judgements.
<p>5. Matters in relation to related parties</p>	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
<p>6. Going concern</p>	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work concluded that the Council has strong arrangements for securing financial resilience. Its overall financial position is challenging, with the 2013/14 budget confirming a need for new savings of £44m over the period covered by the Medium Term Financial Plan (to March 2016). The recently announced future local government resource allocation figures indicates a worsening position. Officers are working to address the challenge posed by these cuts in funding.

The Council's arrangements mean that it is well placed to address this challenge, with a good record of overall budgetary control and achievement of savings – although there are issues specifically in relation to the Children Learning and Young People directorate (see below).

The Council's previous auditors (the Audit Commission) have commented in previous years on the low level of the Council's General Fund reserve. While the level of the reserve has increased by 50% in 2012/13, it remains low.

The Council's strong approach to financial governance has been demonstrated during the year through its approach to the dispute between Coventry City Football Club and Arena Coventry Limited, which is 50% owned by the Council. Managing this issue raised some complex issues in areas such as conflicts of interest, the Director of Finance and Legal Services' statutory responsibilities and managing confidentiality, and these issues were all handled effectively.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.

Our overall conclusion is that the Council is responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively. The Council's ABC transformation programme has engaged staff successfully and continues to provide a highly effective process in identifying and delivering improvements in economy, efficiency and effectiveness. Of particular note is the fact that the Council is not averse to taking bold action such as the office rationalisation and relocation project.

One remaining area of concern is the delivery of the service changes and resulting financial savings recommended in the fundamental service review in the Children, Learning and Young People Directorate. The review, which was intended to respond to the continuing financial pressures in relation to looked-after children (LAC), set ambitious targets for reducing the number of LAC through improved early intervention, as well as reducing costs through increasing the Council's own fostering capacity. These changes were intended to achieve significant financial savings from 2013/14 onwards.

These savings targets have, however, had to be recast because there have been delays in improving early intervention processes and problems in building fostering capacity. The context for the changes has also been affected by a recent serious case review involving the Directorate. While some good progress has been made, the Council needs to maintain pressure and ensure that the savings built into its overall plans are achievable.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Our initial risk assessment identified the following risks to our VfM conclusion which we followed up as part of our more detailed risk assessment:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>Medium Term Financial Position – the Council faces significant financial challenges for future years due to continuing reductions in grant funding.</p>	<p>We reviewed relevant documents including the Medium Term Financial Strategy and budget-setting reports, as well as discussing the situation through our regular meetings with the Director of Finance and Legal Services. We also monitored the progress and outcomes of the ABC programme, which is key to achieving a sustainable medium-term financial position.</p>	<p>We are satisfied that the Council is taking sensible action to safeguard its financial future and the essential services which it provides, but significant risks and uncertainties remain and it is vital that the Council continues to :</p> <ul style="list-style-type: none"> - Maintain tight financial control - Keep the MTFP up-to-date and plan for a range of scenarios - Effectively manage the ABC programme and ensure that identified savings are delivered
<p>Business Rates and Council Tax Benefit Reforms – we identified a risk that the Council's financial position may be adversely affected by these reforms taking effect in 2013/14</p>	<p>Through the above work, we have monitoring the impact of the changes on the Council's overall financial position.</p>	<p>We are satisfied that the Council is factoring the impact of the changes into its medium term financial planning .</p>
<p>General Fund Reserve – the Council's General Fund Reserve of £6 million at 31 March 2012 (2 per cent of budget) was one of the lowest when compared with other West Midlands metropolitan councils.</p>	<p>We have discussed the General Fund Reserve position with the Director of Finance and Legal Services and have evaluated it in the light of the range of other reserves which the Council holds and its record of strong overall budgetary control. We have also noted that the level increased to £9m at 31 March 2013.</p>	<p>We are satisfied that, while a higher level of General Fund reserve would be desirable to provide an increased buffer against unforeseen pressures, the low level of the reserve does not represent a major risk to the council's financial resilience.</p>
<p>Financial pressures in the Children, Learning and Young People Directorate – there is a history of overspends in the Directorate, mainly because of the need to provide a high level of external residential and foster placements for looked after children.</p>	<p>We have reviewed the ongoing budgetary performance of the Directorate and progress with the fundamental service review, which has sought to improve financial performance by reducing the number of looked-after children through early intervention and building internal foster care capacity.</p>	<p>Overall, we are satisfied that appropriate action is being taken to minimise the risk of future overspends in the Directorate. However, there are risks around the delivery of the ambitious changes arising from the fundamental service review, with delays in implementing improved early intervention and difficulties in increasing foster care capacity, with a resulting impact on achievement of planned savings. The Council therefore needs to maintain its efforts in this area and ensure that realistic savings targets are factored into its overall plans.</p>

Section 4: Fees, non audit services and independence

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

Fees, non audit services and independence

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees	Per Audit plan £	Actual fees £
Council audit	229,810	229,810
Grant certification – Indicative Fee	28,900	28,900
Total audit fees	258,710	258,710

Work on grant certification is ongoing. We will report any variance from the above fee to you once work has been completed.

Fees for other services

Service	Fees £
Due diligence work on the Regional Growth Fund	17,614
Certification of Low Emission Vehicle Demonstrators grant claim which falls outside of the Audit Commission certification arrangements	2,800

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Fees, non audit services and independence
- 05. Communication of audit matters**

Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>The Council needs to safeguard its financial position by continuing to :</p> <ul style="list-style-type: none"> - Maintain tight financial control - Keep the MTFP up-to-date and plan for a range of scenarios - Effectively manage the ABC programme and ensure that identified savings are delivered 	High	<p>On-going maintenance of tight financial control will be a key focus of the newly appointed Executive Director of Resources within the Council's revised organisational structure. The Council will continue to exercise rigorous control in line with existing practice and a sound history of good financial performance. This control will be strengthened through the provision of more timely budgetary control information anticipated following implementation of the forthcoming new financial information system.</p> <p>Officers continue to maintain rolling medium term financial planning forecasts reflecting a range of potential scenarios. Members will be kept abreast of these as the forthcoming Budget Setting process approaches.</p> <p>Delivery of the Abc Programme will continue to be fundamental to the Council's day to day activities and existing monitoring mechanisms will be maintained to ensure effective delivery. Any instances of non-delivery will be subject to scrutiny and where deemed necessary after appropriate review the programme will be flexed accordingly.</p>	

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
2	The Director of Finance and Legal Services should continue to assess the adequacy of the General Fund reserve in the light of the financial risks facing the Council.	High	The adequacy of all reserves will continue to be monitored and reported at key points through the annual financial cycle process. In particular where there are key emerging areas of risk, such as the recent part-localisation of Business Rates, this will be factored into any assessment of reserve levels.	
3	The Council should continue to monitor the implementation of the CLYP fundamental service review to ensure that savings are achieved.	High	Existing budgetary control routines and management of the abc Programme (per Recommendation 1 above) will ensure that the CLYP FSR continues to be a key area of focus. This will be reinforced by the member Scrutiny process.	
4	The Director of Finance and Legal Services should ensure that the Medium Term Financial Plan incorporates realistic savings targets arising from the CLYP service review.	High	The Strategic Management Board is very clear that the abc Programme will continue to set stretching savings targets consistent with existing policy and service standards established by elected members. Where the achievement of such aspirational savings targets proves undeliverable then this will be reflected in future Budget Setting processes. The very demanding targets established in the CLYP review have already been rebased once and is subject to on-going review at a senior management and member (Scrutiny) level. Any conclusions drawn from this existing work will be reflected in 2014/15 Budget Setting.	

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COVENTRY CITY COUNCIL

Opinion on the financial statements

We have audited the financial statements of Coventry City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Coventry City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Legal Services and auditor

As explained more fully in the Statement of the Director of Finance and Legal Services Responsibilities, the Director of Finance and Legal Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Legal Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Coventry City Council as at 31 March 2013 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

<p>Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources</p> <p>Respective responsibilities of the Authority and the auditor</p> <p>The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.</p> <p>We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.</p> <p>We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.</p> <p>Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources</p> <p>We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:</p> <ul style="list-style-type: none"> • securing financial resilience; and • challenging how it secures economy, efficiency and effectiveness. <p>The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.</p> <p>We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>

<p>Conclusion</p> <p>On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Coventry City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.</p> <p>Certificate</p> <p>We certify that we have completed the audit of the financial statements of Coventry City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.</p> <p>John Gregory Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor</p> <p>Colmore Plaza 20 Colmore Circus Birmingham B4 6AT [Date]</p>

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 10 April 2013

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant and Equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest and investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Dividend income from Joint Venture	Revenue	None		No	None
Impairment of investments	Investments	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
PFI revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Investment properties: income, expenditure, valuation changes & gain on disposal	Property, Plant & Equipment	None		No	None
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/losses	Revenue/ operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None
Cash & cash equivalents	Bank & cash equivalents	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	Yes
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None
Birmingham Airport shares	Investments	None		No	None
Coventry & Solihull Waste disposal Company	Investments	None		No	None
New Homes for Old PFI	Debt	None		No	None
Street Lighting PFI	Debt	None		No	None
Caludon Castle PFI	Debt	None		No	None



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Public report Audit & Procurement Committee

Audit Committee

23rd September 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Executive Director Resources

Ward(s) affected:

All

Title:

Audited 2012/13 Statement of Accounts

Is this a key decision?

