

Coventry City Council
Minutes of the Meeting of the Audit and Procurement Committee held at
2.30 pm on Monday, 31 January 2022

Present:

Members: Councillor R Lakha (Chair)
Councillor M Ali
Councillor J Blundell
Councillor B Singh (Deputy Chair)
Councillor R Singh

By Invitation: Councillor R Brown

Employees (by Directorate):

Finance: B Hastie (Chief Operating Officer (Section 151 Officer)),
P Jennings, B Strain, K Tyler

Health and Wellbeing S. Lam

Law and Governance L Knight, A West

Apologies: Councillors G Hayre and T Sawdon
Councillors R Bailey and A Hopkins (Named Substitutes)

Public Business

45. Declarations of Interest

There were no disclosable pecuniary interests.

46. Minutes of Previous Meeting

The minutes of the meeting held on 29th November 2021 were agreed and signed as a true record.

Further to Minute 43/21, the Chair advised the Committee that the Audited Statement of Accounts 2019/20 had not yet been signed. The Finance Manager, Corporate Finance indicated that negotiations were continuing with the External Auditor regarding a small number of issues but it was expected that agreement on these matters would be reached imminently.

47. Exclusion of Press and Public

RESOLVED that the Audit and Procurement Committee agrees to exclude the press and public under Section 100(A)(4) of the Local Government Act 1972 relating to the private report in Minute 56 below headed 'Consideration of Approval of Severance Package', on the grounds that the report involves the likely disclosure of information defined in Paragraph 3 of Schedule 12A of the Act, as it contains information relating to the financial and business affairs of a particular person (including the authority holding that information) and that, in all

circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

48. **Outstanding Issues**

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

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

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

In respect of Item 1 of Appendix 1, the Committee were advised that arrangements had been made for the audit of IT Disaster Recovery to commence during February 2022 and that a report would be submitted to the Committee following completion of the audit.

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

49. **Work Programme 2021/2022**

The Audit and Procurement Committee considered a report of the Director of Law and Governance which set out the Work Programme of scheduled issues to be considered by the Committee during the Municipal Year 2021/2022.

RESOLVED that the Audit and Procurement Committee notes the Work Programme for 2021/2022.

50. **Information Governance Annual Report 2020/21**

The Audit and Procurement Committee considered a report of the Director of Law and Governance, that provided a summary of the Council's performance during 2020/21 in responding to requests for information received under the Freedom of Information Act, Environmental Information Regulations and Data Protection Act. It also reported on the management of data protection security incidents reported and data protection training.

Information is one of the Council's greatest assets and its correct and effective use is a major responsibility and is essential to the successful delivery of the Council's priorities. Ensuring that the Council has effective arrangements in place to manage and protect the information it holds is a priority.

Data protection legislation sets out the requirements on public organisations to manage information assets appropriately and how they should respond to requests for information. The Information Commissioner's Office (ICO) is the UK's

independent supervisory authority set up to uphold information rights in the public interest, promote openness by public bodies and data privacy for individuals, and monitors compliance with legislation.

The Information Governance function supports the Council's compliance with the Freedom of Information Act 2000 (FOIA), Environmental Information Regulations (EIR), General Data Protection Regulations GDPR (now UK GDPR) and Data Protection Act (DPA) 2018. The Council has a statutory obligation to comply with this framework by responding appropriately to requests and managing personal data appropriately.

The Information Governance Team supports the organisation in meeting these requirements, by monitoring internal compliance, informing and advising on data protection obligations, providing advice and guidance and raising awareness on data protection matters.

The Committee noted that the landscape in which local authorities were operating had seen its third significant change since the introduction of the GDPR and the new Data Protection Act 2018 (DPA 2018) in 2018. At the end of the 2019/20 year, the country went into lockdown as part of its response to the Covid 19 pandemic and the impact of Brexit has subsequently led to the introduction of the UK GDPR.

The pandemic resulted in significant changes to ways of working and priorities. During this period the Information Governance Team support the Council to adapt and keep working effectively. It facilitated the rapid turnaround of sharing requests and needs whilst ensuring that requests were properly assessed to confirm that the personal data of the people concerned was used in line with relevant legislation and in keeping individuals informed of how their data is handled. This allowed data to flow compliantly for the purposes of the Council's pandemic response. The number of requests for information received by the Council remained high throughout the pandemic and subsequent lockdowns and the Information Governance function has seen a significant increase in demand for its services.

The number of Freedom of Information Requests received by the Council had increased year on year but reduced from 1,474 in 2019/20 to 1,267 in 2020/21. The Council responded to 71% of FOIA/EIR requests within the target time of 20 working days in 2020/21 compared to 78% for the previous year. Performance remained below the 90% target set by the ICO.

