

Agenda Supplement

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Audit and Governance Committee

This meeting will be held on:

Date: **Wednesday 27 July 2022**

Time: **6.00 pm**

Place: **Long Room - Oxford Town Hall**

For further information please contact:

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Members of the public can attend to observe this meeting and.

- may register in advance to speak to the committee in accordance with the [committee's rules](#)
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Committee Membership

Councillors: Membership 7: Quorum 3: substitutes are permitted.

Councillor Tiago Corais

Councillor James Fry

Councillor Duncan Hall

Councillor Chris Jarvis

Councillor Dr Amar Latif

Councillor Chewe Munkonge

Councillor Roz Smith

Apologies and notification of substitutes received before the publication are shown under *Apologies for absence* in the agenda. Those sent after publication will be reported at the meeting. Substitutes for the Chair and Vice-chair do not take on these roles.

Agenda

	Pages
1 Election of Chair for 2022/23	
2 Election of Vice-Chair for 2022/23	
3 Apologies for absence and substitutions	
4 Declarations of Interest	
5 Minutes of the previous meeting	
To approve as a true and accurate record the minutes of the meeting held on 11 April 2022.	Main agenda pack
6 Investigation Team Annual Report 2021 - 2022	
Report of the Head of Financial Services	
Purpose of report: to appraise Members of the activity and performance of the Counter Fraud Team for the fiscal year 1 April 2021 to 31 March 2022.	Main agenda pack
Recommendation: to discuss and note the report	
7 Risk Management Report: Quarter 1 30 June 2022	
Report of the Head of Financial Services	
Purpose of report: to update the Committee on both corporate and service risks as at 30 June 2022.	Main agenda pack
Recommendation: that the Committee reviews the risk management report and notes its contents.	
8 External Audit Planning Report 2021-22	
Report of the External Auditor EY	
Purpose of report: to set out for the Committee the draft audit planning report for the year ended 31 March 2022.	Main agenda pack
Recommendation: to discuss and note the report.	
9 Internal Audit Annual Report 2021-22	
Report of the Internal Auditor BDO	
Purpose of report: to inform the Committee on the details of the work	Main agenda

	undertaken by internal audit for Oxford City Council and provide an overview of the effectiveness of the controls in place for the full year. Recommendation: to discuss and note the report.	pack
10	Internal Audit: Progress Report July 2022 Report of the Internal Auditor BDO Purpose of report: to inform the Committee on progress made against the Internal Audit work plan and on the outcome of their reviews. Recommendation: to discuss and note the report.	9 - 28
11	Internal Audit Follow Up Report 2022 Report of the Internal Auditor BDO Purpose of report: to inform the Committee on the on the implementation of the recommendations from their previous internal audit reviews. Recommendation: to discuss and note the report.	Main agenda pack
12	Matters exempt from publication and exclusion of the public If the Committee wishes to exclude the press and the public from the meeting during consideration of any aspects of the preceding agenda items it will be necessary for the Committee to pass a resolution in accordance with the provisions of Section 100A(4) of the Local Government Act 1972 specifying the grounds on which their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Part 1 of Schedule 12A of the Act if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information. (The Access to Information Procedure Rules – Section 15 of the Council’s Constitution – sets out the conditions under which the public can be excluded from meetings of the Council).	
13	Private Rented Sector internal audit Report of the Internal Auditor BDO Purpose of report: to inform the Committee of the internal audit report: Oxford City Council private rented sector, and recommendations thereof. Recommendation: to discuss and note the report.	Main agenda pack
14	Exempt Appendix 2: Internal Investigation	
15	Dates and times of meetings	

The Committee is scheduled to meet at 6.00pm in the Town Hall on the following dates:

28 September 2022

1 November 2022

18 January 2023

26 April 2023

Information for those attending

Recording and reporting on meetings held in public

Members of public and press can record, or report in other ways, the parts of the meeting open to the public. You are not required to indicate in advance but it helps if you notify the Committee Services Officer prior to the meeting so that they can inform the Chair and direct you to the best place to record.

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- To follow the protocol which can be found on the Council's [website](#)
- Not to disturb or disrupt the meeting
- Not to edit the recording in a way that could lead to misinterpretation of the proceedings. This includes not editing an image or views expressed in a way that may ridicule or show a lack of respect towards those being recorded.
- To avoid recording members of the public present, even inadvertently, unless they are addressing the meeting.

Please be aware that you may be recorded during your speech and any follow-up. If you are attending please be aware that recording may take place and that you may be inadvertently included in these.

The Chair of the meeting has absolute discretion to suspend or terminate any activities that in his or her opinion are disruptive.

Councillors declaring interests

General duty

You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?

Disclosable pecuniary interests relate to your* employment; sponsorship (ie payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Declaring an interest

Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception

Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member "must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself" and that "you must not place yourself in situations where your honesty and integrity may be questioned". The matter of interests must be viewed within the context of the Code as a whole and regard should continue to be paid to the perception of the public.

*Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

July 2022

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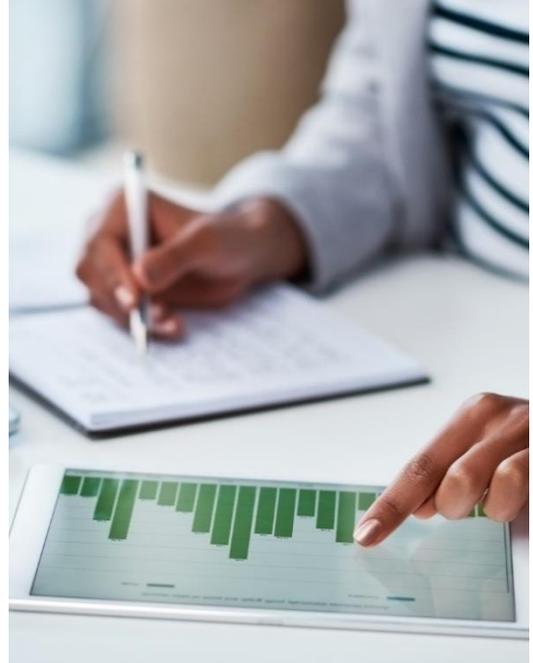
SUMMARY OF JULY 2022 WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the July 2022 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.

INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either 'substantial', 'moderate', 'limited' or 'no'. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.



JULY 2022 INTERNAL AUDIT PLAN

We have made good progress in the delivery of the July 2022 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- | Environment
- | Private Rented Sector (Confidential Paper)
- | Follow up Report
- | Internal Audit Annual Report 2021/22

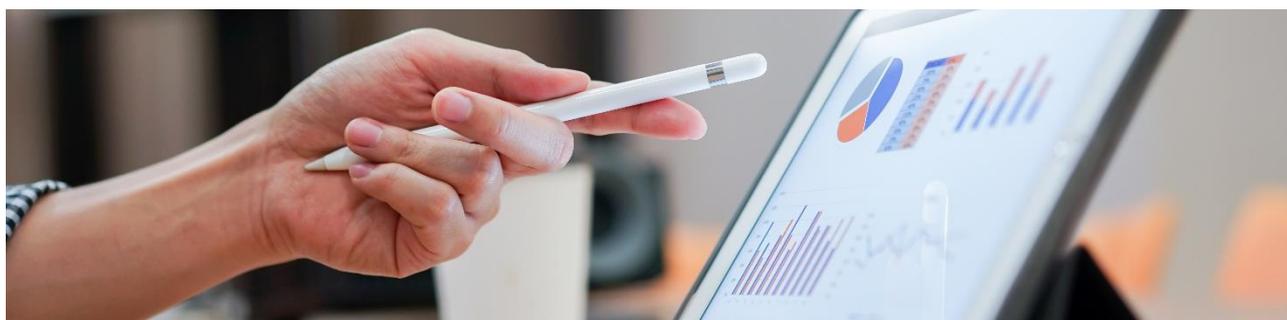
JULY 2022 INTERNAL AUDIT PLAN

Terms of Reference are agreed fieldwork will be underway on a further five audits which we plan to present at the next Audit Committee in September 2022:

- | Car parking
- | Income Generation
- | Housing Rents
- | Change Programme
- | Planned Maintenance and Refurbishment
- | Enforcement Restructure

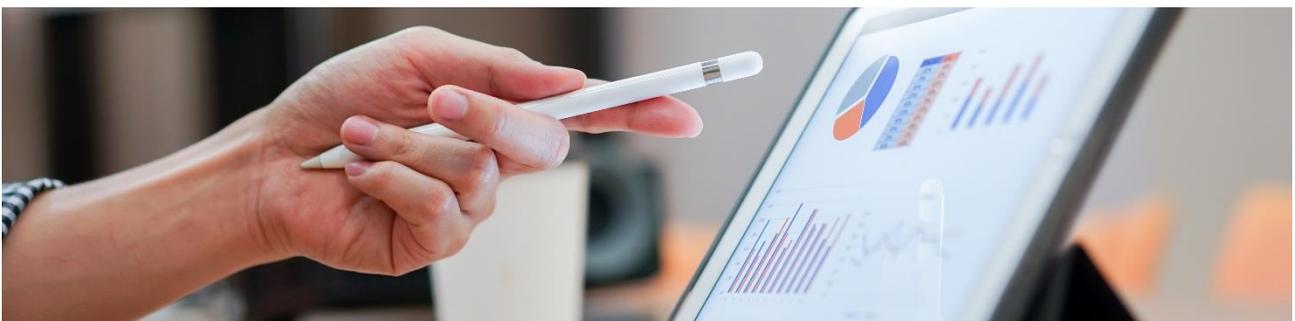
REVIEW OF 2021/22 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Audit 1. Community Strategy	Ian Brooke		Removed - This has been included in the 2022-23 internal audit plan as a Community Strategy is to be devised by July 2022.				
Audit 2. Private Sector Rented	Stephen Clarke	July 22	✓	✓	✓	M	L
Audit 3. Environment	Mish Tullar	July 22	✓	✓	✓	M	M
Audit 4. Data Analytics	Nigel Kennedy	Oct 21	✓	✓	✓	M	M
Audit 5. Project Management	Carolyn Plowsynski	Apr 22	✓	✓	✓	M	M
Audit 6. Cyber Security	Helen Bishop		Removed - This has been included in the 2022-23 internal audit plan as the Council are working on a cyber plan with DLUHC.				
Audit 7. Accounts Payable	Nigel Kennedy	Apr 22	✓	✓	✓	M	M
Audit 8. Business Continuity & Disaster Recovery	Nigel Kennedy	Oct 21	✓	✓	✓	M	M
Audit 9: General Ledger	Nigel Kennedy	Jan 22	✓	✓	✓	S	M
Audit 10: Remote Working	Helen Bishop		Removed - The Council are rolling out their Flexible Working Programme which will be completed by September 2022. To avoid duplication, this will be incorporated into the Change Programme review in 2022/23.				
Audit 11. Insurance	Nigel Kennedy	Jan 22	✓	✓	✓	S	M
Audit 12. Academy vs Civica	Nigel Kennedy		Removed - This review was initially requested by KPMG to undertake an assessment of the migration process for Housing Benefit Data. However, KPMG are satisfied with the process the Council have adopted to migrate the claims from Academy to Civica, therefore we will no longer undertake this review.				



