



OXFORD CITY COUNCIL

INTERNAL AUDIT REPORT

AUDIT 13. COMPANIES REVIEW OVERSIGHT FINAL
FEBURARY 2019

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I FOR DEFINITIONS)

High	1
Medium	4
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 6

CRR/BAF REFERENCE:

Efficient Council

BACKGROUND:

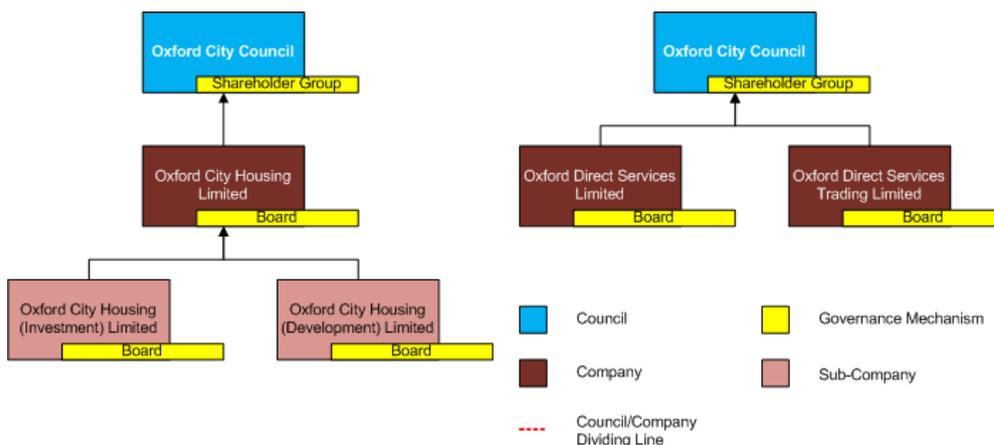
Oxford City Council has established two trading ventures - Oxford City Housing Ltd and Oxford Direct Services Ltd.

Oxford City Housing Ltd is 100% owned by the Council and was established for the acquisition of new affordable homes, development, the purchase of Council void properties and proposed estate regeneration projects

Oxford Direct Services is 100% owned by the Council and provides services such as: waste and recycling; streetscene; parks and open spaces; building works, car parks management, highways and engineering; motor transport; pest control.

Five separate companies are grouped under these ventures. The Council’s governance arrangements for both ventures are summarised in Figure 1.

Figure 1 - Oxford City Council governance arrangements for Oxford Direct Services and Oxford City Housing



Between December 2017 and January 2018, BDO undertook a review of the Council’s governance of Oxford Direct Services and Oxford City Housing. The Council was seeking assurance regarding the process it had followed to set up and oversee both ventures. The report made 12 recommendations (8 medium and 4 low) - all of which the Council accepted.

A year on from BDO’s initial review, both Oxford Direct Services and Oxford City Housing are more mature ventures. The purpose of this report is to follow-up, where appropriate, on the recommendations made in BDO’s previous report. This report also reviews, at a high level, the Council’s oversight arrangements of two additional joint ventures:

- Barton Oxford LLP - A partnership between the Council and Grosvenor Ltd to develop land in the Barton area of Oxford;
- OXWED - A joint venture between the Council and Nuffield College Oxford to develop land in the Oxpens area of Oxford.

GOOD PRACTICE:

We have identified the following areas of good practice from this review:

- Oxford Direct Services Limited and Oxford Direct Services Trading Limited are on course to deliver the financial return anticipated from the Council in 2018/19. The Council is currently forecasting that Oxford Direct Services and Oxford Direct Services Trading Limited will return a dividend £300k greater than the budgeted amount. Oxford City Housing Limited have continued to progress sites agreed in its business plan and have recently acquired additional properties as part of the development on the Council's former land at Barton.
- The Council's Shareholder Board receives a regular and standardised set of information on the financial and non-financial performance of both Oxford Direct Services Limited and Oxford Direct Services Trading Limited. This information is sufficient for the Shareholder Board to scrutinise the performance of both companies. The Council has also established a Companies Scrutiny Panel to provide a forum for backbench Members to scrutinise the performance of both companies.
- The way in which the Council's Shareholder Board receives financial information regarding Oxford Direct Services Limited will enable it to scrutinise whether or not the company is breaching the turnover requirements associated with its Teckal status. This is because the financial reporting differentiates the turnover the company derives from external sources and internal sources.
- The Council and Oxford City Housing Limited have agreed Service Level Agreements for the provision of major projects, landlord services, democratic services and financial services from the Council to the company.
- Costs incurred by the Council in setting up Oxford Direct Services Limited and Oxford Direct Services Trading Limited have been transferred to respective companies with a requirement to pay back these set up costs in addition to any return required by the Council's Medium Term Financial Strategy.
- The return the Council requires from Oxford Direct Services and Oxford Services Trading Limited in order to meet the expectations set out in the Medium Term Financial Strategy is also reflected in the business planning documentation of those companies.
- There is evidence that the Council has regularly reviewed the skills required for the Boards of its companies to be effective. For example, it is currently considering the appointment of Non-Executive Directors and appointed a Finance Director to cover Oxford Direct Services Limited and Oxford Direct Services Trading Limited.

KEY FINDINGS:

We identified the following areas for improvement:

- Whilst the Council's two joint ventures - Barton Oxford LLP and OXWED - have a range of governance documentation and processes in place, and informal channels to report progress to the Council, the Council should formalise how both joint ventures report into Shareholder Board. The Council has yet to receive any formal reports to Shareholder Board on the financial and non-financial performance of either organisation.
- Whilst the Council's Shareholder Board has received regular financial and non-financial reporting on Oxford City Housing Limited and associated group companies, the unclear strategic direction of those companies - stemming from central government policy changes - have hindered the development of a business plan which accounts for the tax liabilities and running costs of that company. As and when the Council decides on the clear strategic direction of Oxford City Housing Limited, a revised business plan should be produced which does take account of, and clearly identify, these costs.
- The four Service Level Agreements between Oxford City Housing Limited and Oxford City Council have been agreed by both parties, but not yet signed by both parties. These Service Level Agreements cover major projects, landlord services, democratic services and financial services.
- The Council has not implemented the recommendation made in BDO's 2018 companies review that it should - "formally agree a position on whether an order book loan is required between the Council and Oxford Direct Services Limited".

ADDED VALUE

In addition to following up on areas of interest identified by BDO's previous review into the Council's wholly-owned companies, BDO also considered the governance arrangements for the Council's two joint ventures (OXWED and Barton Oxford LLP). Findings regarding the governance of these joint ventures are included in the section above.

CONCLUSION:

The Council has implemented the significant majority of recommendations made by BDO's last report on company governance. The Council's companies have clear reporting routes into the Council, which allow the Council to discharge its role as shareholder and have good oversight over its investments. However, there do remain some issues regarding agreement of Service Level Agreements between the Council and its companies and the ongoing design of how Oxford City Housing Limited reports to the Council's Shareholder Board which should be clarified once the future strategic direction of the company is resolved. Furthermore, the Council does not currently have comparable arrangements in place for its two joint ventures (OXWED and Barton Oxford LLP) to match the good practice oversight of its wholly-owned companies. Oxford Direct Services Limited is on course to deliver its financial target for 2018/19. Oxford City Housing Limited has had to revise its projected financial performance but this is due to the shareholder needing to resolve strategic questions about the strategic direction of the company rather than the governance of the company itself. We have therefore provided moderate assurance on both control design and operational effectiveness.

RISK: THE COUNCIL HAS NO FORMAL REPORTING STRUCTURE IN PLACE TO COVER ITS TWO JOINT VENTURES - OXWED AND BARTON OXFORD LLP