No

Executive Summary:

The purpose of this report is to gain Audit & Procurement Committee's approval for the audited 2012/13 Statement of Accounts and Annual Governance Statement, incorporating any agreed changes to the draft accounts considered by Audit & Procurement Committee in July. The Audit & Procurement Committee is approving these accounts on the Council's behalf.

Recommendations:

Audit & Procurement Committee is recommended to approve the final 2012/13 Statement of Accounts, the Letter of Representation to our auditors at Appendix 1 and the Annual Governance Statement.

List of Appendices included:

The final Statement of Accounts incorporating the agreed changes will be available prior to or at the meeting.

This report is presented alongside the External Auditor's Audit Findings Report which details the key changes to the draft Statement of Accounts considered by the Audit and Procurement Committee in July. The changes have been agreed between Grant Thornton and the Executive Director of Resources.

Other useful background papers:

None.

Has it been or will it be considered by Scrutiny?

No

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

No

Will this report go to Council?

No. The Audit & Procurement Committee is approving the City Council's Statement of Accounts and Annual Governance Statement on the Council's behalf.

Report title:

Audited 2012/13 Statement of Accounts

1. Context (or background)

The Accounts and Audit Regulations 2011 changed the process for approving local government accounts. Rather than getting the unaudited Statement of Accounts and Annual Governance Statement approved by 30th June each year, the Council now needs to have the audited statements approved by 30th September. Alongside this change, on 13th September 2011 Council approved the delegation of responsibility for approving the statements to the Audit Committee (now the Audit & Procurement Committee), which has become the key body in respect of understanding, analysing and discussing the content of these statements.

The Audit & Procurement Committee reviewed and commented upon the draft 2012/13 Statement of Accounts and Annual Governance Statement at its meeting on 8th July 2013. This report now seeks approval of the final audited statements.

2. Options considered and recommended proposal

- 2.1 This report is presented alongside the Grant Thornton's Audit Findings Report. This report details all the significant changes to the draft accounts and Annual Governance Statement considered by the Audit & Procurement Committee in July. These changes have been agreed between the Grant Thornton and the Executive Director of Resources. The revised Statement of Accounts and Annual Governance Statement will be made available prior to or at the meeting and the key changes to them are explained clearly within the Grant Thornton Audit Findings report elsewhere on today's agenda.

Report author(s):

Name and job title: Paul Jennings, Finance Manager (Corporate Finance)

Directorate: Resources Directorate

Tel and email contact: 02476833753 paul.jennings@coventry.gov.uk

This report is published on the council's website:

www.coventry.gov.uk/meetings

Appendix 1: Proposed Text of Letter of Representation

Dear Sirs

Coventry City Council

Financial Statements for the year ended 31 March 2013

This representation letter is provided in connection with the audit of the financial statements of Coventry City Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.

- ix We have not adjusted the misstatements brought to our attention in the Audit Findings report, which are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- xii We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

- xx We confirm that the assumptions made in determining the equal pay provision remain valid and the level of provision remains appropriate, taking account of all events since the year end.
- xxi We confirm that the accounts do not disclose a prudent estimate of the financial effect of the contingent liabilities for equal pay claims because the Council's view is that the obligation cannot be measured with sufficient reliability.
- xxii We confirm that our assessment of the Caludon Castle PFI contract remains valid and is not considered to be an onerous contract.
- xxiii We confirm that no impairment is required for the Council's loan to ACL included within long term debtors.

Annual Governance Statement

- xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit and Procurement Committee at its meeting on 23 September 2013.

Signed on behalf of the Council

Chris West
Executive Director of Resources

23rd September 2013



Public report Cabinet Report

Cabinet
Audit and Procurement Committee

3rd September 2013
16th September 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance & Resources) – Councillor Gannon

Director approving submission of the report:

Executive Director, Resources

Ward(s) affected:

City Wide

Title:

2013/14 Quarter 1 Revenue and Capital Monitoring and Treasury Management Report (to June 2013)

Is this a key decision?

No

Executive summary:

The purpose of this report is to advise Cabinet of the first quarter forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity in the first quarter of 2013/14.

The current forecast for 2013/14 is a revenue overspend of £4m. This compares to a forecast balanced revenue position at the same point in 2012/13 and an outturn underspend in 2012/13 of £3.5m. The report outlines the actions planned to bring this position into balance.

Capital spending in 2013/14 is projected to be £77.9m. This represents a net increase of £14.1m compared to the £63.8m February Budget Setting figure. This increase comprises £8.4m expenditure rescheduled from 2012/13, £11.3m new spending approvals, £5.5m rescheduling of expenditure into 2013/14 and a small underspend of £0.1m. Spending at this revised level will be met by resources identified previously.

Recommendations:

Cabinet is recommended to:

1. Note the projected revenue overspend and endorse the proposed actions to balance the budgetary position by year-end.

- 2.** Approve the revised capital estimated outturn position for the year of £77.9m incorporating:
- (i) £11.3m increase in spending relating to approved/technical changes, (see Appendix 2),
 - (ii) £5.5m net rescheduling of expenditure into 2013/14, (see Appendix 4).
 - (iii) £0.1m net underspending on the programme.

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: Period 3 Estimated Outturn 2013/14
Appendix 4	Capital Programme: Analysis of Rescheduling
Appendix 5	Prudential Indicators

Other useful background papers:

Budgetary Control 2013/14 File, location CRH 3

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?

Yes. Audit and Procurement Committee 16th September 2013

Will this report go to Council?

No

Report Title:

2013/14 Period 3 Revenue and Capital Monitoring and Treasury Management Report (to June 2013)

1. Context (or Background)

- 1.1 Cabinet approved the City Council's revenue budget of £267.9m on the 26th February 2013 and a capital programme of £63.8m. This is the first quarterly monitoring report for 2013/14.
- 1.2 The purpose of this report is to advise Cabinet of the first quarter forecast outturn position for revenue and capital expenditure and to report on the Council's treasury management activity in the first quarter of 2013/14.
- 1.3 The current forecast for 2013/14 is a revenue overspend of £4m. This compares to a forecast balanced revenue position at the same point in 2012/13 and an outturn underspend in 2012/13 of £3.5m. The report outlines the actions planned to bring this position into balance.
- 1.4 Capital spend is projected to be £77.9m, an increase of £14.1m on the base programme due in large part to expenditure rescheduled from 2012/13 and new member approvals since the budget was set in February 2013. This spend will all be met by resources identified previously.

2. Options considered and recommended proposal**2.1 Revenue Forecast**

The Quarter 1 revenue budget monitoring exercise has identified an overall overspend of £4.0m. Table 1 below provides details of the forecast directorate variances.

Table 1. Forecast Variations

Directorate	Revised Budget £m	Forecast Spend After Action/ Use of Reserves £m	Net Forecast Variation £m
Chief Executives	5.4	5.4	0.0
City Services and Development	29.1	30.4	1.3
Children Learning and Young People	63.6	66.3	2.7
Community Services	100.3	103.3	3.0
Customer and Workforce	4.5	4.2	(0.3)
Finance and Legal Services	4.8	5.5	0.7
	207.7	215.1	7.4
Contingency & Central Budgets	60.7	57.3	(3.4)
Total	268.4	272.4	4.0

The predicted directorate overspends are as a result of a combination of factors. There are some areas where ongoing levels of spend need to be brought under control, and others where income targets are under pressure due to the economic climate. Furthermore, there is also the effect of challenging savings targets, set within the Council's abc Programme, where the actions required to achieve some of these savings have yet to be identified. Determining the actions necessary to deliver these savings remains a key focus of senior management at this time.

2.2 Individual Directorate Comments for Revenue Forecasts

A summary of the forecast year-end variances is provided below. Further details are shown in Appendix 1.

City Services and Development – Overspend £1.3m

At period 3 the underlying Directorate position for 13/14 is a deficit of £1.8m. The largest part of this pressure relates to the ongoing deficit on the commercial portfolio (rent and rates void costs) caused by the difficult economic climate. The remaining pressures relate primarily to a shortfall of income against targets for commercial waste and R&M. Management action is in progress which together with minor underspends, reduces the overall net forecast outturn to a £1.3m deficit.

Children, Learning and Young People - Overspend £2.7m

The CLYP directorate continues to face substantial budgetary pressures as a result of continuing high activity within children's social care, including externally purchased residential and fostering placements. This has been further impacted on in 2013/14 by the non-delivery of the CLYP Social Care FSR activity targets. The programme of change from the CLYP FSR has now been implemented, but the activity reduction targets are not forecast to be achieved. This means the savings targets are not being delivered, and numbers of Looked After Children and Child protection cases are higher than when the FSR started.

In addition a shortfall is forecast on the Education Service Grant of £0.2m. This is as a result of in-year academy conversion. £1.7m of underspends offset the overall overspend, and these are largely as a result of unspent provision for grant clawback and staffing vacancies. Overall the current CLYP forecast is a £2.7m overspend.

Community Services – Overspend £3.0m

The most significant pressure across the Directorate continues to be Community purchasing spend within Adult Social Care due to further reductions to resources, the fallout of one-off funding which supported the underlying position and increasing demand in services for young adults with learning disabilities. Work to manage these pressures continues through the A Bolder Community Services programme.