REVIEW OF 2022/23 WORK

AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Audit 1: Car parking	Nigel Kennedy	Sept 22	✓	✓			
Audit 2. Income Generation	Nigel Kennedy	Sept 22	✓	✓			
Audit 3. Change Programme	Helen Bishop	Sept 22	✓				
Audit 4. Planned Maintenance & Refurbishment	Nerys Parry	Sept 22	✓				
Audit 5: Housing Rents	Nerys Parry	Sept 22	✓	✓			
Audit 6. Community Strategy	Gabriel Stephens	Jan 23	✓				
Audit 7. Enforcement Restructure	Ian Wright	Sept 22	✓				
Audit 8. Cyber Security	Helen Bishop	Jan 23	✓				
Audit 9. NNDR & Business Rates Pooling	Nigel Kennedy	Jan 23	✓				
Audit 10. Sickness Absence Management	Nigel Kennedy	Jan 23	✓				
Audit 11: Treasury Management	Nigel Kennedy	Jan 23	✓				
Audit 12: Contract Management and Procurement	Nigel Kennedy	Apr 23	✓				



ENVIRONMENT

BAF REFERENCE: PURSUE A ZERO CARBON OXFORD

Design Opinion	M	Moderate	Design Effectiveness	M	Moderate
Recommendations	1	7	2		



SCOPE

BACKGROUND

Oxford City Council (the Council) has a crucial role to play in achieving the UK's 2050 Net Zero greenhouse gas emissions target. Whilst the Council is directly responsible for c1% of local emissions, through its policies and partnerships it has a strong influence over two thirds of emissions in their area.

Work to cut these emissions is already underway by the Council; most UK Councils are developing or have developed climate action plans, including the 300+ Councils that have declared a Climate Emergency.

In January 2019, the Council declared a climate emergency, and in Autumn 2019 became the first UK city to hold a Citizens' Assembly on Climate Change. 90% of Assembly Members agreed that the UK Government's current target to reach zero carbon by 2050 is not ambitious enough, and Oxford should aim to achieve net zero sooner than 2050.

In response, the Council has prioritised action to reduce its own carbon footprint, setting an objective to reach net zero by 2030, and work with citywide partners and major employers to reach net zero as a city by 2040. The Council has taken several key actions to achieve these goals including:

- Establishing the Zero Carbon Oxford Partnership (ZCOP) with leaders of all the largest emitting institutions across the city
- Publishing a roadmap and action plan for how Oxford will achieve net zero by 2040
- Holding a Youth Climate Summit with young people across the city
- Appointing Professor Nick Eyre as their first Scientific Advisor
- Publishing their 4th carbon management plan (CMP) for how to become a Zero Carbon Council by 2030
- Launching a new communications campaign in collaboration with the County Council
- Delivering a major programme of work to reduce emissions across four of the Council's leisure centres by installing heat pumps and batteries, alongside an investment in a local solar farm
- Establishing a Net Zero Transition Fund.

In December 2021, after receiving advice from the Council's scientific advisor on climate change, a report went to Cabinet clarifying the distinction between net zero carbon, and zero carbon. The Council confirmed that it would use the term 'net zero carbon', to mean reducing all underlying emissions to zero (what is typically considered 'zero carbon'). The reason it kept the 'net zero' term is to reflect that there will be residual emissions requiring offsetting until the national electricity grid is fully decarbonised. The

report highlights the need to think of offsetting as the last resort, and to focus on reducing all underlying emissions where the Council has full control of activities.

AREAS REVIEWED

We assessed the Council's progress against its net zero carbon ambitions and examine the governance processes in place to achieve this. It was not within the scope of this audit to review ZCOP and other partnership arrangements, or to verify the data quality on emissions reporting.



AREAS OF STRENGTH

During the audit we noted the following areas of good practice:

- Overall, the Council is motivated to achieve the net zero carbon targets. The tone from the top was positive. All staff interviewed recognised the importance of this ambition, and were largely confident about meeting the targets.
- The Council is one of the first UK Councils to host a Citizen's Assembly on climate change, demonstrating its commitment to the cause and public consultation on the matter. It has devised and implemented significant projects to progress its zero carbon ambitions, such as: working with the County Council to deliver the zero emissions zone, the implementation of the £10.9m public sector decarbonisation scheme (PSDS), funded decarbonisation projects across key council sites, its investment in renewable energy production, the electrification of its fleet and development of electric vehicle charging points in the city. The Council has significantly progressed with its climate plans in comparison to other Councils we have reviewed
- Net Zero Carbon Oxford was incorporated in all of the following plans: The Corporate Strategy (2020-24), Local Plan (2036), Medium Term Financial Strategy (2022/23) including the Capital Strategy, Draft service plans the current Procurement Strategy, the Air Quality Action Plan (AQAP) and the draft Asset Management Strategy. However please see Finding 3 for details on the alignment of priorities
- The Council has also set up a quarterly Decarbonisation/Net Zero Steering Group (the SG) chaired by the Head of Corporate Resources and the Head of Service. A terms of reference document (ToR) is in place outlining the purpose, standing agenda and meeting frequency. The following service areas attend the SG Finance, Corporate Property, Housing, Communities, the CEO of ODS, along with the Head of Carbon Reduction. Ad hoc attendance from other relevant managers (for instance, the Property Services Manager) is required. However please see Finding 2 for governance issues identified around the SG
- The Council reports annually on its Greenhouse Gas emissions (GHG). This covers CO₂ and total GHG (measured at CO₂ equivalent) from all energy used in the Council's buildings and sites (for example, leisure centres and offices) along with fuel consumption from fleet vehicles and vehicles used to conduct Council business (cars owned by staff, pool cars and public transport). This report is available on the Council's website and has been reported on since 2014/15.
- The current report online is for 2020/21 and shows that the Council produced 4,985 TCO₂e a year (tonnes of CO₂ equivalent). Excluding the purchase of green electricity, green gas and offsetting, the emissions total is 3,290 TCO₂e. Total GHG emissions (scope 1, 2 and 3) since 14/15 have therefore reduced by 48.62%, and total net emissions have reduced by 66.09%. It is noted however that the pandemic has contributed to these reductions due to, home working, and it is unclear the extent to which emissions may potentially rise now that lockdowns have ended.



AREAS OF CONCERN

- At present, whilst effective measures for reducing carbon emissions have been identified by the Council there is a missing interlinking governance process that clearly sets out the corresponding actions for each team, the costs and prioritises of these actions, monitoring their progress and reports back to a single forum that is well placed to review and assess this progress (Finding 1 - Medium)
- There are governance issues surrounding the SG which are impeding it in delivering on its purpose (Finding 2- High)
- Competing corporate priorities were raised during the audit, and there was a lack of clarity and definition of 'net zero carbon' in some corporate documents (Finding 3 - Medium)
- The embedding of the net zero carbon agenda in decision-making processes could be strengthened in several areas and the use and timeliness of Environmental Impact

Assessments (EIAs) in Cabinet reporting should be clarified (Findings 4 and 5 - Medium; Finding 9 - Low)

Concerns within environmental staff positions around over-reliance on individual staff, potential disparities in staff gradings and confusion over the funding of some positions, which may all negatively impact on the morale of staff essential to meeting the zero carbon agenda (Finding 8 - Medium)

There is no ToR in place for the Net Zero Transition Fund, which links into the finance findings within Findings 1 and 2 (Finding 10 - Low)

The role of IT was highlighted in relation to two risk areas reviewed (biodiversity and retrofitting). The lack of adequate systems and accompanying IT professionals able to support such systems was raised as a key potential risk in being able to meet environmental ambitions (incorporated into Findings 6 and 7 - Medium).



ADDED VALUE

In depth interviews with fifteen officers were conducted over the course of the audit.

Benchmarking against several similar local authorities has been undertaken.



RECOMMENDATIONS

Reference	Recommendation	Management Response	Implementation Date
1a	Progress to document further costing detail for the CMP should be made. It would be useful to compile these into one document to try and get an overview of what the realistic costs (money and time), and future benefits of each of the actions are. From our benchmarking we noted that the City of Edinburgh Council has taken a useful approach that the Council may wish to emulate. It codes its actions (resource secured; costs known; costs unknown) and includes a full list of potential funding streams. It also indicates the level of staff time as a resource.	The Council will produce more detailed costing for commitments made in the Carbon Management Plan (CMP) and Zero Carbon Oxford Action Plan. This will indicate where resource is secured, where costs are known or unknown. This will highlight known / future funding streams and indicate the staff time required. The City of Edinburgh Council's approach (here: https://www.edinburgh.gov.uk/downloads/file/30792/council-emissions-reduction-plan-2021 page 18 and throughout) will be used as a template to guide aspects of this work.	28 February 2023
1b	Discussions between the Environmental Sustainability (ES) team and relevant heads of service across the Council should be held to assign action owners to the actions set out in the plans. Where action requires joint action owners all involved should be noted however, one action owner should take responsibility for progressing and reporting on the action to the SG.	A revised and updated Zero Carbon Action Plan will be produced, which incorporates all environmental commitments made in response to the climate emergency declaration (including the CMP). This "master plan" will assign one action owner to each action and form the basis for completion of 1(a).	30 November 2022
1c	Quarterly reports on the progress of the NZOAP and CMP should be made to the SG by the action owners.	Progress reports will be made to the reconstituted Net Zero Steering Group once the "master" action plan has been finalised (with action owners).	30 November 2022
1d	Discussions between heads of service and ES should include an effort to streamline the actions of the NZOAP and CMP into a master action plan document. This should be reviewed alongside AQAP actions and the new Asset Management Strategy action plans to avoid duplication of, or contradictory, efforts.	This will be undertaken as outlined in response to recommendation 1b.	30 November 2022
2a	The SG should apply one name consistently and all subsequent communications about the group should use that name.	The Steering Group will be referred to as the Net Zero Steering Group.	31 July 2022
2b	The SG should define its place within corporate governance structure of the Council as a whole, particularly in relation to the Development Board, Housing Supply Programme Board, ODG and corporate management team (CMT).	The Net Zero Steering Group will report key actions, risks and issues to the Council's internal governance structures and to the Scrutiny climate review group on a quarterly basis. Details on membership, Terms of Reference and the governance reporting route for the Net Zero Steering Group are being considered. It is intended that the purpose of the group is to shape strategy and identify pathways to respond to the challenges of decarbonisation and biodiversity net	30 September 2022

