

Coventry City Council

Auditor's Annual Report for the
year ended 31 March 2024

January 2025



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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 for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements 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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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Coventry City Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council on 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

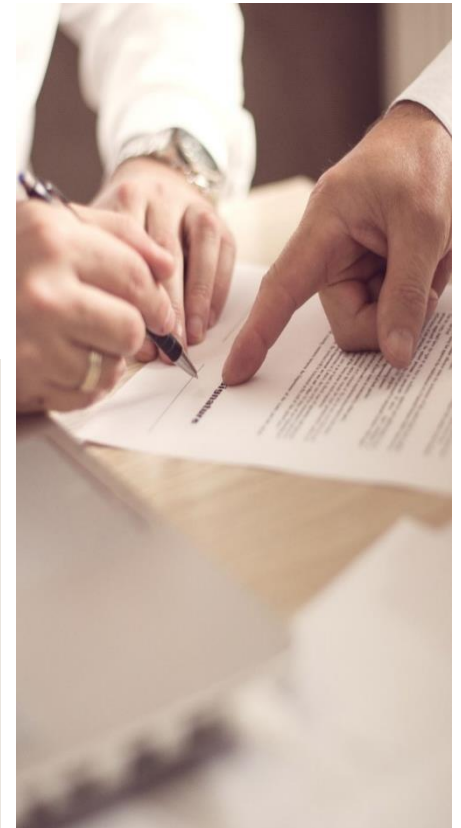
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 11 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. The outcome of the NAO's consultation on the Code is dependent upon the decisions made by the new government elected on 4 July 2024. These decisions are awaited at the time of drafting this report. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the NAO's new Code being introduced. In the event of any new audit requirements being introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 20.



Financial sustainability

The Council ended 2023/24 with an overspend of £1.8 million. The Council has a transformation plan and a modernisation plan. Nevertheless, by June 2024 the Council forecasted an overspend of £7.1M for 2024/25. Furthermore, a gap in the transformation plan forecast delivery for 2024/25 is widening.

The balance on the Council's revenue reserves stood at £118 million on 31 March 2024, which was sufficient to cover the anticipated budget overspend for 2024/25 as it stood in June 2024 (at £7.1 million); and any budget gap/ shortfall in savings and transformation plans for 2025/26 and 2026/27. However, the margin for error was small.

The Council should be turning its focus to the skills and capacity supporting the transformation plan so that reserves balances can be maintained. One emerging issue that the Council should consider when planning for future budget pressure is the likely impact of children with special educational needs and disability transferring to the adult sector.

In February 2023, the Council identified high value technical and service savings worth more than £90 million over three years to support budget planning for the three-year period 2024/25, 2025/26 and 2026/27. Transformation plan savings are monitored in granular detail by the Transformation Board. Management inform us that other savings are monitored by the Leadership Board, but not evidenced in papers or minutes. We have raised three improvement recommendations.



Governance

The Council has established frameworks, policies, and strategies to manage risks, fraud, and corruption, with internal and external assessments ensuring compliance with standards. Effective budget setting and decision-making arrangements are in place. Members are given detailed briefings on key trends within the budget prior to approval. Budget monitoring data was shared with Cabinet six times between 1 April 2023 and 31 August 2024.

Although the governance framework is broadly effective, the Council needs to improve its performance on preparing and publishing statutory financial statements. A draft of the Council's 2023/24 Statement of Accounts was authorised for issue by the Director of Finance and Resources on 29 November 2024. Drafts for 2021/22 and 2022/23 had been published in August and September 2024. The due date for each had been on the first 31 May falling after their year end. Going forward, unaudited accounts for 2024/25 will need to be published by 30 June 2025 and the audited accounts for the year 2024/25 will need to be published by 27 February 2026.

We note that the Council employed significant extra resource both in terms of valuation, and accountancy capacity to improve the quality of asset valuations (and Group Accounting), to support the 23/24 statement of accounts, and prior years. This will need to be tested as part of future audits.



Improving economy, efficiency and effectiveness

Progress against corporate key performance indicators is reported to Cabinet bi-annually. The reports cover 62 metrics and, in most cases, when the Council underperformed against its own target, it was still in line with national standards. The Council takes the results of external inspections seriously and develops improvement plans where required. The Council actively engages in partnership working and this is regularly reported through the various Committees and Cabinet. The Council has a procurement team overseeing large procurement exercises, with oversight on large projects performed by Project Boards. However, we note that the overall number of tender waivers was high between January 2023 and June 2024. From our review of arrangements, we have raised one improvement recommendation.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council's arrangements