Customer and Workforce Services – Underspend £0.3m

The underspend position reported by CWS in Quarter One is £0.3m, made up predominantly of the overachievement of the Reed Agency rebate and an underspend on Organisational Development, offset by Equal Pay costs and overspends on ICT applications.

Finance and Legal Services Overspend £0.7m

This position is mainly attributable to one-off professional (legal) Fees incurred, and non-achievement of court Income & credit card charge income and Procurement Services contract rebate income in Procurement Services. A number of Management Actions have been identified that will partially address the current issues. These issues will be closely monitored in the next quarter and mitigating action will be explored and implemented as appropriate.

Contingency & Central Budgets – Underspend £3.4m

The Asset Management Revenue Account reflects a £1.9m underspend as a result of lower interest and debt repayment profiles and delays in incurring prudential borrowing within the Capital Programme incorporating a multi-year dimension. Other significant underspends relate to lower than anticipated calls on energy cost contingencies (£0.4m) and pay/inflation contingencies (£1.5m).

2.3 Capital Position 2013/14

The 2013/14 Budget Setting report (Cabinet 26th February 2013) approved a total capital programme for 2013/14 of £63.8m. Table 2 below updates the budget to take account of £11.3m approved/technical changes of which £5.5m relates to the new Sports Facilities at the AT7 Centre approved by Cabinet in March 2013. £8.4m of expenditure has been brought forward from 2012/13 and £5.5m is now planned to be carried forward into future years. This gives a revised projected level of expenditure for 2013/14 of £77.9m. Appendix 3 provides an analysis by directorate of the movement since February.

The Resources Available section of Table 2 explains how the capital programme will be funded in 2013/14. It shows that almost half of the capital programme is funded by external grant monies (45%), whilst 34% is funded from borrowing. The latest projections of capital receipts, arising predominantly from the sale of our assets, show £6.6m capital receipts expected by year end against a target level of £5.9m.

Overall the capital programme and associated resourcing reflects a forecast balanced position in 2013/14.

Table 2. Movement in the Capital Budget

	£m
February 2013 Approved Directorates Programme	63.8
Net rescheduling of expenditure from 2012/13 into 2013/14	8.4
Revised Position After 2012/13 Outturn	72.2
Approved/Technical Changes (see Appendix 2)	11.3
"Net" Underspending	-0.1
"Net" Rescheduling into future years (see Appendix 4)	-5.5
Revised Estimated Outturn 2013/14	77.9
Resources Available:	
Unsupported (Prudential) Borrowing	26.8
Grants and Contributions	35.1
Capital Receipts	6.6
Revenue Contributions	9.0
Leasing	0.4
Total Resources Available	77.9

2.4 Treasury Management Activity in 2013/14

Interest Rates

Notwithstanding more positive messages recently about the state of the economy it is clear that there are no plans in the near future to move from the Bank Rate.

Long Term (Capital) Borrowing

The net long term borrowing requirement for the 2013/14 capital programme is £13.7m, taking into account borrowing set out in Section 2.3 above (total £26.8m), less amounts to be set aside to repay debt, including non PFI related Minimum Revenue Provision (£13.1m). No long term borrowing has been taken out to date in 2013/14. The need to borrow will be kept under review in the light of a number of factors, including the anticipated level of capital spend, interest rate forecasts and the level of investment balances.

During the first three months up to period 3, rates for Public Works Loans Board (PWLB) increased from 1.7% to a peak of 2.5%, currently 2.2% for 5 year shorter term loans and from 4.0% to 4.6%, currently 4.5% for longer term loans of 50 years. From late 2012 the PWLB has reduced borrowing rates by 0.2% below the standard rates above for qualifying authorities, including the City Council. This “certainty rate” initiative provides a small, but welcome reduction in the cost of future borrowing. This trend is set to be extended with the planned introduction of a “project rate” which will enable authorities, working with their Local Enterprise Partnership (LEP), to access PWLB borrowing at 0.4% below the standard rate.

Regular monitoring continues for opportunities to reschedule debt by early repayment of more expensive existing loans with less expensive new replacement loans, the current premiums payable on early redemption currently outweigh any potential savings.

Short Term (Temporary) Borrowing and Investments

In managing the day to day cashflow of the authority short term borrowing or investments are undertaken with financial institutions and other public bodies. Up to Period 3, no temporary borrowing was undertaken, while the total volume of temporary investments was £217m, at an average rate of 0.46%. 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 as well as with the Government through the Debt Management Office (DMO).

Investments made between April and June were for periods ranging from 1 day up to 12 months with an average of 71 days. The total of these investments is analysed by type of institution: -

	£m
Banks and Building Societies	119
Money Market Funds	40
Certificates of Deposits	12
Government Debt Management Office	-
Local Authorities	46
Total	217

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. These funds are generally AAA rated, are highly liquid, as cash can be withdrawn within two to four days, and short average duration of the intrinsic investments. The intrinsic Sterling investments include Certificates of Deposits, Commercial Paper, Corporate Bonds, Floating Rate Notes and Call Account Deposits. However, they are designed to be held for longer durations allowing any short term fluctuations in return to be smoothed out.

As at 30 June 2013 the Pooled funds were valued at £23.235m made up as follows.

	No of Share Units	Cost £m	Valuation £m
Investec Liquidity Fund	900,000	0.9	0.907
Investec Short Dated Bond	465,041	6.3	6.352
Investec Target Return	1,446,248	1.8	1.862
Payden Sterling Reserve	870,203	9.0	9.109
Federated Prime Rate Cash Plus	4,958,842	5.0	5.005
Total		23.0	23.235

Prudential Indicators and the Prudential Code

Under the CIPFA Prudential Code for Capital Finance authorities are free to borrow, subject to them being able to afford the revenue costs. The framework requires that authorities set and monitor against a number of Prudential Indicators relating to capital, treasury management and revenue issues. These indicators are designed to ensure that borrowing entered into for capital purposes was affordable, sustainable and prudent. The purpose of the indicators is to support decision making and financial management, rather than illustrate comparative performance.

The indicators, together with the relevant figures as at 30th June 2013 are included in Appendix 5. This highlights that the City Council's activities are within the amounts set as Performance Indicators for 2013/14. Specific points to note on the ratios are:

- The ratio of financing costs to net revenue stream (indicator 1) is 12.75% compared to 13.15% within the Treasury Management Strategy, due to lower levels of Prudential Borrowing resourced capital spend in 2012/13;
- The Upper Limit on Variable Interest Rate Exposures (indicator 10) sets a maximum amount of net borrowing (borrowing less investments) that can be at variable interest rates. The Period 3 value is -£28.4m (minus) compared to +£80.8m within the Treasury Management Strategy, reflecting the fact that the Council has more variable rate investments than variable rate borrowings at the current time.

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 Executive Director, Resources

5.1 Revenue

The current forecast for 2013/14 is a projected overspend of £4m.

The financial position facing the Council remains very challenging for 2013/14 with continued implementation of the cuts in formula and specific grants. In parallel with this the Council remains committed to the implementation locally of a number of very significant ABC service reviews that are aimed at achieving large savings. Whilst it is important to reiterate that the 2013/14 budget is a robust one this report reflects that there are some areas with challenging budget pressures that need to be addressed.

In particular it is clear that problems remain in delivering the changes required to achieve savings through the CLYP FSR, compounded by further funding changes in the Education & schools sector. In addition, Community Services is in the early stages of delivering the very large savings required in its FSR whilst at the same time managing the fall-out of several one-off sources of funding received in previous years. These financial issues together with smaller ones across other directorates have created the initial projected over-spend reported here.

Officer action over the next quarter will continue to focus on delivery of FSR savings as a fundamental piece of business as usual. In addition it is expected that all other areas of budgetary overspend will be expected to explore options to move back towards budgetary balance. Finally, it is expected that hard to predict central budgets, in particular the Asset Management Revenue Account will be revisited to refine year-end projections, with the potential for the level of reported underspend to increase towards the year-end.

5.2 Capital

The capital programme shows a projected balanced position for 2013/14.

It is important to note that whilst the borrowing requirement in 2013/14 has risen to £26.8m (Budget Setting report £8.1m) the overall level of borrowing continues to be constrained within previously approved parameters with revisions as appropriate to incorporate new spending on major capital investment such as the AT7 Centre and the Friargate Building.

Of the £26.8m borrowing now forecast, £18.2m relates to spending on specific schemes approved by Cabinet. The remaining £8.6m predominantly relates to borrowing that has previously been approved but not undertaken. Cabinet will recall that at the end of 2012/13 available external grant funding was used to fund spending which had been forecast to be funded from prudential borrowing. This report incorporates the need to now call on the associated level of Prudential Borrowing approvals not utilised in 2012/13. Similarly, there will be a need to incorporate in future years as capital spending is incurred.

The Executive Director, Resources will review the overall level of prudential borrowing undertaken in 2013/14 together with other sources of funding as part of the year end process and continue to re-evaluate future capital spending profiles taking into account economic circumstances, the ability to generate capital receipts and the profile of other areas of significant investment managed by the Council.

5.3 Legal implications

None

6. Other implications

6.1 How will this contribute to achievement of the council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / LAA (or Coventry SCS)?