The Council received 47 requests for internal reviews in the year 2020/21, compared to 48 requests during the previous year. The Council responded to these with the following outcomes:

- 19 were not upheld – the exemptions that had been applied were maintained and no further information was provided
- 8 were not upheld – advice or clarification was provided
- 10 were partially upheld – some further information was provided
- 8 were upheld - information was provided
- 1 was withdrawn
- 1 was closed with no further action

Four complaints were referred to the ICO during 2020/21. The reasons and outcomes for these were:

- Three complaints related to the handling of an FOI and the exemptions engaged by the Council. The ICO issued a decision notice on one and required no further action on the remaining two. The complaints were not upheld.
- One complaint has still to be allocated to a Case Worker within the ICO.

The City Council already publishes a significant amount of information and identifying opportunities to increase the volume and type of information published (subject to legal compliance) will increase transparency and help to reduce the number of FOI's the Council receives, if the information is already available.

The Council received 268 valid Subject Access Requests (SARs) during the course of 2020/21. The number of SARs has been rising year on year with a significant increase seen following the introduction of the GDPR. While the Council receives fewer SARs than other information requests, many of these are complex and can involve managing significant amounts of sensitive information. The introduction of the GDPR also reduced the required response time for responding to SARs from 40 days to one calendar month. The completion rate within the target time has increased slightly to 76%.

The Council received 8 requests to carry out an internal review into a SAR application during 2020/21. In 5 cases, further information was provided which was located through further searches based on information provided by the requester. Where information was not provided, this was due to the original exemptions being upheld regarding grievance / disciplinary process and information not being held by the Council. No complaints were referred to the ICO in relation to SARs in 2020/21.

Protecting information from theft, loss, unauthorised access, abuse and misuse is crucial in order to reduce the risk of data breaches or financial loss incurred through non-compliance with key legislation. The Information Governance data protection security incident reporting process supports the Council's objective that breaches are managed promptly, and outcomes of investigations are used to inform reviews of the control measures in place to keep personal information safe. In addition, the reporting of near misses and potential breaches is encouraged as this promotes awareness, avoids complacency and therefore reduces the likelihood of a serious breach of information.

In 2020/21, the Data Protection Team received 295 reports of data security incidents, an increase from 219 the previous year. Of these, 165 did not involve a breach of personal data. These included near misses, loss or theft of equipment, cases where technical measures prevented access to data and incidents where a breach was contained. Of the incidents where a breach of personal data was identified, 112 were identified as low risk, 6 low/medium, 7 medium and 1 high. The majority of the reports were classified as information being disclosed in error with 25 reports relating to loss or theft of hardware, 18 to technical / procedural errors and 13 unauthorised access.

The GDPR introduced requirements for personal data breaches that meet certain thresholds to be reported to the ICO. No self-reports were made to the ICO during 2020/21. One complaint was made by a data subject directly to the ICO who assessed that the council failed to ensure security of personal data when it disclosed third party information and asked the council to ensure that staff who handle personal data are aware of the importance of keeping data secure. In addition, a third-party organisation working with the council had an incident which resulted in the breach of City Council data. They self-reported to ICO.

Data Protection training is key to ensuring staff are aware of their responsibilities. Training is currently delivered through the Council's e-learning platform and annual completion of the data protection course is mandatory for all staff handling personal data. Staff who do not have access to a computer in their role (not office based) and those with minimal personal data involved in their role are provided with appropriate level training. This ensures that an appropriate level of understanding and awareness is reached that is relevant to their role/responsibilities. For the 2020/21 year, the Council reported a completion rate of the Council's mandatory data protection training of 95% when completing NHS Data Security and Protection Toolkit. In addition to the Data Protection Training ICT have delivered awareness sessions specifically relating to cyber security and regular cyber security messages are issued to staff.

RESOLVED that, the Audit and Procurement Committee notes:

- 1. The Council's performance on Freedom of Information, Subject Access and other Data Protection Act requests, including the outcomes of internal reviews and the number and outcome of complaints made to the ICO.**
- 2. Reporting and management of data security incidents.**
- 3. Data Protection training compliance.**

51. Half Year Fraud and Error Report 2021-22

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer) that provided a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service during the financial year 2021-22 to date.