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 for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	A We noted in 2022/23 that the Council's financial position would be more challenged for 2023/24 and later years.	Risk of significant weakness identified for 2023/24 on the underlying deficit; future deficits expected; and the adequacy of reserves available to cover budget shortfalls.	A No significant weaknesses in arrangements identified for 2023/24, but we note again that the situation is becoming more challenging and that there may be significant weakness in future years. Three improvement recommendations have been made to support the Council in improving arrangements for financial sustainability.	↔
Governance	R Significant weakness around delayed accounts and audit timetable identified in 2022/23. Draft accounts for 2020/21 required revision and draft accounts for 2021/22 and 2022/23 had not yet been prepared.	Risk of significant weakness identified for 2023/24, due to delays in publication of accounts.	R Draft accounts for 2021/22 and 2022/23 and 2023/24 have now been published, meaning that the Council has caught up compared to the prior year. However, in all cases, the original due dates were missed. Timescales for unaudited and audited accounts going forward will need to be complied with.	↔
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified for 2022/23 but improvement recommendations was made.	No risk of significant weakness identified for 2023/24.	A No significant weaknesses in arrangements identified for 2023/24, but one new improvement recommendation has been made to support the Council in improving arrangements for 2023/24.	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Significant weakness identified in Governance arrangements

We reviewed the Council's arrangements to deliver governance and have concluded that there was a significant weakness in arrangements.

Delays in production of financial statements

Our Key Recommendation in February 2024 was that "the Council should address the weaknesses in the preparation of the financial statements that have caused delays to the publication of accounts".

Delays had largely been driven by disagreements over the accounting treatment for UK BIC Ltd; and issues with property valuations. Issues around UK BIC Ltd's accounting treatment are now resolved (UK BIC Ltd is accounted for as a subsidiary within the group accounts and as an investment in the single entity accounts).

A draft of the Council's 2023/24 Statement of Accounts was authorised for issue by the Director of Finance and Resources on 29 November 2024, but the deadline has been 31 May.

Key recommendation

For 2024/25, the Council will need strong arrangements in place to ensure that it publishes unaudited accounts by 30 June 2025 and to support the external audit processes that allow for publication of audited accounts by 27th February 2026. The Council will need to be mindful that 30 June will remain the deadline for publishing unaudited accounts until the end of 2027/28, but that the deadline will then move forward to 31 May. The deadline for publishing audited accounts will move progressively forward. For 2025/26, the deadline will be 31 January 2027. For 2026/27 and the years thereafter, the deadline will be 30 November.

All local authorities will be required to comply with the new arrangements, which will require planning to prepare for.



Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report. The Chancellor's Budget on 30 October 2024 confirmed the government's plans for greater devolution in England and confirmed a real terms increase in core spending power to local government for 2025/26 of 3.2%. Including an increase in grant of £1.3 billion. The Chancellor also announced £1 billion additional funding for SEND, an additional £2.3 billion for schools, and that councils will be able to use the full amount of capital receipts from right to buy sales. The detail of what the Chancellor's announcement means for individual councils will become clearer when their provisional finance settlement for 2025/26 is confirmed by government in December 2024.

Local context



The Coventry Joint Strategic Needs Assessment in 2019 identified that the city's population has grown by a fifth since 2009, making it the second-fastest growing local authority outside of London. Growth was particularly strong in the 18 – 29 years age range.

There are a range on new and vibrant projects being championed by Coventry City Council in partnership with others. These include a new research project for a Very Light Railway and a new ten-years-plus strategic energy partnership.

However, there are underlying demographic issues that pose a challenge for the Council. The population is ageing rapidly and overall health for the city is below the national average. The Joint Strategic Needs Assessment identified that nearly 19% of Coventry neighbourhoods are amongst the 10% most deprived neighbourhoods in England.

Coventry City Council is made up of 18 wards and each ward is represented on Coventry City Council by three councillors. The city has a non-politically appointed Lord Mayor who chairs Council meetings; promotes the city; and performs ceremonial functions. Coventry City Council is a member of the West Midlands Combined Authority.

The external audit of Coventry City Council's statement of accounts for 2019/20 was completed in October 2023. There are draft accounts for 2020/21 and 2021/22 and 2022/23 and 2023/24 in the public domain.

Financial sustainability



We considered how the audited body:

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.

Commentary on arrangements

The Council ended 2023/24 with an overspend of £1.8 million.

The Council has developed a transformation plan and a modernisation plan (for example, modernising the refuse service). Despite this, by June 2024 the Council had forecasted an additional overspend of £7.1 million for 2024/25. Furthermore, there is a widening gap in the transformation plan forecast delivery for 2024/25. The forecast gap in June 2024 was £1.12 million. However, by October 2024 the forecast gap was £5.976 million. Much of the gap in transformation plan delivery surrounds delays in new in-house children's home arrangements (including construction); digital changes; and service delivery changes.

Planning estimates prepared by the Council for 2025/26 and 2026/27 have indicated that budget gaps will be incurred in both of those years (£14.3 million and £14.8 million respectively), even if high value savings plans can be delivered in those years (£29 million and £29.4 million respectively). This is before the transformation gaps are considered.