The council strives to monitor the quality and level of service provided to the citizens of Coventry and the key objectives of the Sustainable Community Strategy despite financial pressures. As far as possible we will try to deliver better value for money in the services that we provide and achieving the same or better level of service with fewer resources.

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

In Quarter 1 there is a forecasted overspend which we are actively seeking further management actions to achieve a balanced budget.

6.4 Equalities / EIA

None

6.5 Implications for (or impact on) the environment

No impact

6.6 Implications for partner organisations?

None

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Enquiries should be directed to the above person.

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This report is published on the council's website:

www.coventry.gov.uk/cmis

Revenue Position: Detailed Directorate Breakdown of Forecasted Outturn Position

Appendix 1 details directorates forecasted variances, breaking down between on going and one off, also detailing whether the variance is due to a change in activity or an increase/decrease in cost:

City Services and Development Directorate

KEY VARIANCES	£m
Overspends:	
Property & Asset Management – Commercial Portfolio	0.6
Planning, Transport & Highways – Transport & Traffic Management	0.3
Property & Asset Management – Repairs & Maintenance	0.2
Streetscene & Greenspace – Domestic Waste	0.2
Streetscene & Greenspace - Streetpride	0.2
Streetscene & Greenspace – Commercial Waste	0.3
Underspends:	
Management Actions	(0.4)
Other Variations Less than 100k	(0.1)
<i>Outturn Overspend</i>	1.3

Overspends

Property & Asset Management – Commercial Portfolio

Despite continuing efforts to maintain footfall and boost economic activity through competitive rental terms, support to pop-up shops and other initiatives, the downturn in rental income and void rates continues. The strategic property FSR is intending to address the current pressure levels as part of the fundamental review.

Planning, Transport & Highways – Transportation & Traffic Management

The main pressures relate to predicted one-off costs associated with HS2 and highway related income targets.

Streetscene & Greenspace – Domestic Waste & Recycling

The pressure relates to both the cost of additional collections, and also higher cost of running the fleet.

Property & Asset Management – Repair & Maintenance

This pressure reflects a projected net trading pressure primarily due to lower than required activity levels.

Streetscene & Greenspace – Streetpride

The deficit largely reflects the requirement to maintain service continuity by use of casual operatives, together with lost business on schools/external work.

Streetscene & Greenspace – Commercial Waste

The service has a challenging income target made more difficult by the current economic situation.

Underspends

Management Action

Management actions are being taken to identify savings to offset the overall adverse position for the directorate.

Children, Learning and Young People Directorate

KEY VARIANCES	£m
Overspends:	
Children's Placements (FSR)	2.6
Legal Fees	0.3
Section 17 Payments	0.3
Fostering & Adoption	0.2
Education Service Grant	0.2
Schools Catering Service	0.2
Supported Accommodation Contracts	0.1
Premature Retirement Costs	0.1
Other overspends under £100k	0.4
Underspends:	
Provision for Clawback (Children's Centres)	(0.3)
Children & Family First Service	(0.2)
Community Based Assessment Service	(0.1)
LAC Caseholding	(0.1)
Other underspends under £100k	(1.0)
Forecast Overspend	2.7

Overspends

Children's Placements (FSR) – (Internal & External Fostering, Internal & External Residential care, including transport costs)

The £2.6m overspend is a combination of existing activity pressure and further activity pressure forecast for 13/14. LAC numbers were on average 586 in the 12/13 financial year, but at quarter 1 they have risen to 612. In addition the number of Internal Foster placements has not increased in line with expectations meaning we need to increasingly continue to use External Fostering placements, which are more expensive. We are not currently forecasting any reduction in LAC throughout the year, this will be reviewed at quarter 2, but we are forecasting a net increase in internal foster care places of 23 in line with the agreed FSR targets.

Legal Services

Costs in this area continue to be driven by high activity levels of Looked after Children.– 108 cases are expected this year against 111 last year The forecast is based on last year's outturn as the number of cases are similar, but it has reduced as significant one-off court fees were incurred in 2012/13, and this year's barrister fees are expected to be lower given the legislation introduced which will reduce court time.

Section 17 Payments

The spend fluctuates throughout the year and is reactive depending on the number of cases.

The pressure on this budget is due to increased case activity which:-

- In line with Public Law Outline, a number of expert assessments are commissioned prior to cases entering the court arena. These can cost in the region of £1,000 to £3,500 each.
- Social Care is paying a number of bonds so that families are able to access privately rented accommodation and exit out of temporary accommodation. Although reluctant to provide this support, it is more cost effective. During the year work was undertaken with Housing Services to manage the use of emergency accommodation across the council. Although in its infancy, this work has not had any significant impact on reducing the demands on this budget.
- An increasing number of families are approaching Social Care for financial assistance due to issues relating to receipt of their benefits.

These additional pressures have resulted in a forecast overspend of £0.3m

Fostering & Adoption

The pressures in this area are largely a result of using agency staff to cover vacancies. If posts can be filled permanently we will be able to reduce the agency forecast. Significant pressure in this area to deliver on increasing internal foster carers, adoption, and so on means that the service is not able to run with vacancies.

Education Services Grant (ESG)

The former academy top-slice arrangements have been replaced with ESG. Each Local Authority's former LEA functions are now funded by ESG rather than core budget. We receive £15 per pupil for all city schools, £116 per pupil for pupils in maintained schools, £495 per pupil for pupils in maintained special schools, £437 per pupil for pupils in PRUs. Adjustments are done on a real time basis. This means that as academies convert in year we lose resource. Our current estimate is that this will create an in-year pressure of £0.2m. The ongoing impact of this will be built into the MTFS from 2014/15.

Schools Catering Service

Catering service continues to recover its direct costs and contribution to corporate overheads but is not forecast to meet FSR targets for take up of school meals. However this shortfall has been partly offset by use of £81k residual School Meals Grant in 2013/14 only.

Supported Accommodation

Delays in tendering for the Supported Accommodation contract and an increase in the requirement for more expensive spot purchased supported accommodation placements due to an increase in young people reaching the age of 16/17 has resulted in an overspend. The tender for the Supported Accommodation for Young People 16-24 contract is due to commence in December 2013 and is forecast to reduce the overspend in 2013/14 and achieve budgetary savings in 2014/15.

Underspends

Provision for Clawback (Children's Centres)

Provision was made for potential grant clawback in 2012/13 in relation to Children's Centres. DFE have confirmed that they will not clawback grant funding so provision is no longer needed.

Children and Family First Service

The underspend is due to ongoing vacancies in this area. Further recruitment is planned.

Community Based Assessment Service

The underspend is the result of staff vacancies that will be recruited to in-year.

LAC Caseholding

The underspend is the result of staff vacancies that will be recruited to in-year.

Community Services Directorate

KEY VARIANCES	£m
Overspends:	
Community Purchasing	3.7
Housing: Temporary Accommodation/Homelessness	0.1
ABCS Programme	0.1
Libraries	0.1
Community Services – other overspends below £100k	0.4
Underspends:	
Neighbourhood Wardens	(0.3)
Community Safety Initiatives	(0.5)
Strategic Commissioning	(0.2)
New Homes For Old	(0.3)
Healthwatch	(0.1)
Forecast Overspend	3.0

Overspends

Adult Social Care Community Purchasing

The Adult Social Care Community Purchasing spend reflects external packages of care across all service user groups.

Continuing sustained pressure on the budget arising from high service demand with the highest areas of pressure relating to older people being supported to live at home and increasing numbers of young adults with a Learning Disability.

Housing: Housing and Advice

The rate of homelessness continues to result in an overspend on temporary accommodation and associated costs.

ABCS Programme

The ABCS Programme is working to manage significant reductions in resources up to 2016. This cost relates to the programme management costs which will ultimately be resourced from the savings delivered.

Libraries

This relates to a forecast shortfall in income due to loss of rental income and a general decline in the demand for other goods/services.

Underspends

Neighbourhood Wardens

Salary underspends forecast due to staff vacancies which are being held pending the outcome of the Neighbourhood Working Review.

Community Safety Initiatives

Savings arising from the reprioritisation of projects and reduced spend on Community Safety Initiatives.

Strategic Commissioning

The forecast underspend relates to salary savings and savings on a number of contracts.

New Homes for Old

This variation arises from both a reduction in cost compared to budget as well as an increase of income against budget from client care contributions.

Healthwatch

Forecast savings following the introduction of the proposed arrangements for the establishment of a local Healthwatch in Coventry.

Customer and Workforce Services Directorate

KEY VARIANCES	£m
Overspends: ICT	0.1
Underspends: HR Customer Service	(0.3) (0.1)
Forecast Underspend	(0.3)

Overspend

ICT

Overspends are mainly on running cost budgets, including a forecast overspend on Application Management, which will be closely managed throughout 2013/14 to keep the overspend to a minimum. ICT are currently assuming full achievement of income targets.

Underspends

Customer Services

The position reported by Customer Services is made up largely from underspends on Organisational Development.

HR

The underspend forecast by HR includes a large overachievement of the Reed Agency rebate income. This offsets other shortfalls in other income generated by HR and also offsets costs that are being incurred in relation to Equal Pay claims.