Fraud in the public sector had a national focus through the publication of "Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy stated that the level of fraud in the public sector was significant, the current trends in fraud activity included areas which Coventry City Council did not have responsibility for, such as social housing, and the levels of identified / reported fraud against the Council remained at relatively low levels, in both numbers and value. Notwithstanding this, it was recognised that the risk of fraud during emergency situations such as the pandemic was higher than at other times. This included an inherent risk of fraud in emergency programmes which local authorities had been required to administer on behalf of government, particularly in relation to grants paid to businesses. This risk had been explicitly acknowledged by government in guidance issued to local

authorities and as such, the Internal Audit Service had specifically included this within its anti-fraud work undertaken in 2021-22.

The report documented the Council's response to fraud and error during the first half of the financial year 2021-22 and was presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference 'to monitor Council policies on whistle blowing and the fraud and corruption strategy'.

The Internal Audit Service was responsible for leading on the Council's response to the risk of fraud and error with the work of the team focused on four main areas during 2021-22: Business Support Grants; National Fraud Initiative; Referrals and Investigations considered through the Council's Fraud and Corruption Strategy; and Council Tax. A summary of the key activity that had taken place in these areas during 2021-22 to date was set out in the report.

Within International Auditing Standards there were clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This included an expectation that appropriate detail was provided around significant fraud. The Council had applied the following principles when defining significant fraud:

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

In the period April 2021 to September 2021, no significant frauds had been concluded.

Whilst the Internal Audit Service normally undertook a rolling programme of reviews of council tax exemptions and discounts, this work had not been progressed during the period April to September 2021, given the focus on other priorities and unplanned absence within the Service. As a rolling programme of work, this was not viewed as significant and would form part of the programme of works for 2022-23.

The Council received referrals from both internal and external sources linked to concerns around the payment of council tax support or council tax discounts / exemptions. A table in the report set out the number of referrals received by source during the first half of the financial year 2021-22. Whilst appropriate cases were passed to the Department of Work and Pensions to investigate under agreed arrangements i.e. where housing benefit / universal credit was also in payment, the Internal Audit Service have validated five concerns in 2020-21, which had resulted in revised bills / overpayments of around £8k being issued, of which £4K had been recovered to date.

RESOLVED that the Audit and Procurement Committee notes the anti- fraud and error activity undertaken during the first half of the financial year 2021-22.

52. **2021/22 Second Quarter Financial Monitoring Report (to September 2021)**

The Committee considered a report of the Chief Operating Officer (Section 151 Officer) that detailed the forecast outturn position for revenue and capital expenditure and the Council's treasury management activity as at the end of September 2021. The report was also due to be considered by Cabinet at their meeting on 14th December 2020. Councillor Brown, Cabinet Member for Strategic Finance and Resources attended the meeting for the consideration of this item and spoke in support of the report.

The report indicated that the headline revenue forecast for 2021/22 was for net expenditure to be £14.4m over budget before the application of COVID-19 emergency funding for local government. After the use of this grant, the net overspend was £3.1m. At the same point in 2020/21 there was a projected overspend of £3.5m.

The position included an underlying overspend of £6.8m within Children's Services, although £3.4m of this had been attributed to the pandemic and funded from one-off Covid funding accordingly, leaving a net overspend of £3.4m very significant increase in forecast costs within Children's Services. Work has been undertaken to understand the likelihood and extent of these pressures continuing into next year and this would be reflected in the 2022/23 Pre-Budget Report. Management focus would continue to identify the causes and manage as far as possible the budget pressures within Children's Services as a fundamental element of balancing the 2022/23 Budget position. It was clear that a combination of societal and demographic trends and market pressures were creating a very difficult environment for the service, part of the effect of which was the challenging financial position reflected in the report.

Elsewhere, lower level budget pressures had continued or emerged within Streetscene and Regulatory Services, Finance, Legal and Governance Services and Transportation and Highways. In overall terms the corporate position was within acceptable tolerances at this stage of the financial cycle and could be reasonably expected to continue improving towards year-end.

The Council and the City continue to receive Government support linked to Covid within the 2021/22 financial year. This amounted to c£24m announced to date to support Council services directly and a further c£41m channelled through the Council to support Coventry businesses and external suppliers. Although further allocations could not be ruled out, the pace of funding announcements had slowed markedly reflecting the wider easing of lockdown measures. The scale of any residual Covid related grants was therefore likely to be modest.

The Council's capital spending was projected to be £253.4m and included major scheme expenditure which ranged from investment in the A46 Link Road, Coventry Station Masterplan, construction of a second office building and a hotel within the Friargate development, Air Quality highways works and Secondary

Schools expansion. The size of the programme and the nature of the projects within it continued to be fundamental to the Council's role within the City.