The balance on the Council's revenue reserves stood at £118 million on 31 March 2024, which was sufficient to cover the anticipated budget overspend for 2024/25 as it stood in June 2024 (at £7.1 million); and any budget gap/ shortfall in savings and transformation plans for 2025/26 and 2026/27. However, the margin for error was small.

The Council should be turning its focus to the skills and capacity supporting the transformation plan so that reserves balances can be maintained. **Whilst we do not consider there to be a significant weakness in arrangements for managing financial pressure at present, this could become an area of significant weakness if financial performance continues to deteriorate.**

For transformation plans to be fully effective, it will be important that the council does factor in demographic change accurately. We note that around £2.1 million of the 2024/25 overspend reported at the end of Quarter 1 in 2024/25 related to overspend in adult social care. A significant driver within this was the cost of children with special educational needs and disability growing up and entering the adult sector, whilst still needing support. This is a trend that is likely to continue. The Council will need to be mindful that transformation is directed not only at areas that face budget pressure now, but also at areas where social trends mean there will be budget pressures in future.

Assessment

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

plans to bridge its funding gaps and identifies achievable savings

In February 2023, the Council identified high value technical and service savings worth £30 million per annum to support budget planning for the three-year period 2024/25, 2025/26 and 2026/27. Savings were analysed between technical savings and service savings and management actions.

Throughout 2023/24, once the technical and service savings and management actions were absorbed into the base budget, they were monitored locally by budget holders, with no separate data on savings progress for any scheme shared with members. Since the start of 2024/25, the formal transformation programme has been in place. The programme has its own governance structure and progress with transformation scheme savings (£12.2 million in 2023/24) are reported monthly to a new Transformation Board. Management informed us that other savings are discussed and reviewed regularly at the Leadership Board (an officer group). However, there were no papers or minutes to evidence this. ,

A

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

There is a coherent link between the Council's financial strategy and its corporate objectives. Star Chamber meetings were held by the Council in June 2023 and September 2023 - with the Chief Executive and s151 officer meeting directors from across the business to agree policy options for members. The Council has a good understanding of the costs of delivering services and the drivers for cost pressure that it faces. For example, children's social care is an area where the Council has been very proactive. The Council has been working with others to re-commission the West Midlands frameworks for both independent fostering agencies and for residential care; and there have been recruitment drives for new internal foster carers who can cover emergency placements (which are traditionally very high in cost). The Council has an ambition to build 12 residential children's homes of its own to reduce high placement costs. Four are already in place and two more are in progress, but, as we have seen, construction delays mean that savings are taking longer than the Council had hoped.

G

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council's financial plan is consistent with other plans, for example around workforce, capital, treasury and investments. The Council's new transformation plan aligns directly with its medium-term financial planning estimates. There has been some slippage in the capital programme, but the reasons are well understood by the Council.

G

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council shared risk with members in budget reports before the start of 2023/24 and through the year. However, that risk was not always clearly quantified. The LGA Peer Review concluded that future financial modelling within the Medium-Term Financial Strategy should disclose the full impact and risk of key underlying assumptions e.g. demographic change, inflation, and policy on issues such as real living wage. The Council has agreed that in future years the Medium-Term Financial Strategy will include a review of wider contextual data. We will review progress with enhancing the quantification of risk disclosure as part of our value for money testing for 2024/25. We recommend that contextual data around income from commercial investments is also included.

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability



Areas for improvement

Improvement recommendation 1:

The Council should turn its focus to the skills and capacity supporting transformation plans. As plans for 2025/26 and 2026/27 rely on high value savings and still anticipate budget gaps, the Council will need to be in a robust position for managing challenge. To protect reserves going forward, the Council will need to focus on achieving the transformational changes planned around placements, services and digital connectivity.

Future financial modelling within the Medium-Term Financial Strategy should disclose the full impact and risk of any possible changes in assumptions around demographic change, inflation, and policy on issues such as real living wage. Possible changes to income from commercial investment properties should also be included.

This is an improvement recommendation at present but could become a key recommendation in future years if financial performance does not improve.

Improvement recommendation 2:

Budget setting should anticipate the impact of children with special educational needs and disability growing up and entering the adult sector whilst still having support needs. The Council should develop appropriate forecasting tools so that it can anticipate how and when current spending on children will need to be replaced with spending on adults.

Improvement recommendation 3:

The Council should explore formal reporting to the Leadership Board and members on savings progress against target for those elements of planned savings not covered by the Transformation arrangements. In total, technical and service savings of £30.3 million were absorbed into the budget for 2024/25. Transformation Plan highlight reports cover some £12.2 million. There are no papers or minutes to evidence regular monitoring of the other savings.