Finance and Legal Services

KEY VARIANCES	£m
Overspends: Management Team Revenues Benefits Procurement	0.3 0.4 0.2 0.2
Underspends : Legal Management Action	(0.1) (0.3)
Forecast Overspend / (Underspend)	0.7

Overspends

Management Team - £255k net overspend

Overspend on Running costs due to one-off Professional fees on Legal costs. Plus overspend on salaries relating to non-achievement of savings target for ABSS & supplies & services top-slice.

Revenues - £356k net overspend

Revenues are reporting an £356K overspend primarily as follows :

- On-going non achievement of Court Income £174k. Option being explored of off-setting some of the income target against over achievement of Council Tax recovery.
- Credit card charges income £43k predicted not achievable in 2013/14
- Bank Charges overspend £43k
- Salaries underspend £23k
- Council Tax Annual Billing charges £55k
- Cost of Court Fees £32k
- Advance Cheque fees no longer being charged £7k as part of CEC charges

Housing Benefits - £215k net overspend

Housing Benefit Administration is reporting a £547K underspend broken down as follows:

- Salaries inc agency spend & non-achievement of Management of Vacancies & Single Status £298k
- Admin grant reduction £288k
- Welfare Reform Grants received as a one-off £368k

Procurement (inc. Accounts Payable) – £178k net overspend

Salary overspend £15k offset by running costs underspend £5k. Shortfall on income £168k due to loss of rebates due to changes in expenditure patterns/recharges.

Underspends

Legal Services - £58k net underspend

Salary overspend £99k & running costs underspend of £30k. Plus over-achievement of income £127k from Registry office, Land & Record charges, Court awards, Schools income & general fees.

Management Actions

- Address directorate savings for ABSS & supplies & services top-slice £114k
- Credit card charges to be addressed corporately £43k
- Savings to offset Armchair Audit £24k
- Welfare Reform initiative £100k draw down reserves

Contingency & Central Budgets

KEY VARIANCES	£m
Overspends:	
Demand Management Savings	0.5
Other Service Areas (less than £0.1m)	0.1
Underspends:	
Asset Management Revenue Account	(1.9)
Energy	(0.4)
Pay & Inflation Contingencies	(1.5)
Policy Contingency	(0.2)
Forecast Underspend	(3.4)

Overspends

Demand Management Saving

No clear actions have been identified to deliver this saving at this stage.

Underspends

Asset Management Revenue Account

The final 2012/13 outturn position for the Asset Management Revenue Account (AMRA) showed an underspend of £2.5m, reflecting a continuation of lower interest and debt repayment profiles and delays in incurring prudential borrowing within the Capital Programme. Much of this underspend has an on-going dimension to it and is therefore likely to re-occur in 2013/14. Therefore, the AMRA is reflecting a significant projected underspend at quarter 1. This may be compounded by further capital spend rescheduling reported at 2013/14 outturn and the position could therefore improve towards the end of the year. Much of the under-spend may crystallise into an on-going saving which will be able to be applied to the 2014/15 Budget Setting process.

Energy

During 2013/14 budget setting a provision was made to cover the anticipated increases in energy costs. However, revised predictions are that this will not all be needed, leading to a £0.4m underspend.

Pay & Inflation Contingencies

The current expectation is that the budget for contingencies to cover pay, inflation and superannuation related costs will be underspent by £1.5m

Policy Contingency

No further plans to spend Policy Contingency resources.

Capital Programme: Analysis of Budget/Technical Changes

SCHEME	EXPLANATION	£m
CHILDREN LEARNING & YOUNG PEOPLE		
Basic Need	Realignment of budget consistent with actual Department For Education (DfE) capital allocations.	0.4
SUB-TOTAL – Children, Learning & Young People		0.4
CITY SERVICES & DEVELOPMENT		
AT7 Centre	Improving the quality of sports facilities in the north east of the city including a new 25 metre swimming pool (Cabinet 5th March 2013).	5.5
A4600 Congestion Relief Scheme	Department for Transport grant funding for an access improvement scheme to reduce congestion, support new bus services and provide new facilities for pedestrians and cyclists on the A4600 and routes accessing the University Hospital in Walsgrave (Cabinet 13 th August 2013).	0.4
Far Gosford Street	Realignment of budget consistent with resources available and spending plans across the various strands of the Far Gosford Street package of schemes.	(0.5)
Banner Lane - S106 funding	Realignment of budget consistent with more precise estimates of the value of the actual schemes to be delivered in this financial year.	(0.2)
Hinckley Road Cycle Scheme	Grant funding has been earmarked as a contribution to Cycle works that will take place as part of the Local Pinch Point Scheme in Walsgrave.	0.2
International Transport Museum	Investment to restore the 12th Century Old Grammar School and to create new exhibition and event space and to create a new entrance for the Museum. This scheme will incorporate demolition of properties adjacent to the Museum in Hales Street owned by the City Council and is funded from £3.1m European Regional Development Fund (ERDF) monies. (Cabinet 16th April 2013).	0.3
Kickstart – Friargate Building	Development of a new office based district at Friargate. Year 1 project delivery costs funded from the City Deals package (Cabinet 16th June 2013).	0.2
Parking Meters	Extending the introduction of pay-on-street parking to other areas of the city that are within walking distance of the city centre. (Cabinet 23rd April 2013).	0.1
Property Repairs	Following the Strategic Property Review, the Property Repairs programme will be managed within a level of corporate funding reduced from £2.75m to £2.25m.	(0.5)

Public Realm Phase 2	Phase 2 city centre public realm works. (Update Report - Cabinet 9th July 2013).	2.3
Regional Growth Fund	The Coventry & Warwickshire Local Enterprise Partnership (CWLEP) has been successful in securing significant public funding for economic growth and development within the sub-region. (Cabinet 12th February 2013). This programme addition reflects 2013/14 spending projections on the Friargate Bridge Deck, Whitley Interchange and the M40 Junction.	2.3
Vehicle & Plant Replacement	Budget realignment consistent with condition assessment and service reviews.	0.2
SUB-TOTAL – City Services & Development		10.3

COMMUNITY SERVICES		
Tackling Fuel Poverty	Department of Energy & Climate Change grant funding to tackle fuel poverty in Coventry (Cabinet 14th April 2013).	0.8
SUB-TOTAL – Community Services		0.8

CUSTOMER & WORKFORCE SERVICES		
Strategic ICT	Reclassified as revenue expenditure within existing budget approval.	(0.2)
SUB-TOTAL – Customer & Workforce Services		(0.2)

TOTAL PROGRAMME CHANGES		11.3
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Capital Programme: Period 3 Estimated Outturn 2013/14

The table below presents the revised estimated outturn for 2013/14.

DIRECTORATE	FEB 2013 DIRECTORATE PROGRAMME £M	APPROVED / TECHNICAL CHANGES £M	OVER / UNDER SPEND NOW REPORTED £M	RESCHEDULED EXPENDITURE NOW REPORTED £M	REVISED ESTIMATED OUTTURN 13-14 £M
Children, Learning & Young People	21.0	0.4	0	(0.4)	21.0
City Services & Development	43.7	10.3	(0.1)	(7.1)	46.8
Community Services	2.7	0.8	0	0	3.5
Customer & Workforce Services	4.8	(0.2)	0	2.0	6.6
TOTAL	72.2	11.3	(0.1)	(5.5)	77.9

* The "Feb 2013 Directorate Programme" figure presented in the above table reflects the capital programme as presented in the February Budget Setting report, revised to take into account the net impact of rescheduling expenditure between 2012/13 and 2013/14.

Capital Programme: Analysis Of Rescheduling

SCHEME	EXPLANATION	£m
CHILDREN LEARNING & YOUNG PEOPLE		
Schools Condition	Resources have now been earmarked for delivery of condition and basic need schemes in 2014/15	(0.4)
SUB-TOTAL – Children, Learning & Young People		(0.4)
CITY SERVICES & DEVELOPMENT		
NUCKLE (Coventry to Nuneaton railway upgrade scheme)	The overall NUCKLE programme is not slipping beyond the original end date. However the preferred procurement route will result in construction works taking place in 2014/15. The reduction in the 13/14 programme is to reflect the reprofiling of the budget to match the construction phase.	(4.7)
Canley Regeneration	Prior Deram Park works will take place over 3 financial years with the majority of the spend now expected to be incurred in 2014/15	(0.2)
Coventry & Warks Enterprise & Business Growth Package	Revised to reflect the agreed change request with Dept for Communities & Local Government in June 2013. The programme is experiencing some slippage as grants are offered to businesses and time is needed to spend and claim the ERDF grant monies.	(0.3)
Play Areas	Due to delays in the procurement process.	(0.7)
Vehicle & Plant Replacement	Some vehicles have been assessed, and can run on for a further year, providing a financial benefit to the authority and the acquisition of three refuse vehicles has been deferred due to a staggered replacement program.	(1.1)
Miscellaneous	Net Rescheduling	(0.1)
SUB-TOTAL – City Services & Development		(7.1)
CUSTOMER & WORKFORCE SERVICES		
Strategic ICT	Comprises accelerated spending across a number of projects including Customer Connect and Network Modernisation.	2.0
SUB-TOTAL – Customer & Workforce Services		2.0
TOTAL RESCHEDULING		(5.5)

