

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

April 2021

IDEAS | PEOPLE | TRUST



CONTENTS

Progress against internal audit plan	3
Executive Summary - Planning Services	5
Executive Summary - Channel Shift	10
Local Government Sector Update	14
Appendices:	
Definitions of assurance	21

SUMMARY OF 2020/21 WORK

Internal Audit

This report is intended to inform the Audit Committee of progress made against the 2020/21 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.

2020/21 Internal Audit Plan

We are pleased to present the following reports to this Audit Committee meeting:

- Planning Services
- Channel Shift

We will present the following reports to this Audit Committee meeting separately:

- Companies Oversight
- Internal Audit Annual Plan 2021-22 & Strategic Plan 2021 - 24
- Follow up Report

We have commenced the following audits in March/April 2021 and anticipate to present these at the next audit committee. Completion of these reviews will conclude the 2020-21 internal audit plan.

- Income Collection and Cashiers
- Corporate Performance

REVIEW OF 2020/21 WORK

Audit Area	Audit Days	Executive Lead	Planning	Fieldwork	Reporting	Opinion	
						Design	Effectiveness
Audit 1: Car Parking	10	Nigel Kennedy	✓	Due to the reduced car parking activity and reduction in car parking income this review has been carried forward to the 2021-24 Audit Plan.			
Audit 2: Channel Shift	15	Helen Bishop and Nadeem Murtuja	✓	22 Apr 21	✓	Moderate	Moderate
Audit 3: Companies Oversight	15	Nigel Kennedy	✓	22 Apr 21	✓	Moderate	Moderate
*Audit 4: Housing Rents	13	Nigel Kennedy	✓	This review intended to review the QL Aareon system which is expected to go live in May 2021. Due to the delay in its implementation, this review has been moved to the 2021-24 audit plan.			
Audit 5: Community Strategy	15	Ian Brooke	✓	There was insufficient capacity within the service area to undertake this review due to their involvement in the Covid Vaccination Programme. Therefore, this review has been moved to the 2021-24 Audit Plan.			
*Audit 5: Environment	15	Jo Colwell	✓	Due to the lack of capacity within this service area this review has been requested to move to the 2021-24 audit plan.			
Audit 6: Accounts Receivable	15	Nigel Kennedy	✓	19 Oct 20	✓	Substantial	Moderate
Audit 7: Payroll and Overtime	15	Helen Bishop	✓	21 Sept 20	✓	Substantial	Substantial
Audit 8: Key Financial Controls - Data Analytics	15	Nigel Kennedy	✓	10 Jul 20	✓	Moderate	Moderate
Audit 9: Income Collection and Cashiers	15	Nigel Kennedy	✓	Jul 21			
Audit 10: Treasury Management	12	Nigel Kennedy	✓	2 Nov 20	✓	Substantial	Substantial
Audit 11: Planning Services	15	Adrian Arnold	✓	22 Apr 21	✓	Moderate	Substantial
Audit 12: Corporate Performance	15	Helen Bishop	✓	Jul 21			
Audit 13: *Enforcement Restructure	12	Nigel Kennedy	✓	This review involves face to face contact as it requires us to engage with the community. Due to the current government guidelines this review has been carried forward to the 2021-24 audit plan.			

EXECUTIVE SUMMARY - PLANNING SERVICES

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Substantial	There is a sound system of internal control designed to achieve system objectives.
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)

High	0
Medium	1
Low	3

TOTAL NUMBER OF RECOMMENDATIONS: 4

CRR REF

- 1.Enable An Inclusive Economy
- 2.Deliver More Affordable Housing
- 3.Support Thriving Communities
- 4.Pursue A Zero Carbon Oxford

BACKGROUND:

Oxford City Council (the Council's) Planning service is part of the Local Planning Authority. It is a statutory service which is supported by the Acts of Parliament and Statutory Instruments.

The Council appoint planning officers to assist with assessing planning applications. Most minor and uncontroversial planning applications, (approximately 90% received by most local planning authorities), will be decided through delegated decision-making powers, which mean they are dealt with by the local planning authority officers. Larger and more controversial developments are decided by the Planning Committee.

The Council sets out their planning strategy within their 'Core Strategy 2026' with separate documents for each major development site. These all form part of Oxford's Local Development Scheme which was updated in November 2019 and includes information on the planning policy.