Governance



We considered how the Audited Body:

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships

Commentary on arrangements

Budget monitoring data was shared with Cabinet six times between 1 April 2023 and 31 August 2024, which is in line with most Local Authorities' best practice. Budget variances are shown in the reports.

The Council has strong arrangements around member and officer conduct, ethics and regulatory compliance. It has also prepared well for forthcoming legal changes around procurement.

Preparing and publishing accounts within statutory deadlines is an area, however, where the Council needs to improve. Our Auditors Annual Report for 2022/23 highlighted that the Council was three years behind schedule for the accounts and audit timetable (at the time, accounts for 2020/21 and 2021/22 and 2022/23 were overdue). The Council worked hard to catch-up with the schedule and unaudited accounts for all three of these years have now been published. A draft of the Council's 2023/24 Statement of Accounts was authorised for issue by the Director of Finance and Resources on 29 November 2024. Drafts for 2021/22 and 2022/23 had been published in August and September 2024. The due date for each had been on the first 31 May falling after their year end.

Going forward, unaudited accounts for 2024/25 will need to be published by 30 June 2025 and the audited accounts for the year 2024/25 will need to be published by 27 February 2026. Over the coming years, this timetable will shorten. From 2028/29 onwards, the deadline for publishing unaudited accounts will revert to 31 May. Between 2025/26 and 2026/27, the deadline for publishing audited accounts will move forwards, initially to 31 January and then to 30 November.

All local authorities will be required to comply with the new arrangements, which will require planning to prepare for. We note that the Council employed significant extra resource both in terms of valuation, and accountancy capacity to improve the quality of asset valuations (and Group Accounting), to support the 23/24 statement of accounts, and prior years. This will need to be tested as part of future audits.

Assessment

R

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Governance



We considered how the Audited Body: **Commentary on arrangements** **Assessment**

<p>monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has established frameworks, policies, and strategies to manage risks, fraud, and corruption, with internal and external assessments ensuring compliance with standards. These include the corporate risk register being shared with the Audit and Procurement Committee [moving to a twice a year arrangement]; internal audit, whistleblowing, staff survey; anti-fraud and corruption arrangements; engagement with budget holders; public consultations; and shareholder committee arrangements for group companies. We note that an internal audit of governance arrangements for companies was ongoing at the time we completed our work (October 2024). We will consider findings as part of our audit for 2024/25.</p> <p>In May 2024, the independent validation concluded that the Council's Internal Audit service conforms to the requirements of the Public Sector Internal Audit Standards and the requirements of the Local Government Application Note, with no key areas of non-compliance with the standards identified.</p>	<p>G</p>
<p>approaches and carries out its annual budget setting process</p>	<p>The annual budget is subject to a high level of challenge and scrutiny from Cabinet before the budget is set. The Council concluded for 2024/25 that because there was only a one-year settlement, a robust and formal Medium-Term Financial Strategy could not be prepared. Nevertheless, medium term financial planning estimates for 2024/25 and 2025/26 and 2026/27 were prepared by the Council and shared with Cabinet in February 2024.</p>	<p>G</p>
<p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.</p>	<p>There are Member and Officer Codes of Conduct in place and the Council has arrangements for making declarations of interest and recording gifts and hospitality. There were no significant weaknesses in arrangements identified from our work.</p>	<p>G</p>
<p>ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee</p>	<p>The Council's Constitution ensures that the Council's decision-making and governance arrangements help the Council to achieve its corporate aims, objectives, and priorities effectively and efficiently. There are multiple levels of challenge to decisions, from the meetings of the Senior Management Board to Scrutiny Committees. Every report presented to Cabinet to support decision making includes a breadth of considerations such as financial and legal implications. Where Committees are required to approve a decision, the accompanying information is detailed. The tone from the top is appropriate and as expected of a well-run authority. The Ethics Committee receives regular Code of Conduct updates which provide learning opportunities on any national issues in relation to the ethical behaviour of elected Members, and the local position in Coventry. The Audit and Procurement Committee met seven times in the year in total.</p>	<p>G</p>