The Council's services and its financial position were moving gradually towards a business as usual position as the year progressed with activity and impacts arising from the Covid pandemic starting to subside. Some pockets of service activity continued to be significantly affected although often this was not resulting in a net financial cost. It was clear that significant financial risk remained in relation to the underlying funding position for local government as well as the future trajectory of Covid costs and funding within a few service areas. It remained a financial imperative therefore to focus on the medium-term horizon and for the Council to tackle the anticipated legacy effects of Covid.

RESOLVED that the Audit and Procurement Committee having considered and noted the proposals in the report, made no recommendations to Cabinet.

53. **Treasury Management Update 2021/22 - Half Year Progress Report**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), which provided an update on the Council's Treasury Management activity in 2021/22 to the end of September 2021.

The Council adopted the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice" (the CIPFA Code). This required the Council to approve an annual Treasury Management Strategy and a mid-year update report.

The Council's Treasury Management activity is undertaken in line with the Treasury Management and Commercial Investment Strategy and Policy for 2021/22, which was agreed by Cabinet as part of the Budget Report 2021/22 at its meeting on 23rd February 2021. The Committee noted that there were no breaches of the strategy and policy to report.

The Council was supported in the Investment Strategy and Policy by its Treasury Management Advisors – Arlingclose. The advisors provide economic and specialist advice. A key element of this was the provision of advice on credit risk and the supply of information on credit ratings. Regular review meetings with the advisors continued to be held. In addition, staff with involvement in treasury issues continued to attend on-line events focussed on treasury management as appropriate.

Appendix 1 of the report submitted set out a detailed list of short-term borrowing and investments that the Council held at 1st October 2021. The first table in the Appendix identified that there was no short term borrowing outstanding as at 30th September 2021. Cash projections indicated that the Council may require short-term borrowing to cover cash shortfalls for the final quarter of 2021/22. All short-term borrowings outstanding at the end of the 2020/21 financial year (£54m), were fully repaid by the end of the first quarter 2021/22.

No new long-term borrowing undertaken since 2009, due in part to the level of investment balances available to the Council. The Council had no immediate

plans to take an new long-term borrowing, however, this would be kept under review. As at 30th September 2021, the Council's long-term liabilities totalled £331.7m. This was mainly made up of long-term borrowing sourced from the Public Works Loan Board (PWLB); liabilities arising from the Private Finance Initiative (PFI) and Lender Option Borrower Option (LOBO's) borrowing.

In November 2020, the rules governing local authority access to PWLB changed and borrowing interest rates were reduced by 1%. The Treasury Management Strategy 2021/22 approved by Cabinet on 23rd February 2021 reflected this change and agreed that the Council would not buy investment assets primarily for yield. The Budget Report 2021/22 advised to not pursue this type of activity in the medium term and no current capital projects were affected by this. This would ensure that the Council's access to the PWLB for capital funding was maintained.

The final three tables at Appendix 1 provided a detailed list of investments held as at 1st October 2021 and identified a total investment of £76.3m. This compared to £112.8m held a year ago. The balances were a snapshot and impacted on by timing differences. The 2020 figure showed inflated cash balances to reflect receipt of Government Covid 19 grant funds at that time.

Appendix 2 of the report set out the Council's Lending List at 31st December 2021. The list showed those banking and government institutions that the Investment Strategy allows the Council to invest cash balances with. The list was taken using specialist advice from Arlingclose and was split between UK and foreign institutions. Arlingclose undertook a full review of their credit advice on unsecured deposits at UK banks and building societies in September 2021. As a result, their duration advice for those institution was extended from 35 days to 100 days. The Committee noted that the Council did not hold any funds with counterparties that were not on the Lending List.

The ongoing impact to the UK from Coronavirus, together with higher inflation, the likelihood of higher interest rates and the country's trade position post-Brexit were major influences on the economy and the Council's ability to gain returns on investments.

On the 16th December 2021, the Monetary Policy Committee (MPC) agreed to raise bank interest rates from 0.10% to 0.25%. Recent rising inflation prompted the move as the MPC raised concerns about strong labour market performance and persistent increases in prices. The decision was accompanied by comments about the path for Bank Rate which may see further rate rises over the coming months despite weakening economic activity. Arlingclose expect the Bank Interest Rate to rise to 0.50% in Q1 2022, but then remain there.

For the first two quarters of 2020/21, the Council continued to be in receipt of central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. These funds have been temporarily invested in short-term liquid instruments, particularly in Money Market Funds. The upfront payment of grants had temporarily inflated the Council's cash balances.

In considering the report, the Committee requested further information on the Council's current treasury investments be circulated.

RESOLVED that, the Audit and Procurement Committee note the update against the Treasury Management Strategy 2021-22 as at 30th September 2021 and request that further information on the Council's current treasury investments be circulated to the Committee Members.