The Statutory Development Plan for Oxford contains a number of policy documents that sets out agreed planning policies for the city against which planning decisions are made. The Oxford Development Plan consists of the Local Plan 2036, site specific Area Action Plans and Neighbourhood Development Plans. The Council adopted its new Local Plan 2016-2036 on the 8th June 2016.

Residents can apply for planning permission on the Council's website as well as view or comment on existing planning applications that have been submitted. By statute, the Council are required to determine minor planning applications within 8 weeks of the application being submitted, and 13 weeks for major planning applications. The Council have a Development Management Team who are responsible for assessing planning applications.

In December 2019, the Council published their Planning Validation Strategy which aims to provide residents with more information on planning permission. The aims of the updated

strategy are to make the Validation process more efficient, speed up the application process, and give more certainty to an applicant that they will be successful when making their application, via increased provision of information.

GOOD PRACTICE:

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

- There are effective systems in place for the setting and monitoring of performance targets which are appropriately reported to Senior Management to ensure the statutory timeframes required are being met.
- The Team Leaders have regular 1-2-1 meetings with the Officers to ensure cases are monitored and completed within the statutory deadlines.
- The Development Management Team is achieving better results than required by the Government's target of 80% of applications being completed within the statutory time frames.
- The planning application templates were reviewed and were user-friendly and clear guidance was provided on the website.
- The paper-light and IDOX systems have been effectively implemented with adequate controls in place to ensure the process is effective.
- The structure of the planning committees are adequately in place, with regular meetings, detailed minutes, annual reviews of the Terms of Reference and monitoring of members' training.

KEY FINDINGS

Finding	Summary of Recommendations	Owner	Due date
<p>Finding 1 - Medium. The service 'Validation' strategy is not formally reviewed on a regular basis and has not been updated since 2019.</p>	<p>a) The Validation Strategy and the Action plan should be formally reviewed, updated and shared with staff as part of the monitoring process</p> <p>b) Action plans should be allocated to the relevant responsible officers and realistic timescales should be allocated against each action.</p> <p>Management Response</p> <p>a) <i>The Validation Strategy and Action Plan should be formally reviewed and have been developed in conjunction with senior management and all staff in service. This is due to be reviewed again now as part of the 2 year review of the list and to reflect changes to the development plan with the adoption of the Oxford Local Plan 2036.</i></p> <p>b) <i>The Action Plan is dated 2019 / 2020 and formed part of the Service Plan for this year. This was developed in accordance with the Councils overall service plan programme that looked to programme the plan against the Council's corporate objectives. This was a working document as the councils objectives were revised in late 2019 early 2020. But overall delivery slowed as a result of a number of factors, such as the external IT providers needing to configure the system for paperlite etc. A number of other changes were made in terms of customer service and communication to improve service delivery (i.e. introduction of resident and agents forums). A number of other improvements from the Action Plan were paused as the pandemic was introduced. We note the recommendations and both officers and timescales will be allocated to each action if not done so.</i></p>	<p>Development Management Service Manager</p>	<p>1 June 2021</p>
<p>Finding 2 - Low. The service organisation chart does not specify the responsibilities and delegated authority for each role. In addition, there are no inter-departmental service level agreements in place with other Council departments covering specialist planning issues.</p>	<p>a) The Council should create an overarching accountability document clearly defining the roles and responsibilities of the team and officers/ departments concerned with planning. The document should also include the delegated authority and ensure this is accessible to all officers</p> <p>b) Inter-departmental responsibilities should be clearly defined, agreed and recorded within the document</p> <p>Management Response</p> <p><i>Agreed - The Development Management Team has a clear structure in which its professional officer's roles and responsibilities are set. This includes a career grade system which includes the relevant competencies expected of each officer aligned to the respective job descriptions for each post holder. Such a document can be easily put together from the existing structure diagram</i></p>	<p>Development Management Service Manager</p>	<p>1 June 2021</p>