Prudential Indicators

Indicator	per Treasury Management Strategy	As at 30 th June 2013
Ratio of Financing Costs to Net Revenue Stream (Indicator 1) , illustrating the affordability of costs such as interest charges to the overall City Council bottom line resource (the amount to be met from government grant and local taxpayers).	13.15%	12.75%
Gross Borrowing should not, except in the short term, exceed the estimated Capital Financing Requirement (CFR) at the end of 3 years (Indicator 3) , illustrating that, over the medium term, net borrowing (borrowing less investments) will only be for capital purposes. The CFR is defined as the Council's underlying need to borrow, after taking account of other resources available to fund the capital programme.	Year 3 estimate / limit of £451.1m	£358.8m Gross borrowing within the limit.
Authorised Limit for External Debt (Indicator 6) , representing the "outer" boundary of the local authority's borrowing. Borrowing at the level of the authorised limit might be affordable in the short term, but would not be in the longer term. It is the forecast maximum borrowing need with some headroom for unexpected movements. This is a statutory limit.	£464.7m	£358.8m is less than the authorised limit.
Operational Boundary for External Debt (Indicator 7) , representing an "early" warning system that the Authorised Limit is being approached. It is not in itself a limit, and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.	£420.7m	£358.8m is less than the operational boundary.
Upper Limit on Fixed Rate Interest Rate Exposures (Indicator 10) , highlighting interest rate exposure risk. The purpose of this indicator is to contain the activity of the treasury function within certain limits, thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions impacting negatively on the Council's overall financial position.	£403.8	£206.9m
Upper Limit on Variable Rate Interest Rate Exposures (Indicator 10) , as above highlighting interest rate exposure risk.	£80.8m	-£28.4m
Maturity Structure Limits (Indicator 11) , highlighting the risk arising from the requirement to refinance debt as loans mature: < 12 months 12 months – 24 months 24 months – 5 years 5 years – 10 years 10 years +	0% to 15% 0% to 20% 0% to 20% 0% to 30% 40% to 100%	12% 13% 0% 5% 70%
Investments Longer than 364 Days (Indicator 12) , highlighting the risk that the authority faces from having investments tied up for this duration.	£15m	£0

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Public report

Audit and Procurement Committee

23 September 2013

Name of Cabinet Member:

Cabinet Member (Strategic Finance and Resources) – Councillor Gannon

Director Approving Submission of the report:

Director of Finance and Legal Services

Ward(s) affected: All

Title:

Progress on Matters Raised by the 2011/12 Annual Audit Letter

Is this a key decision?

No

Executive Summary:

This report identifies the progress made and current position with regard to the 4 issues raised in the 2011/12 Annual Audit Letter reported to the then Audit Committee on 31st October 2012 (minute 34/12 refers) and considered further by the Committee on 10th April 2013.

Recommendations:

Audit and Procurement Committee is recommended to:

- (1) Agree that the progress made and current position represent an appropriate response to the issues raised, and
- (2) Identify any further action that the Committee requires be undertaken by officers.

List of Appendices included: None

Other useful background papers: None

Has it been or will it be considered by Scrutiny? No

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

No

Will this report go to Council? No

Progress on Matters Raised by the 2011/12 Annual Audit Letter

1. Context (or background)

- 1.1 This report identifies the progress made and current position with regard to the four issues raised in the 2011/12 Annual Audit Letter reported to the then Audit Committee on 31st October 2012 (minute 34/12 refers) and considered further by the Committee on 10th April 2013.
- 1.2 In summary, the four issues were as follows:

Medium Term Financial Position

Challenges were identified in relation to the Council balancing its budget in the context of budget gaps forecasted, savings already achieved and further savings identified within the Council's Transformation Programme. In particular the original report stressed that the Council will need to continue to ensure that it is maintaining realistic savings plans and monitor their implementation.

Proposals for Business Rate Retention

A risk to the Council's financial position was highlighted resulting from the proposals for local Business Rates Retention. The original report noted the mitigating factors including specific budget provision in the Council's medium term financial plans, work streams within the abs programme to identify how best to promote business rates growth and the planned business rates pool with all authorities within Warwickshire.

Council Tax Benefit Reform

A risk was identified in relation to plans to localise council tax benefit (support) including a 10% cut in funding for benefit and new operational and IT system challenges of maintaining a local scheme.

Replacement of the Financial Information System

Risks highlighted around the Council's new financial information system planned for December 2013 which will replace the general ledger, accounts payable and accounts receivable. In particular the Council was advised to assess if there are any lessons to be learned from other Councils that have recently implemented a new financial information system and to ensure that Internal Audit should play a key role in ensuring that controls are adequately designed and operating effectively.

2. Options considered and recommended proposal

- 2.1 Audit and Procurement Committee is recommended to agree that the progress made and current position reflected in sections 2.3 to 2.6 below represent an appropriate response to the issues raised.
- 2.2 An additional (or alternative) recommendation is for Committee to identify any further action that the Committee requires be undertaken by officers.

Medium Term Financial Position

- 2.3 The Council approved its 2013/14 revenue budget on 26th February 2013 including new savings from Abs reviews amounting to £44m over the next three years. The report was quite clear in recognising the achievement of these savings as being fundamental in ensuring that the Council maintains a balanced budget and in identifying that their achievement represented a massive challenge. The Council now has a significant track

record in achieving savings through the Abs process based on an established programme management approach, constructive partnership working with PWC in support of this and increasing member involvement in reviews.

- 2.4 The achievement of abc savings is considered by senior officers as part of a separate reporting mechanism through the Transformation Programme Board. In addition, members are informed through an annual monitoring report. This has been considered most recently by Cabinet on 18th June and the Finance and Corporate Services Scrutiny Board on 29th July. In addition, periodic all-member seminars are held to consider progress on the programme. Any anticipated failure to achieve savings is identified as part of the quarterly budgetary control reporting mechanism.
- 2.5 In terms of past performance the most recent report to Scrutiny reported the achievement of £18.9m of abc savings in 2012/13 compared to a target of £19.2m. However, it is important to be aware that as further new areas of savings are identified there continues to be a risk that some of these may prove difficult to achieve. Where this happens it is important that this is reflected in setting subsequent budgets and there have been several instances (Money Matters, CLYP FSR) where such adjustments have been made in recent years. The ultimate test of whether robust budgets have been set lies in the achievement of balanced or near-balanced outturn positions each year. The 2012/13 outturn position reflected an underspend of £3.5m and continues a regular recent trend of similar such underspends.

Proposals For Business Rate Retention

- 2.6 As indicated in the original Audit Letter, the Council's budget for 2013/14 contains some budget provision to allow for the potential risk in the volatility of Business Rate income. This includes a prudent allowance for bad debt, an amount set aside for successful back-dated appeals and specific provision against the risk that the overall (underlying) level of Business Rates could go down. In addition to the underlying budget risks faced in this area, the Council has set itself a challenging savings target of £2m (in 2014/15) rising to £3m from 2015/16 onwards for which a fundamental service review has been established entitled Strategic Regeneration and Business Rate Growth.
- 2.7 The review, which is seeking to protect and grow the City Council's Business Rate revenue, has three major work-streams. One of these is considering the existing Business Rates service including the efficiency of collection, whether the rating list is accurate and reviewing the Council's relief policies. As part of this strand, two new Business Rates inspectors have been employed to, amongst other things, to ensure that all properties are included on the rating list, to identify whether ratings appear to be up to date through identification of whether properties are empty and what the current property use is. Also, work has begun to review the Council's Discretionary Relief Policy. Any change to the policy will be brought to members for formal approval in due course.
- 2.8 The second strand includes examination and comparison of a range of financial interventions that the Council could deploy to encourage business and business rate growth. These interventions might include loans and/or grants to businesses, help to provide suitable business premises and infra-structure works to help enable specific business developments. This strand involves development of a Coventry Investment Fund, utilising part of the City Deal monies approved as part of 2013/14 Budget Setting, and providing investment through a potential combination of grants and loans to support Businesses across Coventry. A formal report is anticipated will be brought before members in the Autumn.

- 2.9 The final strand involves consideration of the Council's existing regeneration service and the degree to which it is aligned with and effective in the objective of growing the city's Business Rates. As part of this third strand, the Council's Business Investment Team is focussing on supporting businesses to invest and grow and take on new premises and on providing access to finance to support growth in business rates.
- 2.10 Overall, new monitoring protocols are being established for Business Rate income to ensure that it can be monitored rigorously through the year incorporating both the collection rate and fluctuations in the underlying level of Business Rates. This is a challenging area to monitor accurately due to the potential for large retrospective changes to Business Rates as a result of appeals. Notwithstanding, monitoring in the early part of the financial year indicates no significant movement in the underlying level of Business Rates – i.e. no discernible major upturn in new Business Rates but no significant major decreases either.
- 2.11 The Council's involvement in the Coventry and Warwickshire Business Rate Pool should give a further opportunity to protect the Council's overall revenue from Business Rates. The financial modelling for the Pool has indicated that the Council, alongside those in Warwickshire, is likely to benefit financially from its involvement in the Pool and this has been confirmed by informal monitoring returns in the early part of the year.