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Governance

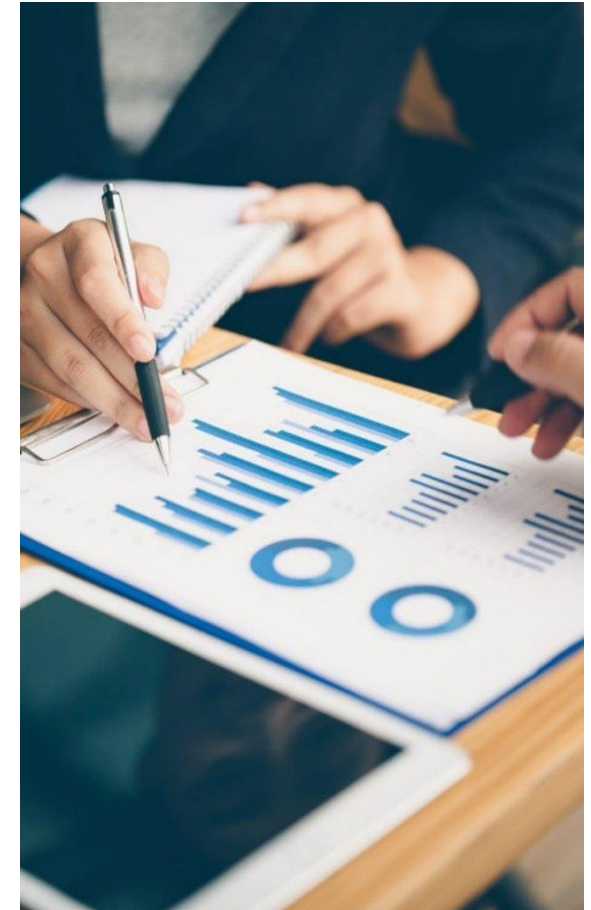


Significant weakness identified

Key Recommendation:

For 2024/25, the Council will need strong arrangements in place to ensure that it publishes unaudited accounts by 30 June 2025 and to support the external audit processes that allow for publication of audited accounts by 27th February 2026. The Council will need to be mindful that 30 June will remain the deadline for publishing unaudited accounts until the end of 2027/28, but that the deadline will then move forward to 31 May. The deadline for publishing audited accounts will move progressively forward. For 2025/26, the deadline will be 31 January 2027. For 2026/27 and the years thereafter, the deadline will be 30 November.

All local authorities will be required to comply with the new arrangements, which will require planning to prepare for.



Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

uses financial and performance information to assess performance to identify areas for improvement

The Council makes use of benchmarking and other external data such as a Local Government Association Peer Review and the Local Government and Social Care Ombudsman’s reports.

A bi-annual arrangement for reporting to Cabinet progress against corporate key performance indicators was adopted in January 2024. Although there were no reports to Cabinet for the first nine months of 2023/24, reports have since been shared in both January and October 2024. The reports cover 62 metrics and include data highlighting those metrics that are underperforming against Council target. Our review of the reports found that in most cases, when the Council under-performed against its own target, it was still in line with national standards. The Council is now developing Power BI tools that will allow members and officers to access live performance data.

G

evaluates the services it provides to assess performance and identify areas for improvement

There is good evidence which demonstrates that the Council has received external inspections/reviews within 2023/24 and has used the findings from these reports to develop improvement plans. The latest Ofsted inspections highlighted the Council’s strengths but raised improvement areas to be considered by the Council. A Local Government Association Peer Review was conducted in January 2024. The review raised ten improvement recommendations. The Council has appropriately responded to all of them. Responses were presented to Cabinet in June 2024.

The Council reviews the strategic priorities and the cost-effectiveness of existing activities, as well as the impacts on social value and climate. This was evidenced by the challenge posed by the Business, Economy and Enterprise Scrutiny Board to officers and representatives from Transport for West Midlands after considering the Bus Delivery Options paper presented in January 2024.

G

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

There are adequate arrangements in place which allow for the identification of and engagement with stakeholders. For example, this was evidenced by the proposed consultation for the Community Safety Partnership Plan 2024-2027, taken to Cabinet in July 2024. The engagement and consultation plan identified a list of stakeholders for the Council to consult with. The consultation period then lasted for 12 weeks, starting on 10th July 2024 and ending on 2nd October 2024.

The Council actively engages in partnership working and this is regularly reported through the Council’s various Committees and Cabinet. An update on the progress of the Council’s Strategic Energy Partnership with EON was taken to the Scrutiny Coordination Committee Meeting in March 2024. The Strategic Energy Partnership, is a non-incorporated joint venture between the Council and EON, formed in September 2023. The update summarised the key activities of the first six months of the partnership.

Governance arrangements for group undertakings have been modernised and embedded over the past two years, for example with the introduction of a Shareholder Unit. At the time we completed our work, an Internal Audit of the effectiveness of company arrangements was ongoing.

G

commissions or procures services, assessing whether it is realising the expected benefits

The Council has a procurement team overseeing large procurement exercises, with oversight on large projects performed by Project Boards. The Council’s Constitution requires that all expenditure over £100,000 be taken to the Procurement Panel, and for expenditure over £1 million to be taken to the Procurement Board. Reports for contracts with expenditure over £1 million per annum are taken to Cabinet for approval. Procurement and commissioning reports are presented at the Audit and Procurement Committee every six months, with activity reports tracking financial performance against contracts. To centralise the monitoring of contract performance data, the Council has invested in a new contract management module which embeds Key Performance Indicator data within the Contracts Register. Training for the module is ongoing.