<p>Finding 3 - Low. While the team is achieving its overall timescale targets, we found 2/20 applications tested did not meet the 8 week processing deadline.</p>	<ul style="list-style-type: none"> a) Robust monitoring should be undertaken through the current management reviews with a greater focus on compliance with the laid down time scales for each team b) Lessons learnt should be established and good practice should be fed back amongst teams <p>Management Response</p> <ul style="list-style-type: none"> a) <i>Agreed - Recently a quality control log has been developed in service and shared with the applications team to ensure that they can review the quality of validation in order to get the front end of the service 'right first time'. There is also a current review of this part of the service underway which looks at further improvements that can be made to the validation process with the customer service applications team as part of wider council wide improvements.</i> b) <i>Lessons learnt are also being passed through teams via the monthly development management team meeting, and individual team meetings, 1:2:1s, and case conferencing.</i> 	<p>Development Management Service Manager</p>	<p>Completed</p>
<p>Finding 4 - Low. Staff training and continual professional development are not formally monitored.</p>	<ul style="list-style-type: none"> a) The existing training programmes in place should be reviewed to ensure that they deliver the knowledge required to complete the work involved accurately and with appropriate emphasis on the importance of meeting the agreed time scales. b) The current rotation policy should be revisited to ensure staff are given sufficient time on any particular process to develop the required skills and experience to undertake their duties effectively. c) CPD should be reviewed and discussed with staff on a regular basis and appropriately documented within appraisals and 1-2-1s. <p>Management Response</p> <p>Agreed -</p> <ul style="list-style-type: none"> a) <i>Recently a quality control log has been developed in service and shared with the applications team to ensure that they can review the quality of validation in order to get the front end of the service 'right first time'. There is also a current review of this part of the service underway which looks at further improvements that can be made to the validation process with the customer service applications team as part of wider council wide improvements.</i> b/c) <i>Lessons learnt are also being passed through teams via the monthly development management team meeting, and individual team meetings, 1:2:1s, and case conferencing.</i> 	<p>Development Management Service Manager</p>	<p>Completed</p>

CONCLUSION:

Overall, there are effective systems in place for performance monitoring and the statutory planning committees are operating effectively. The controls within the electronic systems governing customer applications and case work management are also effective.

However, there is not an up to date strategy and action plan in place.

We have therefore, provided moderate assurance over control design and substantial assurance over operational effectiveness.

EXECUTIVE SUMMARY - CHANNEL SHIFT

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE

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:

High	0
Medium	3
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 4

CRR REFERENCE

Enable and Inclusive Economy

BACKGROUND

Local authorities are transferring customer communication to digital platforms on an increasing basis to improve the service for residents and reduce costs. While Oxford City Council (the Council) maintains face-to-face interaction with customers, the Corporate Plan 2016-20 identifies that they aim to invest in technology ‘to provide customers with more flexible and lower cost ways of accessing services’.

The efficiency plan, which is built into the Corporate Plan, identifies that the Council aim to achieve savings of £5.2 million (some from digitalisation) while maintaining a customer satisfaction rating of 85%. Footfall into the customer service points (St. Aldates or Templar Square offices) decreased by 15% in 2019/20 from 2018/19 and customer satisfaction across all digital and face-to-face platforms was 88.12% in March 2020. The Covid-19 pandemic has accelerated the use of the digital communication with customers and the St. Aldates main office has remained closed for much of 2020 and so far in 2021.

The Council have improved customer accessibility on its website, including: the ability to make online payments, report issues and generally communicate with residents. The Council have also invested in the Aareon QL system to streamline communication with tenants and landlords, to limit contact with people and enhance their abilities to undertake transactions on a self-service basis.

The Council are also exploring ways to ‘go cashless’ as a means of reducing cash collection and banking costs. The Revenues & Benefits team have procured the Civica OPENRevenues system which will include a range of e-forms built into the system allowing customers to complete and submit forms electronically. The Civica system will be implemented in September 2021.

The Council are currently developing a Business Intelligence Unit (the Unit) to help identify and interrogate how intelligence/data feeds into policy development, appraisals and professional development review. The Council are looking to embed a single language of data across the organisation which will drive better quality services for residents/customers. The Unit are looking to implement a framework/process to influence the Council's data collection process/analysis going forward.

A Customer Experience Strategy Action Plan (2019-2022) was published on 8 January 2020. The Strategy brings together the Customer, Digital and Technology strategies and is designed to make a difference in the places where it matters the most, putting customers at the heart of everything the Council does. The purpose of the strategy is to realise the following:

- A great customer experience
- Building skills and capabilities
- Technology that enables more collaboration and flexible working.