Ref	Significance	Finding
1.	High	<p>The Council is part of two joint ventures - Barton Oxford LLP and OXWED.</p> <ul style="list-style-type: none"> • Barton Oxford LLP - A partnership between the Council and Grosvenor to develop land in the Barton area of Oxford; • OXWED - A joint venture between the Council and Nuffield College Oxford to develop land in the Oxpens area of Oxford. <p>Both companies have a range of good governance documentation and processes in place. For example:</p> <ul style="list-style-type: none"> • Both companies have Articles of Association setting out to core governance principles of the company, including reserved matters where agreement of Oxford City Council, as one of the shareholders, is required. • Both companies have Boards which include representatives of the Council and meet on a regular basis. • Other than officer time as Board Directors, the Council’s day-to-day input into both joint ventures does not require Service Level Agreements to cover provision of services or payment for provision of those service. • Both companies produce annual accounts. <p>However interviews with representatives from both companies suggested that historically, reporting on the activity and finances of both joint ventures to the Council has been ad-hoc and through informal channels such as Cabinet-Member briefings. This has resulted in a lack of oversight of Council members on both the land transferred to the company, the value of returns to the Council and the value of dwellings built in the company. During the consolidation of accounts for 2018-19 it is understood that the land value within Barton Oxford LLP will be impaired to zero.</p> <p>Now that the Council has a Shareholder Board in place to oversee financial and non-financial performance of the Council’s other investments in commercial ventures the Council should use this forum to receive appropriate updates on the financial and non-financial performance of OXWED and Barton Oxford LLP.</p> <p>This reporting should be sensitive to the fact that both OXWED and Barton Oxford LLP are joint ventures with third parties (Nuffield College and Grosvenor respectively) and therefore the frequency and content of reporting for both organisations should be agreed at respective Boards.</p>

RECOMMENDATION:

A - The Boards of OXWED and Barton Oxford LLP should agree a schedule and templates for reporting appropriate financial and non-financial information to the Council’s Shareholder Board.

MANAGEMENT RESPONSE:

Information to date has been reported infrequently to lead members with key decisions around loan advances, as in the case of OXWED, approved by CEB and Council. The Council is establishing appropriate reporting structures for both Barton LLP and OXWED aligned to its reporting to Shareholders for OCHL and ODS to ensure that Oxford City Council members have more formal oversight of key developments within each of the organisations in which the Council is a key stakeholder.

Responsible Officer: Anita Bradley/Nigel Kennedy

Implementation Date: 31-07-2019
31-07-2019

DETAILED FINDINGS

RISK: ONGOING MONITORING INFORMATION RECEIVED BY THE COUNCIL FOR OXFORD CITY HOUSING LIMITED DOES NOT INCLUDE INFORMATION ON THE TAX LIABILITY OF THE COMPANY OR THE COST OF SUPPORT SERVICES REQUIRED TO SUPPORT SERVICE DELIVERY.

Ref	Significance	Finding
2.	Medium	<p>Oxford City Housing Limited commenced 2018/19 with a clear strategy and a business plan which had been agreed at Shareholder Board. However, during 2018 that business plan needed to be reconsidered. This is a result of government policy changes related to what is permissible within the Council's Housing Revenue Account, which has knock-on effects for what Oxford City Housing Limited does. Consequently, the volume, tenure, timing and ongoing stock-holder status of Oxford City Housing Limited has been uncertain over the course of 2018/19. This uncertainty has made it difficult to produce clear and consistent financial plans setting out turnover, costs, and profit in a way which accounts for both tax liabilities and the cost of service level agreements as these fluctuate in line with activity.</p> <p>Oxford City Housing Limited has undertaken work to inform likely costs of purchasing services from Oxford City Council. These costs are set out in four Service Level Agreements between the Council and the company:</p> <ul style="list-style-type: none"> • Law and governance services (agreed by OCHL Board on 22nd May 2018) - £66,000 per annum • Regeneration and major projects services (agreed by OCHL Board on 10th July 2018) - £179,500 per annum • Housing and property services (agreed by OCHL Board on 10th July 2018) - £78,900 per annum • Financial services (agreed by OCHOL Board on 22nd May 2018) - £152,000 per annum. <p>Oxford City Housing Limited has also undertaken work, in partnership with Deloitte, to clarify its potential tax liability in future years:</p> <ul style="list-style-type: none"> • At the OCHL Board Meeting on 24th January 2018 some revisions to the OCHL business plan were made (addition of Lucy Faithful House, removal of Right to Buy, updates to wider housebuilding programme following input from development consultants). The Board resolved to “update the business plan, run the associated management accounts and send them to Deloitte in order that they can advise the company on its tax planning”. • At the OCHL Board Meeting on 21st February it was confirmed that a refreshed business plan had been produced and an informal Board convened for 27th February 2018 to review this.