Council Tax Benefit Reform

- 2.12 The key risks in this area were originally linked to the implementation of a new scheme for Council Tax Benefit, the need for new ICT arrangements to accommodate this and the financial risks associated with it. In the event, the Council approved a local scheme that mirrors the national scheme in a way that has substantially mitigated these risks. This has meant that the Council has been able to implement a more straightforward system solution from our ICT supplier (one which will be common across a number of other authorities) and has avoided the threat of cutting benefit payments at a local level (and collecting very small amounts of Council Tax from a large number of tax-payers unaccustomed to having to pay this).
- 2.13 The Welfare Reform Project Board has met on a regular basis for a period of over a year and has overseen the policy, system and operational issues that have arisen in this area. Arrangements for administering the local Council Tax Reduction scheme have been in place since 1st April and the Reduction Scheme has been reflected within the annual bills sent out in March. As well as continuing to maintain the new scheme (which is now business as usual) the focus now turns to monitoring the cost of the Reduction Scheme. The risk of Council Tax Reduction Scheme costs (the equivalent of Council Tax Benefit) will fall to the Council from now on for which the Government will provide finite and un-hypothecated funding. This is a specific item monitored within the Council's regular financial monitoring mechanisms and the early part of the year has seen this figure remain relatively constant.

Replacement of Financial Information System

- 2.14 The Council's Project partner, Unit 4, have wide experience of implementing the Agresso financial information system to local government customers and have been able to share this knowledge in helping the Council to benefit from the successes and avoid some of the pitfalls that other local authorities have experienced in previous implementations. This has been further tested and reinforced by way of either discussions with or site visits to other Councils such as Warwickshire County Council, Dudley MBC and Bristol City Council. As the project progresses the project team has sought opportunities to learn lessons from other local authority users of Agresso although it can be difficult to find a close match of

users who mirror precisely Coventry's mix of services, proposed system functionality and intended transformation of financial administration processes.

- 2.15 Internal Audit has been heavily involved in the project with the Audit and Risk Manager as a member of the Steering Group, providing advice on controls in addition to undertaking an assurance assessment of key aspects of the project (e.g. risk and project management). The Audit and Risk Manager has also been involved in discussions with the Council's external auditors and one of their colleagues who is responsible for the audit of an authority that has implemented Agresso to share their learning from that implementation.

3. Results of consultation undertaken

- 3.1 On-going communication and consultation has been undertaken at key stages with senior managers and budget holders across the Council in relation to the new financial information system.

4. Timetable for implementing this decision

- 4.1 The risks outlined and the mitigating actions all apply to the 2013/14 financial year.

5. Comments from Director of Finance and Legal Services

- 5.1 Financial implications
The report covers matters that are wholly related to financial issues.

- 5.2 Legal implications
There are no specific legal implications in relation to the report.

6. Other implications

None

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

This report covers matters referred to within the Council Plan under the banner of Improving how we work as a Council and specifically using resources effectively.

6.2 How is risk being managed?

6.3

The substance of this report covers how the Council is dealing with a range of high level risks within the Council. The governance structures surrounding Business Rates and Financial Information System replacement are subject to specific risk register approaches. The Medium Term Financial Position is one of the risks included within the Corporate Risk Register.

6.4 What is the impact on the organisation?

Failure to deal adequately with the risks outlined could have significant risks, in particular financial risks for the Council.

6.5 Equalities / EIA

The Council's fundamental service reviews have their equality impacts assessed before they are implemented.

6.5 Implications for (or impact on) the environment

None

6.6 Implications for partner organisations?

The Council is participating in a Business Rate Pool with Warwickshire County Council and all the district councils within Warwickshire.

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Resources

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This report is published on the council's website:

www.coventry.gov.uk/meetings



Cabinet Member (Community Safety & Equalities)
Audit & Procurement Committee

5 September 2013
16 September 2013

Name of Cabinet Member:

Cabinet Member (Community Safety & Equalities) – Councillor Townshend

Director Approving Submission of the report:

Executive Director, People's Directorate

Ward(s) affected:

None

Title:

Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) & Revised RIPA Policy for Covert Surveillance & Covert Human Intelligence Sources (CHIS)

Is this a key decision?

No

Executive Summary:

To provide:

- An annual report to the Cabinet Member (Community Safety & Equalities), on the Council's compliance with the Regulation of Investigatory Powers Act 2000, as per sections 10.3 of the current Covert Surveillance & Covert Human Intelligence Sources Policy; and
- A revised policy, which takes into account changes as a result of the amendments to the Regulation of Investigatory Powers Act as a result of the Protection of Freedoms Act 2012.

Recommendations:

That the Cabinet Member:

- (1) Considers and notes the report and requests the Audit & Procurement Committee receive the report for formal assurance that the Council continues to use its powers under the Regulation of Investigatory Powers Act 2000 in a lawful manner.
- (2) Recommends the Audit & Procurement Committee approves the revised policy.

List of Appendices included:

Regulation of Investigatory Powers Act 2000 Covert Surveillance & Covert Human Intelligence Sources Policy

Other useful background papers:

Nil

Other useful background information:

Nil

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 & Procurement Committee – 16 September 2013

Will this report go to Council?

No

Report title: Annual Compliance Report - Regulatory & Investigatory Powers Act (RIPA) & Revised RIPA Policy for Covert Surveillance & Covert Human Intelligence Sources (CHIS)

1. Context (or background)

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) enables local authorities to carry out certain types of surveillance activity, as long as specified procedures are followed. The Act sets out a compliance structure within which Coventry City Council can use directed surveillance techniques to support core function activities (eg typically those undertaken by Trading Standards, Environmental Health, Benefit Fraud). The information obtained as a result of surveillance operations can later be relied upon in court proceedings providing RIPA is complied with.
- 1.2 Since 1 November 2012 the Council's ability for core functions to exercise their powers under RIPA have been restricted to offences which may be punishable by a custodial sentence of 6 months, OR are related to the underage sale of alcohol and tobacco. Furthermore, since that date, such applications, including renewals, have required judicial approval.
- 1.3 The role of the Magistrate is to ensure that the correct procedures have been followed and the relevant factors have been taken into account. The new provisions allow the Magistrate, on refusing an approval of an authorisation, to quash that authorisation

2. Use of Covert Surveillance or Covert Human Intelligence Sources During 2012

- 2.1 For the period 1 January – 31 December 2012, the Council authorised 7 requests and refused 1. The following provides an overview of the applications:
 - 5 approved requests covering – premises suspected of selling tobacco to persons under the age of 18
 - 2 approved requests covering – premises suspected of selling illegal cigarettes
 - 1 rejected* request covering – premises suspected of selling illegal cigarettes.

* The request was rejected as evidence that offences had been committed had been identified and appropriate action taken. Further surveillance was therefore not necessary.

0 requests during 1 November to 31 December 2012, which would have required judicial approval.
- 2.2 All of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime.
- 2.3 There were no instances where confidential information was obtained.
- 2.4 There were no reported instances of the Council having misused its powers under the Act

3. Acquisition & Disclosure of Communications Data

3.1 For the period 1 January – 31 December 2012, the following applications were submitted to the National Anti-Fraud Network (NAFN), who act as the Council's Single Point of Contact (SPoC):

5 applications and 7 authorisations to acquire communications data relating to service or subscriber data and processed by the Council's SPoC (NAFN)

0 requests during 1 November to 31 December 2012, which would have required judicial approval

3.1 All of the requests covered core functions permitted by the Act and were for the purpose of preventing and detecting crime.

3.2 There were no instances where confidential information was obtained.

3.3 There were no reported instances of the Council having misused its powers under the Act.

4. RIPA Training & Scheme of Delegation

4.1 The Council worked closely with Coventry Magistrates' Court in order to implement the required changes. This included:

- Providing RIPA training on 19 November 2012 to the relevant officers from the Council and the Magistrates' Court;
- Amending the scheme of delegation in order to allow the relevant officers to present their applications to the Magistrates' Court.

5. Revised Policy for Covert Surveillance & Covert Human Intelligence Sources

5.1 A review of the Council's policy for Covert Surveillance and Covert Human Intelligence Sources has been undertaken. (Refer to Appendix 1). The most significant change being the inclusion of the role of the Magistrates' Court and ensuring policy continues to reflect guidance provided by the Home Office and Office of Surveillance Commissioners (OSC).

5.2 A review of the Council's Authorising Officers has been undertaken.

5. Comments from Director of Finance and Legal Services

5.1 **Financial implications** – There are no direct financial implications arising from these changes.

5.2 **Legal implications** – Legislative changes to the current RIPA provisions were introduced by The Protection of Freedoms Act 2012 and The Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012, which amended the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010, SI 2010/521.

Periodic review of RIPA Policy and guidance is necessary to ensure that the Council's obligations are met. Consideration and endorsement by Members ensures that appropriate scrutiny is in place. Consideration of RIPA activity as recommended by the OSC guidance ensures that such activity is subject to appropriate scrutiny and control.

The new process requiring attendance at the Magistrates Court is regarded as a 'legal proceeding'. Officers from relevant service areas have been authorised to undertake such proceedings and attend Court by the Assistant Director, Legal Services.

6. Other implications

While the changes in law have introduced an additional step into the process, given the Council's low use of its powers under RIPA, it is not expected to result in any significant delays for planned operations. Routine patrols, observation at trouble 'hot spots', immediate response to events and overt use of CCTV do not require RIPA authorisation.