		gain, rather than to approve or oversee individual projects.	
2c	Once the actions from the NZOAP/CMP have been updated with action owners and timelines (per Finding 1), progress reports on these actions should be reported on a quarterly basis into the group. Delays or blockages on these actions should be reported on to a relevant Cabinet scrutiny group (if the membership of the SG is not expanded to include Executive Directors, the CEO and Members).	Progress reports will be made to the reconstituted Net Zero Steering Group once the action plan (1(b)) has been finalised (with action owners). The Net Zero Steering Group will provide a quarterly report to the new Scrutiny climate review group that tracks progress on delivery of the Zero Carbon Action Plan.	30 November 2022
2d	To progress Council-wide actions, the Council should either: i. Expand membership of the group to Executive Directors and relevant Members. The Council may wish to take a hybrid approach whereby the Executive Directors/CEO/Members attend biannually rather than every quarter ii. If a Climate Review Group with councillor involvement is established instead, the ToR for each should provide clarity on the role and expectations on each group.	See above response to recommendation 2(b). As Members are not part of the parallel Governance structure of the Development Board, Housing Supply Programme Board or CMT, it is not proposed to involve Members in this Steering Group.	30 September 2022
2e	The SG should be formally minuted, and an action log created to record actions arising from meetings.	A minute taker will be assigned from the EA team for each meeting.	30 September 2022
2f	The SG should invite heads of service to share their service plans to the group annually, so that it can be sighted on the overarching activities of the Council.	This will be discussed with heads of service and if agreed, implemented.	30 November 2022
2g	The SG should maintain a log of all related external funding received and applied for in relation to net zero carbon activities.	This will form part of the response to recommendation 1(a).	28 February 2023
2h	The SG should receive regular finance reports covering a high level overview of Council budget commitments to CMP actions, related external funding received and current bids for external funding, and the Net Zero Transition Fund.	This will form part of the response to recommendation 1(a).	28 February 2023
2i	It should be decided by the Head of Finance whether the SG should have a formal role in reviewing options and making recommendations in relation to the spending of the Net Zero Transition Fund. If so, the SG should develop a prioritisation method for deciding how to spend these funds.	This proposal is being considered - alongside recommendations 10a and 10b.	30 September 2022
2j	The ToR should be updated to reflect any changes the purpose of both the SG and the new group, including roles and responsibilities are made clear.	Action incorporated in response to Finding 2.	30 September 2022
3a	The net zero target date should be consistently and clearly articulated in all corporate documents.	This proposal is under consideration as a significant undertaking to address in all corporate documents - will discuss with CMT in the first instance.	30 November 2022
3b	The definition of net zero in relation to construction in the local plan should be clarified. This should be consistent with the CMP definition as far as possible.	This will be considered as part of the Local Plan development, while noting that the policies within the Local Plan will be subject to a determination of soundness by an independent planning inspector.	In accordance with planning timelines
3c	The Council should assess whether it has capacity to implement a control to verify that the construction standards are used.	As above.	In accordance with planning timelines
3d	Action plans resulting from corporate documents should ensure alignment with the NZOAP/CMP as far as possible. For example, we noted that an action plan for the Asset Management Strategy is currently being developed, and it would be beneficial to ensure that actions detailed in this are aligned to those in the CMP.	This will be reviewed by the Net Zero Steering Group and CMT. If it is approved it will be incorporated into the Steering Group's Terms of Reference.	30 November 2022
4a	The Council should review its governance arrangements and identify a feasible solution to ensure that decisions taken by the Development Board, Housing Supply Programme Group, ODG and CMT	The review of governance arrangements linking the Net Zero Steering Group, Development Board, CMT and other boards is currently under way. It should be noted that	30 November 2022