This review assessed the arrangements the Council have in place to support the channel shift, including an assessment of the adequacy of the Council's Customer Experience Strategy and whether performance targets and objectives are in place at both a corporate and local level. We have also assessed the arrangements in place for collecting data and presenting trends. Furthermore, we reviewed the initiatives which the Council are planning to undertake as part of channel shift, for instance the plan to go cashless and employing Robotic Process Automation (RPA) within suitable areas. Our approach was to interview a range of key individuals involved in the channel shift process and review plans, strategies and data in place to support the effective transition to digital engagement with customers.

GOOD PRACTICE

The following areas of good practice were noted during our review:

- The implementation of the new Civica OPENRevenues system (Revenues & Benefits system) has set out clear project milestones and updates against the project are provided on a monthly basis as part of the ICT monthly update. This is reported to the senior leadership team. Although it is yet to be implemented, it is expected the OPENRevenues will include e-forms which customers complete and the system will automatically update. Currently, with the Capita Academy system, staff are required to physically input the information from the form, which the customer can obtain from the Council's website
- The objectives of the Customer Experience Strategy were aligned to the Council's Corporate Plan
- The Council recognises the importance of communications as being crucial to the success of channel shift and this is captured within the objective of "Delivering a great customer experience" in the Customer Experience Strategy
- A draft business case for the service integration project has been developed which outlines how the Locality Response Hubs (the hubs) will be utilised as part of the channel shift project when business as usual resumes. It clearly sets out the Council's strategy for developing integrated hub teams to equip staff with more skills so that they can meet customer needs. A project board has been created, which the Head of Business Improvement and the Head of Regulatory Services & Community Safety are part of, ensuring the hubs are developed in a way that is aligned with the Customer Engagement Strategy
- Weekly reports are produced in order to identify service areas that are performing in line with key performance indicators (KPIs) such as telephony processing and customer satisfaction. These also supplement the monthly Customer Services/Financial Services Performance which is issued to the Head of Business Improvement. KPIs in the weekly report highlight feedback, complaints from customers and areas of improvement. We noted that between July and November

2020 over 91.8% of customer's rated the telephony service as either good or average with a high of 95.4% in July 2020. Although the positive ratings were much lower for use of the web service (average of 58% between July to November 2020), these have steadily increased each month which suggests that the Council are improving the quality of information customers can obtain online rather than needing support from an operator

- Although we have raised a finding around inadequate setting of clear KPIs (see Finding 2), the Council proactively hold discussions around how they will monitor the channel shift performance. It has been agreed with the Portfolio Holder for Customer-Focused Services that they will report qualitative and quantitative progress against the strategy and it will be used as the service plan for the Customer Services team. The Head of Business Improvement also meets with other Heads of Service whose directorates are impacted by the strategy, as a proactive way of monitoring how they are channel shifting
- The Council conducted a survey of customers visiting the St Aldates Contact Centre between 13 and 20 October 2020 to assess the manner in which services have been provided. This confirmed that 364 out of 454 Council residents surveyed were happy to engage with the Council through means other than face-to-face contact
- We were informed that the Corporate Transformation Board are asked to consider the impact of channel shift on each of the projects proposed to them. The aim of this is to ensure that the transformation of the organisation is aligned to the channel shift plans.