Notwithstanding the challenges posed by a lack of clear strategic direction, the Council has attempted to incorporate forecasts around tax liabilities and support services purchased in its financial updates to Shareholder Board during 2018/19. For example, the company shared financial statements with Shareholder Board on 20th March 2018, covering the years 2017/18 to 2021/22. This set of financial statements included:

- Statement of profit and loss;
- Statement of financial position (balance sheet);
- Statement of cashflows.

These financial statements do reference OCHL's forecast tax liability - estimated to be £0 in 2017/18, £0 in 2018/19, £894k in 2019/20, £316k in 2020/21, and £49k in 2021/22.

The financial statements presented to the Shareholder Board on the 20th March 2018 also cover the following costs of certain services received:

- Social housing management costs - £249k in 17/18, £504k in 2018/19, £620k in 2019/20, £724k in 2020/21, and £779k in 2021/22.
- Routine maintenance costs - £2k in 2017/18, £14k in 2018/19, £57k in 2019/20, £103k in 2020/21, and £138k in 2021/22.
- Cost of sales for shared ownership first tranche sales - £0k in 2017/18, £149k in 2018/19, £1,498k in 2019/20, £0k in 2020/21, and £0k in 2021/22.
- Cost of sales for properties developed for sale - £0k in 2017/18, £0k in 2018/19, £16,087k in 2019/20, £3,061k in 2020/21 and £0k in 2021/22.

The Council is currently reviewing the strategic direction of Oxford City Housing Limited - including the location, volume and tender type of properties the company develops and manages. Once these large strategic questions are resolved, Oxford City Housing Limited is preparing to submit a revised business plan to Shareholder Board in May 2019. At this point the Oxford City Housing Limited should be able to accurately forecast both its tax liability and cost of support services in future years and should ensure that this is incorporated into the financials which are included in the updated business plan.

RECOMMENDATION:

- A. The Shareholder meeting of May 2019 considered an updated Business Plan for the Company taking into account recommendations of the Cabinet to Council for its HRA to purchase all social housing currently being built within Oxford City Housing (Development) Ltd. Council will consider this recommendation at its meeting on 22nd July. Subject to the approval of this decision the Housing Company were presented with a revised business plan showing the effects of the sales on the Company

finances. The Revised Business Plan includes estimates for support services and tax where applicable

MANAGEMENT RESPONSE:

Agreed the Company Business Plan will be updated together with the Councils MTFP and Housing Revenue Account Business Plan

Responsible Officer: Nigel Kennedy/ David Watt

Implementation Date: 31-05-2019

RISK: THE COUNCIL DOES NOT HAVE SERVICE LEVEL AGREEMENTS (SLAS) IN PLACE FOR SUPPORT SERVICES DELIVERED BY THE COUNCIL/OXFORD DIRECT SERVICES TO OXFORD CITY HOUSING

Ref	Significance	Finding
3.	Medium	<p>The Council has signed Service Level Agreements in place between Oxford Direct Services and Oxford Direct Services Trading Limited and the Council.</p> <p>There are four Service Level Agreements in place between the Council and Oxford City Housing Limited. These cover the Council’s provision of:</p> <ul style="list-style-type: none"> • Law and governance services (agreed by OCHL Board on 22nd May 2018) - estimated cost of £66,000 per annum • Regeneration and major projects services (agreed by OCHL Board on 10th July 2018) - estimated cost of £179,500 per annum • Housing and property services (agreed by OCHL Board on 10th July 2018) - estimated cost of £78,900 per annum • Financial services (agreed by OCHL Board on 22nd May 2018) - estimated cost of £152,000 per annum. <p>However, there are three potential issues with the Service Level Agreements between the Council and Oxford City Housing Limited.</p> <p>Firstly, it is unclear whether Service Level Agreements for the provision by the Council to Oxford City Housing Limited of housing/property services and regeneration and major projects include a small margin to ensure compliance with transfer pricing regulations</p> <ul style="list-style-type: none"> • The Service Level Agreement for the Council to provide housing and property services to Oxford City Housing Limited estimates the cost of those services to be £78,900 per annum; • The Service Level Agreement for the Council to provide regeneration and major projects support to Oxford City Housing Limited estimates the cost of those services to be £179,500 per annum. <p>Neither Service Level Agreement provides a breakdown of how this figure was reached or an explicit acknowledgement that it includes a 5% margin to comply with transfer pricing regulations (as is the case with both the law and governance and financial services Service Level Agreements). The Chair of the Board suggested that a 5% margin was not included in either the property services or regeneration and major projects SLAs.</p> <p>Secondly, all four SLAs between Oxford City Housing Limited and Oxford City Council have not been signed, despite having been agreed at Board. Both parties need to sign these Service Level Agreements to bring them into force.</p>

