

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee
held at 3.00 pm on Monday, 15 July 2019

Present:

Members: Councillor R Lakha (Chair)
Councillor J Blundell
Councillor R Brown (Substitute for Councillor H Sweet)
Councillor T Sawdon
Councillor R Singh

Employees (by Directorate):

People M Burn

Place P Baggott, B Hastie, P Jennings, J Newman,
M Salmon

By Invitation: M Stocks, External Auditor, Grant Thornton
Avtar Sohal, External Auditor, Grant Thornton

Apologies: Councillor M Ali
Councillor S Bains
Councillor H Sweet

Public Business

10. Declarations of Interest

There were no disclosable pecuniary interests.

11. Minutes of Previous Meeting

The minutes of the meeting held on 24th June 2019 were agreed and signed as a true record. There were no matters arising.

12. Exclusion of Press and Public

RESOLVED that the Audit and Procurement Committee agrees to exclude the press and public under Sections 100(A)(4) of the Local Government Act 1972 relating to the following private reports on the grounds that the reports involve the likely disclosure of information defined in Paragraphs of Schedule 12A of the Act as indicated, as they contain information relating to the financial or business affairs of a particular person or organisation (including the authority holding that information) and in all circumstances of the cases, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

Paragraph(s) of Section 12A of the Act	Minute No.	Report title
3	20	Procurement and Commissioning Progress Report
1, 2 & 3	21	Consideration of Early Retirement in the Interests of the Efficiency of the Service

13. **Outstanding Issues**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) that identified issues on which a further report / information had been requested or was outstanding, so that Members were aware of them and could manage their progress.

Appendix 1 to the report provided details of an issue where a report back had been requested to a meeting, along with the anticipated date for consideration of the matter. Appendix 2 provided details of items where information had been requested outside formal meetings, along with the date when this had been completed.

RESOLVED that the Audit and Procurement Committee notes the outstanding issues report and agrees that those issues that are complete can be discharged from the report.

14. **Work Programme 2018/19**

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place), which set out the Work Programme of scheduled issues for consideration by the Committee for the year 2019/2020.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2019/2020.

15. **Audit Findings Report 2018-2019 (Grant Thornton)**

The Committee considered a report of the External Auditor, Grant Thornton, on the Audit Findings for the City Council for the year ending 31st March, 2019. Mark Stocks and Avtar Sohal of Grant Thornton attended the meeting to present their report.

The report highlighted the key issues affecting the results of Coventry City Council and the preparation of the group and financial statements for the year ending 31st March 2019. It was also used to report their audit findings to management and those charged with governance in accordance with the requirements of International Standards on Auditing (UK and Ireland) 260, and the Local Audit and Accountability Act 2014.

Under the National Audit Office Code of Audit Practice, the External Auditors were required to report whether, in their opinion, the Council's financial statements gave a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they had been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. They were also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report, was materially inconsistent with the financial statements or the knowledge obtained in the audit or otherwise appeared to be materially misstated.

Resulting from audit procedures, a material adjustment of £114m had been identified in relation to the valuation of school assets, meaning that the Council would need to adjust its financial statements for the year ending 31 March 2019, and also include prior period adjustments to reflect the impact in prior years. The Council was currently undertaking its valuation process and, in order to complete this, it had been agreed that a delay of the completion of the audit would be required. Due to the complexity of the valuations, this would need to extend beyond the 31 July. It had also been agreed that the Council would make an adjustment in relation to the pensions liability resulting from the McCloud judgement, which increased the liability in the Council's financial statements by £12m.

The anticipated adjustments to the financial statements would have no impact on useable reserves or the overall financial position of the Council. Subject to the Council making the material changes to the financial statements, there were no matters that would require modification of the audit opinion, however, as a result of the findings there were areas of work outstanding that the audit team would need to complete before an audit opinion could be issued, these included:

- review and testing of adjustments in relation to schools valuation
- review and testing of adjustments in relation to McCloud pensions liability
- receipt of supporting documentation for some outstanding items in the sample testing
- receipt assurance letter from west Midlands pension fund auditor in respect to pension liabilities
- receipt of management representation letter
- review of the final set of financial statements.