	do not contravene the opinions of the SG in relation to achieving net zero carbon by 2030. Where activities are geared towards the zero carbon Oxford by 2040 as opposed to the net zero carbon Council 2030 target, it should be made clear that this is the case.	while some decisions taken by these boards have a direct bearing on how the Council meets its commitment to achieve a net zero Council by 2030, a significant number of the decisions are covered by the commitment to achieve a zero carbon Oxford by 2040.	
4b	Template proposal documents (PID and business case) should specifically ask about the impact on the net zero carbon target and biodiversity considerations. The Council may wish to implement a Carbon Impact Assessment process in proposals - there is scope to expand the appendices requirement to the template for the business cases (which requires, for instance, a Privacy Impact Assessment) to include such an assessment. If this would place too much burden on staff and the ES team, the Council could consider whether at a minimum, the templates above could provide a check box to confirm that delivery of the project in question would not knowingly impede or reverse the net zero carbon or biodiversity targets.	The principle of building into PIDs and Business Cases a requirement to consider the impact of proposals on the net zero carbon targets and on biodiversity is accepted. Details will be worked up by officers.	30 November 2022
4c	The prioritisation matrix for capital projects should be updated to include positive weightings for net zero carbon outcomes and/or penalise projects that are detrimental to this agenda.	The next revision of the Capital Strategy in February 2023 will include reference to net zero carbon outcomes in the prioritisation matrix. Consideration will be given as to the application of any weightings around the impact of proposals in relation to these outcomes but this is to be discussed by Development Board and CMT in the first instance.	28 February 2023
5a	Expectations around EIAs for projects and reports to Cabinet should be articulated and communicated to all officers. It should be made clear where a summary paragraph at the end of a report with no further detail, as opposed to a full EIA, to be submitted as an appendix to the papers, should be included. Where reports require a simple reference that the environmental impact has been considered, wording for the title this information is reported under should be standardised.	The principle of taking further action to improve Environmental Impact Assessments in Cabinet reports is agreed. Dedicated officer support is provided through the Environmental Sustainability team to deliver this. How the Cabinet report template is structured and decisions on the wording of guidance on EIAs will need further consideration.	30 December 2022
5b	The Council should consider introducing more detailed EIAs at an earlier stage of the proposal process, for instance, prior to feasibility.	Work is under way to provide more support from the Environmental Sustainability team to officers to make early assessments of the likely impact of proposed projects on the Council's carbon and biodiversity objectives. However, this would not be a detailed environmental impact assessment - as that would be overly costly and resource intensive.	30 November 2022
6a	It is recommended that the Council upgrades the GIS system and ensures there are IT staff able to support the Council-wide use of the system.	This is currently under way.	30 November 2022
6b	The Head of Environmental Quality Team is provided with the necessary resources to help her continue the work she has started in mapping out the Council's land and biodiversity space and options.	This will be considered alongside other resourcing proposals and priorities as part of the Budget and MTFs process.	28 February 2023
6c	Biodiversity should be a standing agenda item at the Decarbonisation SG and a senior representative from the green and blue development team should attend the meetings.	This will be reviewed by the Net Zero Steering Group and incorporated into its Terms of Reference.	30 November 2022
7a	The Council should continue to prioritise implementing up to date asset management systems.	This is currently being taken forwards with different options for an asset management system being developed.	30 November 2022
7b	The Council should learn lessons from tenant engagement on the retrofitting agenda so far, and where common themes are identified (in relation to tenants halting the process) these should be analysed and discussed further with tenants at the outset of the process. This may require more resource from the tenant management/liasion officers.	Lessons are being learned from the Council's experience of the LAD1b retrofitting scheme - and the unsuccessful SHDF1 bid - not just on tenants' engagement, but also on technical expertise, capacity in delivery, supply chain and programme management. It is recognised effective tenants' engagement is essential and also that this will be resource intensive and so will need to be fully factored in	30 November 2022

		as part of retrofitting programme delivery.	
7c	Lessons learnt from the wave 1 SHDF application rejection should be incorporated into the wave 2 bid. Consideration should be given to increase support in relation to tenant engagement to progress these projects.	As above	30 November 2022
8a	The Council should undertake a skills audit and analyse the results to identify key training needs, and consider online carbon literacy and biodiversity training for all staff.	The Council is planning to implement carbon literacy training for all officers. The City Council has invested in a large Environment Sustainability Team, new skills are being recruited into Corporate Property and ODS has PAS 2030 accreditation. A skills audit will be time consuming and will not address the “understanding” deficit within the organisation. Therefore the Council will proceed with carbon literacy training and consider further training needs during the course of the carbon literacy roll-out and drafting of the “master” action plan (1(b)).	30 December 2022
8b	Recruitment to roles that intersect with the ES team should be discussed with relevant staff and clarity over roles and responsibilities and the interface with ES should be detailed prior to recruitment. The Council should be mindful of any potential disparities in grades.	An initial meeting has been held between ES and Corporate Property to discuss recruitment to new roles and potential overlap.	30 November 2022
8c	The Council should consider how to mitigate against the risk of over reliance on specific staff members by training other staff to undertake tasks (for example, in relation to emissions reporting).	When posts are filled a further meeting will be held to outline areas of collaboration between the two teams and to agree ways of working.	30 November 2022
8d	The issue over staffing costs should be clarified and communicated to staff.	The recent restructure of the ES team has ended the arrangement of funding posts through reserves in the majority of cases taking these roles directly onto the payroll and passing the reserves income across to Finance. The ES team has been briefed in a team meeting.	31 July 2022
9a	The Council may wish to consider including a checkbox on the decision sheets for verifying that the environmental impact of the decision has been considered.	The procurement strategy refresh will include requirements for consideration of carbon impact on procurements. Checkbox decision sheets will be considered.	30 September 2022
9b	The SG should discuss whether there are any controls that could be implemented to spot check that procurement decisions across the Council are mindful of the sustainability considerations set out in the new procurement strategy.	The Zero Carbon Steering Group will consider this in discussion with the Procurement Manager.	30 November 2022
10a	The Council should create a ToR for the Net Zero Transition Fund which should set out who is responsible for expenditure decisions, what forum it gets reported and monitored on in (we suggest the SG) and how spending decisions should be prioritised.	A new TOR will be drafted, which considers these aspects.	30 September 2022
10b	It would be logical for the SG to monitor and receive quarterly reports on this fund, as well as to receive reporting on external funds and any other Council funded funds that are ringfenced for direct actions towards the net zero carbon agenda.	Quarterly reports will be presented to the Net Zero Steering Group and other related funds.	30 September 2022



CONCLUSION

The Council has set itself ambitious environmental targets and holds itself to extremely high environmental standards. This audit found that these standards was not always met in practice. However, it is important to place the Council in context. Interviews with officers demonstrated sophisticated knowledge around environmental concerns, surpassing that of some other organisations we audit, and significant amounts of work is being undertaken across the Council to meet its targets. The scale of the projects undertaken by the Council and its willingness to take bold and decisive action on this issue, the most pressing of our time, particularly in the context of extremely challenging financial considerations for all local government, is impressive.