Thirdly, the Council has not yet invoiced Oxford City Housing Limited for services rendered in 2018/19 under the SLAs. This is a consequence of the uncertain future strategic direction of the company, which has delayed some of its activity. For example, the landlord services SLA charge for 2018/19 was based on managing a larger number of properties for Oxford City Housing Limited than the Council has ended up managing. Therefore, as part of the accounts closedown process for 2018/19 the Council and Oxford City Housing Limited need to agree an appropriate charge against the agreed SLAs which reflects the actual work delivered by the Council to the company.

RECOMMENDATION:

A - Update the Service Level Agreements for housing and property (landlord) services and major projects to include a 5% margin to ensure the Council is compliant with transfer pricing regulations.

B - Oxford City Housing Limited and the Council must sign all Service Level Agreements between the Council and the company to ensure they are legally enforceable.

C - Oxford City Housing Limited and Oxford City Council should agree what figure should be charged against each of the SLAs between both parties to cover work delivered during 2018/19. It is acknowledged that this will likely be lower than the charge initially agreed in the SLA.

MANAGEMENT RESPONSE:

A - Agreed

B - Agreed

C - Agreed

Responsible Officer: Nigel Kennedy/ David Watt

Implementation Date: 31-05-2019

RISK: THE COUNCIL HAS NOT FORMALLY RECORDED ITS AGREED POSITION THAT AN ORDER BOOK LOAN WAS NOT REQUIRED BETWEEN OXFORD CITY COUNCIL AND OXFORD DIRECT SERVICES LIMITED FOR EXISTING BUSINESS TRANSFERRED INTO THE COMPANY. THIS RELATES TO RECOMMENDATION 10 FROM BDO'S PREVIOUS REVIEW

Ref	Significance	Finding
4.	Low	<p>BDO's previous report on governance of the Council's companies (2018) noted that the Council had received advice from an independent organisation (Grant Thornton) that it a value should be attached to pre-existing contracts novated from the Council to Oxford Direct Services Limited. The Council's advisers had recommended this was done through providing an order book loan to Oxford Direct Services Limited to buy out the contracts.</p> <p>When BDO produced its last review the Council had decided informally not to follow this advice and novate the contracts across at no value. This was on the basis that the contracts in question could be ended at any time by the relevant customer and therefore had no real value. BDO's previous review noted the discrepancy between the Council's chosen treatment of these contracts and the advice it had received and advised that the Council should formally record its decision not to follow the recommendations of external advice.</p> <p>To date the Council has not formally resolved at Shareholder Board that no value should have been assigned to the contracts novated from the Council to Oxford Direct Services Limited.</p>

RECOMMENDATION:

- A. Pass a resolution at Shareholder Board that the Council formally decides not to attach any value to the contracts novated from the Council to Oxford Direct Services Limited, which also sets out the reasons for doing so.

MANAGEMENT RESPONSE:

The Council will deal with this when the Company's Statement of Accounts is produced for the year end 2018-19.

Responsible Officer: Nigel Kennedy/ Aled Bath

Implementation Date: 31-07-2019

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Nigel Kennedy	Section 151 Officer (Oxford City Council)
Aled Bath	Finance Director (Oxford Direct Services Limited)
Simon Howick	Managing Director (Oxford Direct Services Limited)
Stephen Clarke	Board Member (Oxford City Housing Limited)
Tim Sadler	Board Member (Oxford Direct Services Limited)
Jane Winfield	Head of Regeneration and Major Projects (Oxford City Council)
Anita Bradley	Monitoring Officer (Oxford City Council)
Ian Gray	Board Member (OXWED)

APPENDIX I - DEFINITIONS				
LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
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	
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.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

Oxford City Council has established two trading ventures - Oxford City Housing Ltd and Oxford Direct Services Ltd. Oxford City Housing Ltd is 100% owned by the Council and was established to the acquisition of new affordable homes, development, the purchase of Council void properties and proposed estate regeneration projects. Oxford Direct Services is 100% owned by the Council and provides services such as: waste and recycling; streetscene; parks and open spaces; building works, car parks management, highways and engineering; motor transport; pest control. Between December 2017 and January 2018, BDO undertook a review of the Council's governance of Oxford Direct Services and Oxford City Housing. The Council was seeking assurance regarding the process it had followed to set up and oversee both ventures. The report made 12 recommendations (8 medium and 4 low) - all of which the Council accepted.