54. Complaints to the Local Government and Social Care Ombudsman 2020/21

The Audit and Procurement Committee considered a report of the Chief Executive, that set out the number, trends and outcomes of complaints to the Local Government and Social Care Ombudsman (LGSCO) in relation to the City Council during 2020/21.

The Committee noted that the report had also been considered by the Cabinet Member for Policy and Leadership and the Ethics Committee.

The LGSCO is the final stage for complaints about councils, all adult social care providers, including care homes and home care agencies, and some other organisations providing local public services. It is a free service that investigates complaints in a fair and independent way and provides a means of redress to individuals for injustice caused by unfair treatment or service failure.

Coventry City Council's complaints policy sets out how individual members of the public can complain to the Council, as well as how the Council handles compliments, comments and complaints. The Council informs individuals of their rights to contact the LGSCO if they were unhappy with the Council's decision after they had exhausted the Council's own complaints process.

Every year the LGSCO issued an annual letter to the Leader and Chief Executive of every Council, summarising the number and trends of the complaints dealt with in each Council that year. The latest letter was issued on 21st July 2021 and covered complaints to Coventry City Council between April 2020 and March 2021. Mid-March 2020 saw an abrupt pause to the Ombudsman's casework in response to the exceptional operational challenges local authorities and care providers faced because of the Covid-19 pandemic. The Ombudsman resumed some casework at the end of May and started taking new complaints again at the end of June 2020, after a three month pause.

The report outlined the number, trends and outcomes of complaints to the LGSCO during 2020/21 and, in particular, focussed on upheld complaints, service areas with a high number of complaints, compliance with Ombudsman's recommendations, learning from complaints and how this compared to previous years and other local authorities. The Committee noted that due to the response to the Covid-19 the number of complaints received and determined in the 2020-21 year had been reduced.

Across all councils, the LGSCO received 11,830 complaints and enquiries during 2020/21, down from 17,019 the previous years. The areas receiving the greatest number of detailed investigations was adult social care (801), education and children services (800) and planning and development (436). For Coventry, the LGSCO had received 54 complaints and enquiries during 2020/21, down from 117 the previous year. The report set out the categories for each complaint and it was

noted that the highest number of complaints for Coventry related to education and children's services, adult care services and housing.

When dealing with an enquiry, the LGSCO can choose to investigate cases where it sees merit in doing so. Following an investigation, the LGSCO can decide if a complaint is: upheld – where a council has been at fault and this fault may or may not have caused an injustice to the complainant; or where a council has accepted it needs to remedy the complaint before the LGSCO makes a finding on fault; or not upheld – where, following investigation, the LGSCO decides that a council has not acted with fault. Of the complaints submitted, 31 were referred back to the council for local resolution and 13 were investigated, of which 10 were upheld and 3 were not upheld. The remaining complaints were either incomplete / invalid, closed after initial enquiries or advice given. Of those complaints upheld, 9 were remedied by the LGSCO and for 1 the LGSCO found that Coventry had provided a satisfactory remedy before the complaint reached them.

The Committee noted that the Council had complied with all remedies recommended by the LGSCO and the report set out a summary of agreed actions for each service area where complaints had been upheld. In addition, the Committee requested further information on the costs to the Council in respect of complaints that have resulted in a financial award.

In considering the report, the Committee requested that information on the 31 complaints referred back to the Council be circulated.

RESOLVED that the Audit and Procurement Committee:

- 1. Note the Council's performance in relation to the LGSCO.**
- 2. Note the Council complaints process and guidance.**
- 3. Are assured that the Council takes appropriate actions in response to complaints investigated and where the Council is found to be at fault.**
- 4. Request that information on the 31 complaints referred back to the Council be circulated.**
- 5. Request that further information on the costs to the Council in respect of complaints that have resulted in a financial award be circulated.**

55. **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 other items of public business.

56. **Consideration of Approval of Severance Package**

The Audit and Procurement Committee considered a report of the Chief Operating Officer (Section 151 Officer), that sought approval of the severance package for an

employee of the Council which exceeded £100,000 which had occurred due to organisational change and service redesign.

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

In considering the report, the Committee requested that discussions take place with the Council's Monitoring Officer to establish whether it would be possible to have a corresponding public report in respect of severance package requests and that the outcome of those discussions be circulated to the Committee.

RESOLVED that the Audit and Procurement Committee:

- 1. Approves the severance package as calculated.**
- 2. Request that discussions take place with the Council's Monitoring Officer to establish whether it would be possible to have a corresponding public report in respect of severance package requests and that the outcome of those discussions be circulated to the Committee.**

57. **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 other items of private business.

(Meeting closed at 4.35 pm)