To progress to a substantial opinion report, and to implement the actions the Council itself wishes to, substantial funding is required. This unfortunately is partially dependent upon

central government decision making. Notwithstanding this, there are also some practical considerations in these findings which, if implemented, would quickly lead to a substantial opinion report.

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members.

COUNCIL CRITICISED FOR 'UNLAWFUL' LAND DEALS

In 2016, Causeway and Glens Borough Council sold a piece of land for £5,000 to private developers, and agreed a separate deal to give a company right of way on authority land for £1.

However, an **extraordinary audit** from the Northern Ireland Audit Office found these deals were unlawful because the authority was unable to show it received the best price.

In a report, the watchdog said the council's corporate policy and resources committee agreed to both deals subject to "satisfactory contractual, legal and asset disposal considerations", but no further reports went to councillors for approval.

Report authors said this indicated deeper problems at the authority.

Colette Kane, local government auditor at the NIAO, said: "There was evidence that senior officers were advocating actions that were contrary to best practice.

"This leads me to conclude that a culture existed of bypassing best practice and guidance to get land deals done, which set the wrong tone from the top of the organisation.

"In some cases, legal advice was ignored, and on one occasion inaccurate and unreliable information was provided to the local government auditor."

The council said its procedures have already changed, and it will discuss what further action needs to be taken.

In granting the right of way access in January 2016, the council failed to get a professional valuation and instructions on value were found to be "verbal" or "inadequate", the report said.

The council told the watchdog it received independent advice from an officer at government quango the Strategic Investment Board before agreeing the deal.

However, the NIAO found the officer was not a professional valuer and there was no evidence he was instructed to prepare a valuation, but officers used his report to form the basis of their assessment.

Some queries around the deal were raised, but senior officers' responses repeatedly referred to the economic value and benefit as justification for the decision.

"I do not consider that these responses sufficiently excuse the divergence from good practice and guidance," Kane said in her report.

The NIAO said there was no attempt by the council to ensure its own legal costs were covered by the applicant, as is normal commercial practice.

<https://www.publicfinance.co.uk/news/2022/07/council-criticised-unlawful-land-deals>

FOR INFORMATION

For the Audit Committee Members and Executive Directors



AUTHORITY WARNS OF 20% BUDGET CUTS

Oxford City Council said the pandemic will have caused a £23m hit to its finances between 2020 and 2026, which the authority plans to address by using half of its reserves (£11m), alongside making savings and finding additional income. However, increased service demand and soaring inflation will put further pressure on resources with the council forecasting the need to save £5.5m from its annual budget by 2026-27 - 20% of its £27m yearly spend.

Council deputy leader and cabinet member for finance and asset management Ed Turner pointed out that Oxford did not make significant cuts to services under austerity, but the new pressure might prove so severe that the council is forced to.

“We have spent years generating income to offset government cuts, and making backroom cuts and efficiency savings,” said Turner.

“Now, after a decade of austerity, there is no low hanging fruit left.

“We are looking at ways to save money and generate income to mitigate the impact and avoid needing to reduce services, but if we do not receive additional funding from the government, there will be some tough choices to be made.”

Since 2018, the council has raised £12m of additional funding through subsidiary company Oxford Direct Services, which sells services such as gardening, construction work and vehicle repair to generate profit as well as attracting income from commercial properties.

Oxford said it has started work on the 2023-24 budget and 2024-27 medium-term financial plan early, because of the uncertain financial picture.

<https://www.publicfinance.co.uk/news/2022/06/authority-warns-20-budget-cuts>

FOR INFORMATION

For the Audit Committee and Executives

INFLATION AND LIVING WAGE TO ADD 'BILLIONS' TO COUNCIL BUDGET PRESSURES

Analysis by the Local Government Association has suggested inflation, energy costs and projected **increases to the national living wage** will add £2.4bn of cost pressures this year, rising by a further £1.2bn by 2024-25.

The body said this means councils are being forced to change spending plans set as recently as three months ago in order to balance the books.

“Soaring inflation, energy prices and national living wage pressures are putting council services at risk,” said LGA chairman James Jamieson.

“Budgets are having to be reset, with potential cuts to the essential services people rely on, in the middle of a cost-of-living crisis.”

Jamieson said the impact on services “could be disastrous”, wreaking havoc on an already-shaky economic recovery from Covid-19, worsening inequality and undermining the government’s ‘levelling up’ ambitions.

The LGA said councils need the money to cover these costs in order to protect services, particularly amid rising demand.

“Today’s analysis from the LGA is another warning about the mounting concern local authorities have with soaring inflation costs,” said County Councils Network finance spokesperson Carl Les.

<https://www.publicfinance.co.uk/news/2022/06/inflation-and-living-wage-add-billions-council-budget-pressures>

FOR INFORMATION

For the Audit Committee and Executives

Authority to reverse energy contract termination

Following Russia's invasion of Ukraine, Portsmouth City Council decided in March to terminate its contract with Gazprom Marketing and Trading, removing a link to the Russian state.

However, the German government took full control of the organisation and its parent company Gazprom Germania in April, and the council's cabinet is now set to vote on keeping the contract operational.

A **report** going to the cabinet said: "The imperative that existed to end the contract in March no longer exists, as in so far as can be reasonably ascertained, no money from the contract is flowing back to the Russian state.