Appendices to the report set out recommendations for management (Appendix A) and follow-up of recommendations from the prior year's audit (Appendix B). Other information to be published with the financial statements was consistent with the Auditor's knowledge of the Council and the financial statements they had audited. The anticipated audit report opinion would be unmodified.

Under the National Audit Office (NAO) Code of Audit Practice, the Auditor had completed the risk-based review of the Council's value for money arrangements and concluded that the City Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. They therefore anticipated issuing an unqualified value for money conclusion.

The Local Audit and Accountability Act 2014 also required the Auditor to report if they had applied any of the additional powers and duties ascribed to them under the Act; and to certify the closure of the audit. The Auditor confirmed that they had not exercised any of their additional statutory powers or duties and had completed the majority of work under the Code. They would issue their audit completion certificate on completion over the Whole of Government Accounts audit in September 2019, in line with national deadlines.

RESOLVED that the Audit and Procurement Committee notes the Audit findings, as presented by the Council's External Auditor, and agrees to receive the Audit Findings Report 2018-2019, together with the Audited 2018-2019 Statement of Accounts, at its 2nd September 2019 meeting, following completion of adjustment work.

16. Audited 2018-2019 Statement of Accounts

The item was withdrawn from the agenda to enable the adjustment work detailed in minute 15/19 above to be completed. The Committee agreed to receive the Audited 2018-2019 Statement of Accounts, together with the Audit Findings Report 2018-2019, at their 2nd September 2019 meeting.

17. Revenue and Capital Out-turn 2018-2019

The Audit and Procurement Committee considered a report of the Deputy Chief Executive (Place) that had been considered by Cabinet at their meeting on 9th July 2019 (their minute 11/19 referred) and would also be considered by the Council at their meeting on 3rd September 2019, that outlined the final revenue and capital outturn position for 2018/19 and reviewed treasury management activity and 2018/19 Prudential Indicators reported under the Prudential Code for Capital Finance.

The overall financial position included the following headline items:

- A final revenue underspend of £1.0m which was required to be contributed to the Council's General Fund reserve.
- Overspends of £2.7m within Waste and Fleet Services and £3.0m relating to housing and homelessness issues, in large part from the cost of Housing Benefit payments for people and families who required housing in emergency accommodation.
- Offsetting underspends across a range of other services and in particular a £4m favourable position within central budgets including the Asset Management Revenue Account.
- Capital Programme expenditure of £147m which was £115m less than envisaged at the start of the year but nevertheless represented the largest programme in the modern era.
- Time-limited resources and some favourable budgetary movements in the final quarter which enabled several recommended contributions to reserve balances. These were aimed at strengthening the Council's financial resilience and providing funding to take forward future commercial developments.
- An increase in the level of Council revenue reserves from £62m to £71m.

The underlying revenue position had improved significantly since Quarter 3 when an underspend of £1.8 was forecast. In particular, this related to improvements within Contingency and Central budgets which were set out in the report. This had enabled the Council to identify several actions which would strengthen its existing financial resilience and help to introduce other proposals designed to identify savings proposals in future budgets. The proposals put forward through the Director of Finance and Corporate Services, the Council's Section 151 officer, were reflected in the recommendations below and explained in section 5.1 of the report.

Cabinet:

- 1) Approved the final revenue outturn underspend of £1.0m (section 2.1 and Appendix 1 of the report) which will be added to the Council's General Fund reserve.
- 2) Approved the final capital expenditure and resourcing position (section 2.3 and Appendix 2 of the report), incorporating expenditure of £146.7m against a final budget of £175.9m; £26.5m expenditure rescheduled into 2018/19 and a net underspend £2.7m.
- 3) Approved the outturn Prudential Indicators position in section 2.4.4 and Appendix 3 of the report.
- 4) Recommend that the Council approve reserve contributions of £4.6m to the Council's General Fund reserve to strengthen the Council's financial resilience, 4.0m to fund the costs of potential future commercial developments and £1.8m to strengthen the Council's reserve for early retirement and redundancy exit costs.