6.1 How will this contribute to achievement of the Council's key objectives / corporate priorities (corporate plan/scorecard) / organisational blueprint / Local Area Agreement (or Coventry Sustainable Community Strategy)?

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

6.2 How is risk being managed?

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

6.3 What is the impact on the organisation?

There is no additional impact on the Council.

6.4 Equalities / EIA

When developing or amending policies and procedures to support the use of directed surveillance, or the use of a Covert Human Intelligence Source, consideration is given to any impact on equalities.

6.5 Implications for (or impact on) the environment?

There are no implications on the environment.

6.6 Implications for partner organisations?

There are no implications on partner organisations.

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Appendices:

1. RIPA Covert Surveillance and Cover Human Intelligence Source Policy

UNCLASSIFIED

Regulation of Investigatory Powers Act 2000 Covert Surveillance & Covert Human Intelligence Sources Policy

Status/Version: 7.0 For Approval
Effective:

1 Policy Statement Objective

- 1.1 The objective of this policy is support Coventry City Council's (the Council) compliance with Part 2 of the Regulation of Investigatory Powers Act 2000 (RIPA), Chapter 2 of Part 2 of the Protection of Freedoms Act 2012, the Human Rights Act 1998 (HRA) and Data Protection Act 1998 when carrying out covert surveillance and conducting or using covert human intelligence sources (CHIS), (hereinafter collectively known as 'directed surveillance').
- 1.2 Only core functions within Coventry City Council are authorised to use **directed surveillance**, under RIPA, in order to prevent and detect criminal offences that are either punishable by a maximum term of at least 6 months' imprisonment OR criminal offences relating to the underage sale of alcohol and tobacco.

2 Audience

- 2.1 This policy applies to the following:
- i) Employees, including temporary, contractual and agency involved with requesting, authorising, undertaking or monitoring requests for covert surveillance;
 - ii) Members in their role of endorsing and monitoring compliance with this policy;
- 2.2 For ease of reference, the term 'users' will be used throughout this policy to reflect 2.1

3 In Scope

- 3.1 This policy covers directed surveillance for:
- i) Core functions, eg enforcement activities undertaken by Trading Standards;
 - ii) Surveillance that is likely to result in obtaining private information about a person;
and
 - iii) Use of Covert Human Intelligence Sources (CHIS);

4 Out of Scope

- 4.1 Routine patrols, observations at trouble 'hot spots', immediate response to events and overt use of CCTV.
 - 4.2 Part 1 Regulation of Investigatory Powers Act 2000 - The Acquisition & Disclosure of Communications Data is covered by a separate policy.
 - 4.3 The covert and overt surveillance and monitoring of employees is covered by the Information Commissioner's Employment Code of Practice, Section 3: Monitoring of Employees.
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5 Implementation

- 5.1 This policy has been developed in consultation with representatives from those departments covered by section 3 of this policy.
 - 5.2 This policy is operational from the date of approval and replaces any previous version.
-

6 Risks

- 6.1 The Council recognises that there are risks associated when conducting directed surveillance. This policy aims to help mitigate risks such as:
 - i) Unlawful use of directed surveillance or CHIS;
 - ii) Disproportionate and unnecessary use;
 - iii) Inappropriate and/or unlawful use of information relating to directed surveillance activities;
 - iv) Inadequate safeguards for test purchasers or CHISs;
 - v) Inappropriate or ineffective monitoring of the Council's use of RIPA Part II;
 - vi) Inadequate protection of private information about a person;
 - vii) Inadequate procedures and training supporting this policy
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7 Other Relevant Documents

- 7.1 The following documents have specific relevance to this policy:
 - i) Home Office [Guidance to Local Authorities](#) on the Judicial Approval Process
 - ii) Home Office [Guidance for Magistrates' Courts](#) for a Local Authority Application Seeking an Order Approving the Grant or Renewal of a RIPA Authorisation or Notice
 - iii) Home Office [Application forms](#)
 - iv) Home Office [Approval/Order](#) Form for the Magistrates' Court
 - v) Internal Procedures & Guidance for RIPA Covert Surveillance & CHIS
 - vi) Human Rights Act 1998

vii) [Data Protection Act Policy](#)

- 7.2 The above is not an exhaustive list and it is the user's responsibility to seek further guidance if required.
-

8 Policy

- 8.1 Directed surveillance will only be used for the purpose of preventing and detecting crime where it is proposed to use it to investigate offences that are punishable by a maximum term of at least 6 months imprisonment, **OR** are related to the underage sale of alcohol or tobacco. Examples of enforcement activities which may need to use directed surveillance include: Trading Standards investigations relating to counterfeiting and fraudulent trading activity, benefit fraud. The Council will **not** seek to use directed surveillance under RIPA to investigate offences such as littering, dog control and fly-posting.
- 8.2 The use of such powers will also give due regard to current and relevant legislation, and will ensure it complies fully with other applicable laws:
- i) Human Rights Act 1998
 - ii) Protection of Freedoms Act 2012
 - iii) Data Protection Act 1998
- 8.3 The Council shall also have due regard to relevant official guidance, particularly those issued by the Home Office, the [Office of Surveillance Commissioners](#) (OSC), the [Surveillance Camera Commissioner](#) and the [Information Commissioner](#).
- 8.4 Only directed surveillance requests that have taken into account the requirements of this policy will be submitted for judicial approval. Such requests should demonstrate that:
- i) Directed surveillance is deemed necessary in order to achieve the desired objective
 - ii) Directed surveillance is only undertaken where it is proportionate to do so and in a manner that is proportionate to the objective
 - iii) Adequate regard has been given to the rights and freedoms of the individuals, including those who are not the focus of the directed surveillance
 - iv) An Authorising Officer has reviewed and endorsed the application
 - v) No directed surveillance activities have taken place before judicial approval has been received.
- 8.5 Officers of appropriate seniority, eg Director, Head of Service, Service Manager or equivalent, will be appointed as the RIPA Monitoring Officer and Authorised Officers. Roles and responsibilities of such officers and supporting areas will be included in the Council's internal procedural guidance.
- 8.6 A CHIS or test-purchaser will only be used if the information sought cannot be reasonably obtained by other means. When considering such requests, a risk assessment will be undertaken in order to safeguard the individual from harm or exploitation.

- 8.7 If in exceptional circumstances a proposed CHIS is a vulnerable individual and/or under the age of 18, approval must be sought from the Chief Executive, or their delegated deputy.
- 8.8 When applying for an authorisation, the applicant will need to give consideration of any particular sensitivity in the local community where the surveillance will be taking place and any similar surveillance activities other agencies may be undertaking.
- 8.9 Surveillance equipment will only be used when sufficient evidence has been documented to warrant the exercise.
- 8.10 All applications, renewals or cancellations will comply with the timescales outlined in the [Home Office Code of Practice](#).
- 8.11 Council enforcement staff and officers will have recourse to supporting procedures, which have been approved by the RIPA Monitoring Officer and Authorised Officers, and other guidance and resources which will be made available internally to enforcement officers.
- 8.12 All Council officers and staff undertaking or authorising directed surveillance shall be appropriately trained to ensure that they understand their legal obligations and the framework in which their decisions are made.
- 8.13 Requests from external agencies wishing to access the Council's facilities and/or CCTV equipment for a planned covert operation, must provide a copy of their organisation's authorised RIPA form and, where relevant, judicial approval, before access is granted.
- 8.14 This policy shall be reviewed on a regular basis by the RIPA Monitoring Officer in conjunction with the Information Governance Manager and Legal Services to ensure it reflects current developments and changes to official guidance and codes of practice.
- 8.15 A nominated Cabinet Member will be responsible for endorsing this policy for approval by the responsible Committee. The Committee will be responsible for approving the policy and undertaking an annual review of the Council's compliance with RIPA and relevant legislation.
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9 RIPA Monitoring Officer

- 9.1 The Council's RIPA Monitoring Officer is the [Senior Responsible Officer](#)
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10 Judicial Approval & Inspection

10.1 The Council's use of directed surveillance is subject to judicial approval by the Coventry Magistrates' Court.

10.2 Ad hoc external inspections are undertaken by the OSC.

11 Document Review

11.1 The Information Governance Team has responsibility, in conjunction with other relevant departments, for coordinating the maintenance and review of this policy and supporting framework. Such reviews will take into account changes in legislation and supporting Codes of Practice and lessons learnt.

12 Notes

12.1 Enquiries regarding this policy should be directed to the Information Governance Team at infogov@coventry.gov.uk or phone: (024) 7683 3323.

**Document Control:
Version History**

Version	Status	Date	Author	Summary of Changes
7.0	For Approval	August 2013	J Hutchings	Initial document incorporating changes from the Protection of Freedoms Act 2000; RIPA requests from 3 rd party agencies

Reviewers

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H Simmonds	Head of Regulatory Services	People Directorate
C Hickin	Head of Environmental Services Public Safety & Housing	People Directorate
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Management Review

Name	Role	Business Area
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Member Approval

Name	Date
Cllr Townshend Cabinet Meeting (Community Safety & Equalities)	5 September 2013
Audit & Procurement Committee	16 September 2013

Distribution

Name	Organisational Department	Format
All	Intranet	Word Document

By virtue of paragraph(s) 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

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