The Council keeps members up to date where necessary and can be agile in its approach to realising expected benefits. When a recent high profile construction partner went into administration in September 2024, the Council briefed members on steps taken to secure the relevant land; liaised with alternative contract partners to minimise the impact on timetable; and sought to use a parental company guarantee that was in place. Council briefings highlighted that the original contract partner had only been paid for work already completed, which will make it easier to manage the risk of project overspend.

We note that the overall number of exceptions (tender waivers) was high between January 2023 and June 2024; and that the incidence of retrospective approval of exceptions was high (28%). This is an area where compliance needs to improve – otherwise the Council will be unable to demonstrate that it is achieving best value through procurement of goods and services. Training on legal and regulatory aspects of procurement may help.

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

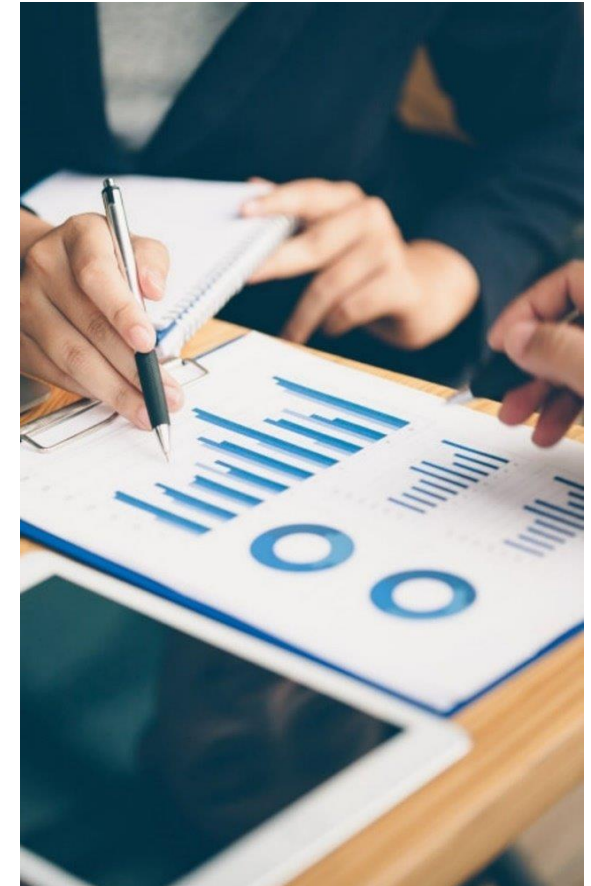
Improving economy, efficiency and effectiveness



Areas for improvement

Improvement recommendation 4:

In addition to training around use of the procurement portal, the Council should continue training and awareness around legal and regulatory requirements for procurement. To demonstrate best value, the Council needs to reduce the number and value of tender waiver requirements. Increased awareness of legal and regulatory requirements may help to achieve this reduction.