"The change of shareholder of Gazprom M&T and the control of Gazprom Germania by the German Federal Network Agency breaks the link between the contract and Russia."

After the German government took control of Gazprom Germania, the US Treasury removed sanctions on the company and its subsidiaries, the report said.

Shortly afterwards, Russia imposed sanctions restricting the company's ability to buy Russian gas, the council added.

Portsmouth can use a break clause this month to end the three-year £5.4m contract that was signed in October, at a cost of £57,000.

<https://www.publicfinance.co.uk/2022/06/authority-reverse-energy-contract-termination>

FOR INFORMATION

For the Audit Committee and Executives

Some areas 'likely to lose out on levelling up funding'

The government must work out which areas need funding the most in order to best use the "finite resources" pledged to levelling up, said Andrew McPhillips, chief economist at the Northern Powerhouse Partnership.

Speaking at an Institute for Government event, he said this would be politically difficult but necessary to help define and track the progress of the government's much-vaunted agenda.

McPhillips said: "There will be some [areas] that are just below and just above the cut-off line.

"That is going to be difficult politically, but at some point, if we are in a finite and constrained resource world, those are the tough decisions that need to be made centrally.

"Once you have made that you then devolve the responsibility down to those areas, along with the funding to deliver on that.

"It is a difficult conversation, but if we are ever going to get anywhere on this decades-old problem of regional inequalities, somebody at some point has to make those choices."

Speaking at the same session, Paul Swinney, director of policy and research at the Centre for Cities think-tank, said levelling up should focus on improving individual areas, not comparing performance to other regions.

<https://www.publicfinance.co.uk/2022/06/some-areas-likely-lose-out-levelling-funding>

FOR INFORMATION

For the Audit Committee and Executives

Government to mandate independent audit committee members

In September 2020, **Tony Redmond's review** into local government audit found that only 40% of authorities interviewed had independent committee members, hindering transparent reporting.

Responding to a **consultation** on Redmond review proposals, the government said the lack of independent members on council audit committee made them "anomalies" in the public sector.

The response said: "Fundamentally, it is important that councils, as with other public bodies, have appropriate measures in place: the government considers it proportionate to establish a simple principle that local authorities should have an audit committee, with at least one independent member.

"Mandating for audit committees would ensure widespread take-up, along with improved public accountability.

"Consequently, based on the consultation feedback, we will be making audit committees, with at least one independent member, a mandatory requirement, once parliamentary time allows."

Currently councils are not mandated to have independent audit committee members, although it is recommended by CIPFA in its **committee guidance**.

CIPFA chief executive Rob Whiteman said: "CIPFA welcomes the government's proposal to make audit committees compulsory for all English local councils.

<https://www.publicfinance.co.uk/news/2022/05/government-mandate-independent-audit-committee-members>

FOR INFORMATION

For the Audit Committee and Executives

Savings key for council to improve financial stability

Wirral Council has taken “many of the right steps” to resolve longstanding financial issues, balancing the 2022-23 budget without any government financing flexibilities (being allowed to use capital receipts to fund revenue spending) for the first time since 2019-20, **an independent report** said.

The approved budget includes £18m of savings, but the independent panel said cutting spending by this amount in a single year is challenging, and the authority faces further cuts next year.

The report said: “The panel’s work with council finance staff has concluded that a more realistic presentation of the budget gap for 2023-24 is £14m, based on a series of mid-range assumptions.

“However, this figure is likely to vary once the detailed budget work is undertaken, not least as there will be inevitable pressures on council costs flowing from current high levels of inflation.”

The paper added: “Pressures on budgets will not abate after next year, so the council should be planning to explore delivering a greater level of savings, even if some are not immediately required but are held as a first tranche for 2024-25.”

<https://www.publicfinance.co.uk/news/2022/05/savings-key-council-improve-financial-stability>

FOR INFORMATION

For the Audit Committee and Executives

KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
High quality documents produced by the auditor that are clear and concise and contain all the information requested.	This KPI will be updated during the course of the year based upon the results from the client satisfaction surveys.	
Frequent communication to the customer on the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.	Sector updates will be provided within the Audit Committee progress report, as shown above.	
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings so far have been attended, including Audit Committee meetings and pre-meetings.	
Information is presented in the format requested by the customer.	No requests to change the BDO format.	
Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	We have not received any customer satisfaction reports in 2021/22 to date. We will continue to update this KPI through the year.	
External audit can rely on the work undertaken by internal audit (where planned)	To be clarified at year end once we have met with the new external auditors	
Annual Audit Plan delivered in line with timetable and Actual days are in accordance with Annual Audit Plan	Progress against the audit plan is reported at every Audit Committee, against original planned dates. All audits have been completed in line with the actual days agreed.	
Draft report to be produced 3 weeks after the end of the fieldwork	Draft reports have been produced within 3 weeks in the year to date.	
Management to respond to internal audit reports within 2 weeks	We have received responses in a timely for a majority of the audit reports in 2021/22.	
Final report to be produced 1 week after management responses	The final reports issued were released within one week of receipt of management comments	
90% recommendations to be accepted by management	All recommendations have been agreed with management prior to release of the final audit report.	
At least 60% input from qualified staff	Audits undertaken in 2021/22 to date have been undertaken by qualified staff.	
Positive result from any external review	In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS). This is the highest of the three ratings categories.	

APPENDIX 1

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
 Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
 Moderate	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
 Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
 No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
 High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
 Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
 Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

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