A year on from BDO's initial review, both Oxford Direct Services and Oxford City Housing are more mature ventures. The purpose of this report is to follow-up, where appropriate, on the recommendations made in BDO's previous report, and identify any other emerging issues which present an opportunity for the Council to improve its governance of both ventures. It will not be appropriate to follow-up on all recommendations as the Council's relationship with both companies is now different. This is because the companies are out of their setup phase and more established. Therefore the Council will, rightly, be less involved in the day-to-day operations of those companies and the management information associated with those activities. Furthermore, this follow-up review is more focussed on the ongoing performance monitoring of both companies by the Council, rather than redressing specific issues highlighted in the historic business plans of the companies concerned. The focus on ongoing monitoring information, rather than business plans (which represent a point in time) is also because this review is being undertaken prior to the latest refresh of the business plans of Oxford Direct Services and Oxford City Housing, which are not due to be considered by the Council until Spring 2019.

KEY RISKS:

The key risks for this review are drawn from BDO's previous report on how the Council governs Oxford Direct Services and Oxford City Housing - adjusted to reflect the current, more mature, relationship between the Council and the companies, and where both companies are in their business planning cycles. Therefore the risks covered by this review are:

- Ongoing monitoring information received by the Council on Oxford Direct Services Limited and Oxford Direct Services Trading Limited does not provide sufficiently granular detail on income and costs associated to facilitate ongoing shareholder challenge of how the companies are performing against plan. This relates to Recommendation 2 from BDO's previous review
- Ongoing monitoring information received by the Council for Oxford City Housing Limited does not include information on the tax liability of the company or the cost of support services required to support service delivery. This relates to Recommendation 3 from BDO's previous review
- The Council has not analysed the turnover received by Oxford Direct Services Limited to ensure that it does not breach the Teckal threshold (i.e. no more than 20% of turnover comes from external sources). This relates to Recommendation 4 from BDO's previous review
- The Council does not have Service Level Agreements (SLAs) in place for support services delivered by the Council/Oxford Direct Services to Oxford City Housing. This relates to Recommendation 5 from BDO's previous review
- SLAs between Oxford City Council, Oxford City Housing and Oxford Direct Services are not charged at cost plus a small margin in order to be compliant with transfer pricing regulations. This relates to Recommendation 6 from BDO's previous review
- The Council does not have set templates in place for performance reporting from both Oxford Direct Services and Oxford City Housing and this means the Council does not have clear oversight of how both ventures are performing. This relates to Recommendation 7 from BDO's previous review
- The Council has not quantified the set-up costs for Oxford Direct Services and/or reached agreement on how these will be financed (i.e. charged to Oxford Direct Services or met by the Council). This relates to Recommendation 8 from BDO's previous review
- Ongoing monitoring information for Oxford Direct Services and Oxford Direct Services Limited does not explicitly state the quantum and phasing of returns required to meet the Council's MTFP commitments. This relates to Recommendation 9 from BDO's previous review
- The Council has not formally recorded its agreed position that an order book loan was not required between Oxford City Council and Oxford Direct Services Limited for existing business transferred into the company. This relates to Recommendation 10 from BDO's previous review
- The Council is not undertaking regular reviews of the skills required on the boards of its commercial ventures. This relates to Recommendations 11 and 12 from BDO's previous review.

In addition, BDO will undertake a high-level assessment of the Council's arrangements for monitoring the performance of two of its joint ventures - Barton Oxford LLP and OXWED.

SCOPE OF REVIEW:

This review is focussed on revisiting the recommendations made in BDO's previous Companies Review report. However in order to add maximum value BDO will take a broader interpretation of Risk 7 (following up on Recommendation 7 from BDO's previous report), in order to support the Council to understand where it has an opportunity to improve governance of both commercial ventures covered by this review.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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