**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Management Response
<p>KR For 2024/25, the Council will need strong arrangements in place to ensure that it publishes unaudited accounts by 30 June 2025 and to support the external audit processes that allow for publication of audited accounts by 27th February 2026. The Council will need to be mindful that 30 June will remain the deadline for publishing unaudited accounts until the end of 2027/28, but that the deadline will then move forward to 31 May. The deadline for publishing audited accounts will move progressively forward. For 2025/26, the deadline will be 31 January 2027. For 2026/27 and the years thereafter, the deadline will be 30 November.</p> <p>All local authorities will be required to comply with the new arrangements, which will require planning to prepare for.</p>	Key	Governance	<p>Council website. Liaison with Finance team.</p>	<p>Compliance with government requirements on preparation and publication of financial statements.</p>	<p>The Council has achieved the publication of four sets of draft accounts for 2020/21, 2021/22, 2022/23 and 2023/24, including making the required improvements which were identified as weaknesses in previous audits. This has been achieved by maintaining strong discipline and increasing capacity and skills in the appropriate areas, such that timescales and quality requirements have been adhered to. Management will continue this approach into subsequent years such that statutory deadlines and backstop dates can be achieved.</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Management Response
IR1	<p>The Council should turn its focus to the skills and capacity supporting transformation plans. As plans for 2025/26 and 2026/27 rely on high value savings and still anticipate budget gaps, the Council will need to be in a robust position for managing challenge. To protect reserves going forward, the Council will need to focus on achieving the transformational changes planned around placements, services and digital connectivity.</p> <p>Future financial modelling within the Medium-Term Financial Strategy should disclose the full impact and risk of any possible changes in assumptions around demographic change,</p>	Improvement	Financial Sustainability	Review of Transformation Plan gaps; 2024/25 budget performance; medium term financial estimates; and reserves balances.	If the transformation plans are not delivered, then there will be a greater reliance on the use of reserves to address gaps in the budget in future years. Eventually, this could become unsustainable.	<p>Management accept the need to focus on delivery of transformation savings and is in the process of reviewing governance in this regard. It also agrees that maintaining reserves is key, and as such has already instigated a requirement that all drawdown of reserves requires the approval of the s151 Officer.</p> <p>Every attempt is made to inform the MTFs with an accurate position regarding assumptions made on demographic pressures, inflation, and other operating costs. Historically, fluctuations/sensitivities in modelling have been manageable within the wider Council financial position, demonstrated in balanced year end revenue outturns. Inflation particularly in the last 2-3 years has been extremely volatile, affecting not only the Councils cost base, but has also had a detrimental impact on the national economy such that activity has been impacted adversely. As such, the impacts have been much harder to forecast accurately. We expect that stronger internal governance, a more stable inflationary environment, and an improved government resourcing position will ensure a return to the robust financial performance the Council has demonstrated previously.</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>IR1 continued inflation, and policy on issues such as real living wage. Possible changes to income from commercial investment properties should also be included.</p> <p>This is an improvement recommendation at present but could become a key recommendation in future years if financial performance does not improve.</p>	Improvement	Financial Sustainability	Review of Transformation Plan gaps; 2024/25 budget performance; medium term financial estimates; and reserves balances.	If the transformation plans are not delivered, then there will be a greater reliance on the use of reserves to address gaps in the budget in future years. Eventually, this could become unsustainable.	See page 22.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Management Response
IR2	Budget setting should anticipate the impact of children with special educational needs and disability growing up and entering the adult sector whilst still having support needs. The Council should develop appropriate forecasting tools so that it can anticipate how and when current spending on children will need to be replaced with spending on adults.	Improvement	Financial Sustainability	Review of variances in the Quarter 1 2024/25 budget monitoring report.	New budget pressures emerging as special needs and disability population matures. Need to savings and transformation plans to take this into account.	The recommendation is accepted, and we will endeavour to reflect this in our planning, although it needs to be borne in mind that the reality is quite complex. The Council has a joined-up approach to transitions between Children's services and Adults services for the purposes of children with care needs entering into adulthood. The two national assessment regimes in place are however very different, and complex, and it does not necessarily carry that an assessed need as a child translates to an assessed need as an adult. In addition, the NHS may in some cases pay for some or all (or none) of an assessed need, the timing/outcome for which is not within our control.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Management Response
IR3 The Council should explore formal reporting to the Leadership Board on savings progress against target for those elements of planned savings not covered by the Transformation arrangements. In total, technical and service savings of £30.3 million were absorbed into the budget for 2024/25. Transformation Plan highlight reports cover some £12.2 million. Other savings are regularly discussed and reviewed at Leadership Board but this is not minuted.	Improvement	Financial Sustainability	Review of new Transformation Plan arrangements.	Strong assurance over Transformation Plan arrangements, which are important for the Council's future.	The Council does record all savings and progress towards delivery at a granular level and has done so throughout 2024/25. This is periodically discussed at Leadership Board, albeit not minuted. It is also reported as part of the quarterly formal (service related) financial performance management report to cabinet as part of the wider corporate position. It is recognised however, that heightened corporate ownership and governance is appropriate and as a result, future Leadership Board reporting will be reviewed, and we will consider any appropriate updates to the formal performance reporting/narrative.
IR4 In addition to training around use of the procurement portal, the Council should continue training and awareness around legal and regulatory requirements for procurement. To demonstrate best value, the Council needs to reduce the number and value of tender waiver requirements. Increased awareness of legal and regulatory requirements may help to achieve this reduction.	Improvement	Financial Sustainability	Review of savings plan reporting and budget monitoring reports.	Potential to improve granularity and transparency of reporting on savings.	Management notes the improvement recommendation. To this end, in September 2024, Legal and Procurement Services has already held a joint training session that included legislative compliance, and compliance with the Council's Contract Procedure Rules. Training sessions, information and guidance will continue to be provided to officers prior to and following the commencement of the Procurement Act.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

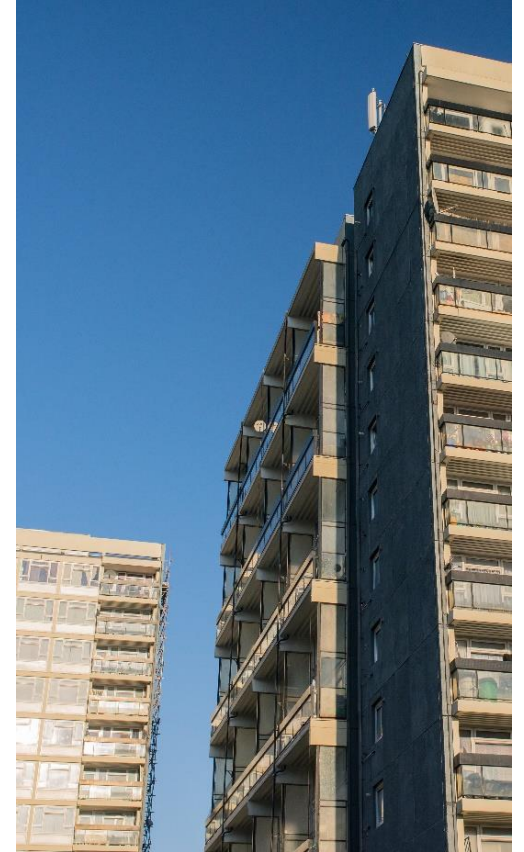
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council 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.