RESOLVED that the Audit and Procurement Committee notes the contents of the report and has no issues for the Cabinet Member for Strategic Finance and Resources at this time.

18. **Audit and Procurement Committee Annual Report 2018-2019**

The Audit and Procurement Committee considered the Committee's Annual Report that provided an overview of its activity during 2018-2019. Councillor Brown, Chair of the Audit and Procurement Committee for 2018-2019, was in attendance and presented the report to Members. The report would be submitted to the City Council at their meeting on 3rd September 2019.

During the previous Municipal Year, the Committee met on seven occasions and the report detailed all the routine reports considered during this time which were based around the clearly defined expectations of the services and functions that reported to the Committee such as governance; internal and external audit; fraud; procurement and financial management and accounting.

The Audit and Procurement Committee also supported the Council in considering other areas linked to risk management, internal control and governance and in 2018-19, this included the following: Information Commissioner's Office: Data Protection Audit – In November 2017; 2017-18 Information Governance Annual ; Regulation of Investigatory Powers Act 2018 Annual Compliance Report; Complaints to the Local Government and Social Care Ombudsman 2017-18; Corporate Risk Register; Fraud and Corruption Strategy; School audit recommendations; Updated procedural guidance – Regulation of Investigatory

Powers (RIPA); and Finance and Governance Arrangements reports in November 2018 and March 2019, outlining the finance and governance arrangements in respect of both Coombe Abbey Park Ltd and Culture Coventry Trust.

The Cabinet agreed to recommend that the City Council consider the Annual Report 2018-2019 at their meeting on 3rd September 2019.

RESOLVED that the Audit and Procurement Committee recommends that City Council considers the Audit and Procurement Committee Annual Report 2018-2019 at their meeting on 3rd September 2019.

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

There were no other items of public business.

20. **Procurement and Commissioning Progress Report**

The Audit and Procurement Committee considered a private report of the Deputy Chief Executive (People) that contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report provided an update on the procurement and commissioning undertaken by the Council. Details of the latest positions in relation to individual matters were set out in the Appendix to the report.

The Committee requested information and explanations on various aspects of the report and, to enable understanding of the technical terms and abbreviations used in the document, agreed that future reports should contain a glossary of terms and a column for the 'Funding Source'. They noted that a report on Procurement Contracts – Non-Recyclable Plastics would be submitted to a future meeting of the Committee and that work would continue on the consideration of further digital solutions for paperless working.

RESOLVED that the Audit and Procurement Committee:

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

21. **Consideration of Early Retirement in the Interests of the Efficiency of the Service**

The Audit and Procurement Committee considered a private report of the Chief Executive that contained information required to be kept private in accordance with Schedule 12A of the Local Government Act 1972 as amended. The grounds for privacy were that it contained information relating to the financial and business affairs of a particular person (including the authority holding that information). The public interest in maintaining the exemption under Schedule 12A outweighed the public interest in disclosing the information.

The report contained proposals for the consideration of a request for early retirement for the Deputy Chief Executive (Place) that it was considered could be achieved in the interests of the efficiency of the service. The early retirement cost would be in excess of £100,000 and under Part 21, paragraph 8.5 of the Constitution, the Audit and Procurement Committee was required to determine severance packages for employees of the Council of £100,000 or over.

Local government continued to face unprecedented reductions in its revenue support from central government, with no signs that this would be alleviated in the medium-term. Costs of employees represented the highest level of expenditure and as the City Council considers the structure of its future workforce, it must take all opportunities to reduce this expenditure at the most senior management levels.

This proposal would enable a reframing of the Place Directorate and provide an opportunity to review current reporting arrangements and lines of accountability and allowed for a refocusing of roles and responsibility for the further direction of the Directorate and wider senior management team. It would result in a fundamentally lower cost service alongside a potential for further savings per annum via a further re-alignment of services. The revised reporting arrangements would contribute to the overall savings target of the Council, which remained very high as a result of the on-going central government budget reductions.

RESOLVED that the Audit and Procurement Committee approves the severance payment to the Deputy Chief Executive (Place) upon early retirement as calculated.

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

There were no additional items of private business.

(Meeting closed at 4.40 pm)