Appendix B: Value for Money Auditor responsibilities



Value for Money arrangements work

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Audit Year Raised	Progress to date	Addressed?	Further action?
1 The Council should continue to address the weaknesses in the preparation of its financial statements, as addressed in our financial statements audit work, that have caused delays to the publication of accounts.	Key	2022/23 2021/22	The May 2024 deadline for 2023/24 unaudited accounts publication was missed, although the accounts were published in draft on 29 th November 2024. In future years, the Council will need to meet the backstop deadlines set by government or risk being named on a list of non-compliers.	In progress	Yes
2 The Council should consider reducing the time delay for budget monitoring reports being shared with Cabinet or make reporting to Cabinet more frequent.	Improvement	2022/23	Budget monitoring data was shared with Cabinet members six times between 1 April 2023 and 31 August 2024. In between reports to Cabinets, there was further sharing of budget monitoring data with the officer's Leadership Team.	Yes	No
3 When corporate key performance indicator reporting is re-introduced to Cabinet, the Council should consider an increase in the frequency of reporting in addition to embedding the changes already planned.	Improvement	2022/23	The Council has adopted a bi-annual reporting arrangement for Cabinet. One Coventry performance reports were most recently shared with Cabinet in January 2024 and October 2024. A system for more detailed Power BI dashboard performance reporting is also being developed.	In progress	Yes The Power BI reporting should now be introduced at pace.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Audit Year Raised	Progress to date	Addressed?	Further action?
4 The Council should review training arrangements for service line staff who are responsible for monitoring contracts.	Improvement	2022/23	Procurement Services held 34 training sessions – virtual, and face-to-face – on the regular use of the portals and contract management. However, we note a relatively high incidence of waivers.	In progress	Yes Further training on procurement legal and regulatory requirements recommended.
5 Internal Audit should be subject to a Public Sector Internal Audit Standards review at the earliest opportunity. Internal Audit should cover the Council's subsidiaries.	Improvement	2021/22 2020/21	<p>i. The Council undertook a self-assessment with independent validation during 2023/24. This is one of the self-assessment options allowed under Public Sector Internal Audit Standards. In May 2024, the independent validation concluded that the Council's Internal Audit service conforms to the requirements of the Public Sector Internal Audit Standards and the requirements of the Local Government Application Note, with no key areas of non-compliance with the standards identified. The next external assessment will fall due no later than five years' time.</p> <p>ii. Terms of reference have been agreed for an Internal Audit review of company governance arrangements and the review is in progress.</p>	<p>i. Yes</p> <p>ii. In progress</p>	<p>i. No</p> <p>ii. We will review Internal Audit findings as part of our work for 2024/25.</p>
6 The Corporate Risk Register should be reviewed at the Audit and Procurement Committee on a more regular basis and should include date of last review and reasons why the Council accepts any risks outside its risk appetite.	Improvement	2021/22	Arrangements for bi-annual review have now been introduced.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Audit Year Raised	Progress to date	Addressed?	Further action?
7 An independent assurance review of the revised governance structure for the Council's subsidiaries should be undertaken at the earliest opportunity.	Improvement	2021/22	Terms of reference have been agreed for an Internal Audit review of company governance arrangements and the review is in progress.	In progress	We will review Internal Audit findings as part of our work for 2024/25.
8 The Council should consider how to further avoid high placement costs and ensure the investment in its own children's home delivers the anticipated savings in placement costs.	Improvement	2021/22	The Council incurred an overspend of £2.7 million on children's placement costs in 2023/24 and is forecasting a similar overspend of £2.3M in 2024/25. Two new in-house residential homes that the Council had been planning to complete by November 2023 and July 2024 respectively, have both been delayed.	No	Yes The Council needs to focus skills and capacity on delivery planned transformation.
9 Procurement Tender Waivers should be reported to the Audit and Procurement Committee on a quarterly basis. The Council should ensure that the new Procurement Strategy is aligned to the Council's Digital Transformation Strategy.	Improvement	2021/22	Bi-annual reporting introduced. However, we note that reports shared with the Audit and Procurement Committee between January 2023 and June 2024 show that the overall number of exceptions is high (202 in total); that retrospective exceptions are relatively common (28%); and that there was a peak in emergency exceptions between July and December 2023.	No	Yes Further training on procurement legal and regulatory requirements recommended.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