KEY FINDINGS

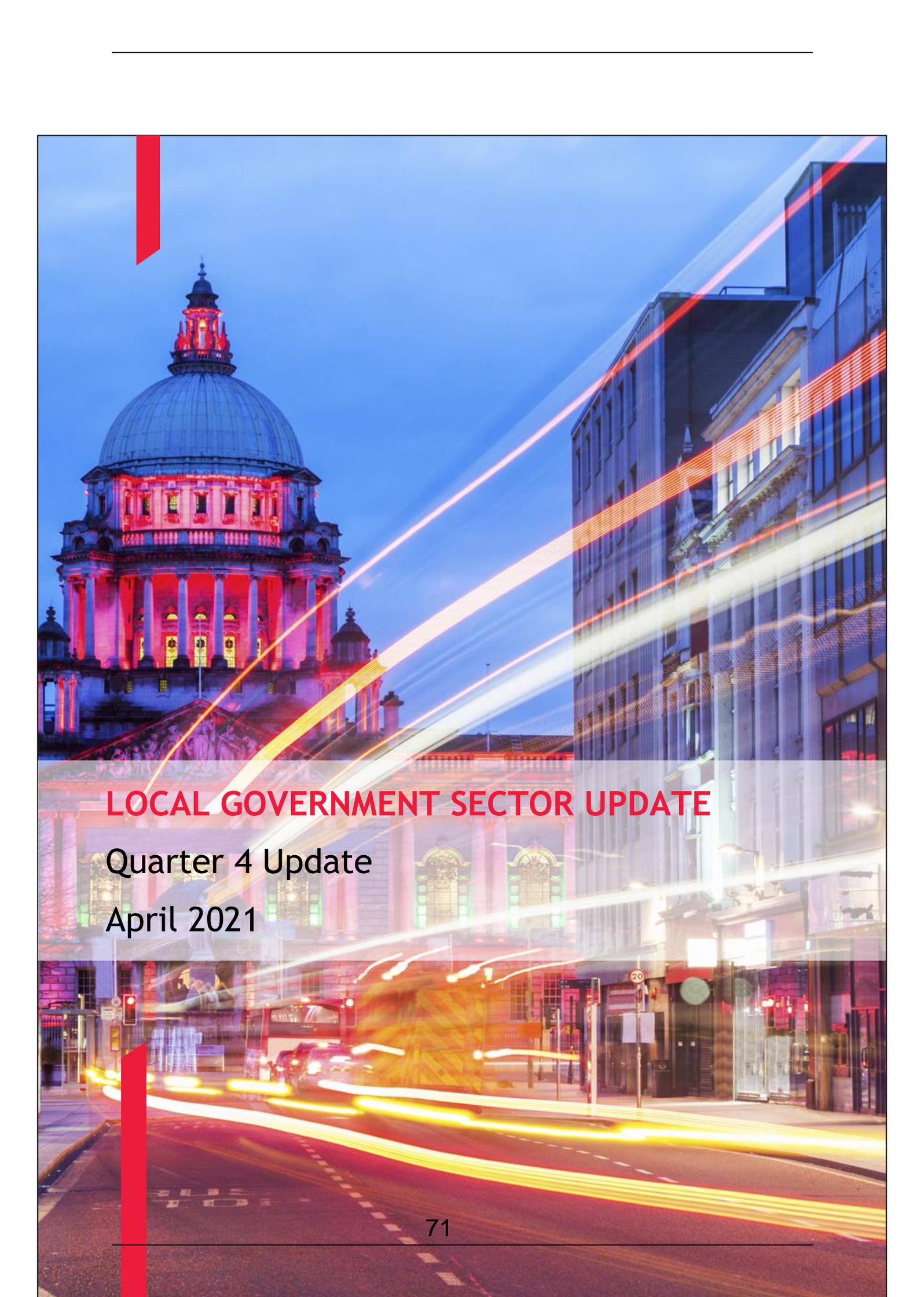
<p>The controls within the customer experience strategy risk register have not had status and progress updates since January 2020. Moreover, the register does not highlight when it was last reviewed (Finding 1 - Medium)</p>	<p>a) Management should review the customer experience risk register and ensure that the controls currently identified on it are monitored. Progress on the implementation of each control identified should be reviewed on at least a quarterly basis</p> <p>b) Any new risks associated with the Customer Experience Strategy should be added to the risk register. Any risks that have been raised on the CorVu system should also be added to the risk register to ensure there is a single document that can be used for risk management purposes.</p> <p>Management Response <i>The risk register for the Customer Experience Strategy will be reviewed, and any relevant current risks not showing on Corvu will be added.</i></p>	<p>Helen Bishop, Head of Business Improvement</p>	<p>30 June 21</p>
<p>The objectives highlighted within the customer experience strategy do not have measurable performance targets associated with the outcomes which it intends to deliver. For example, there are no detailed targets for delivering 'a great customer experience' (Finding 2 - Medium)</p>	<p>The Council should formalise the KPIs that they will be using to monitor each of the objectives set out in the Customer Experience Strategy. These should be specific, measurable, achievable, realistic and time-bound (SMART). These should be reported regularly to provide management with updates on the progress of the objectives in the strategy</p> <p>Management Response We have already implemented a range of the actions identified in the Customer Experience Strategy.</p> <p>We will be reviewing the Customer Experience Strategy, by commissioning research to understand the evidence/ revised customer requirements due to the impact of COVID, so we can ensure what further activities need to happen to best serve our community maximising accessibility and inclusion.</p> <p>2021/22 will be used to establish future KPIs.</p>	<p>Helen Bishop, Head of Business Improvement</p>	<p>31 Mar 22</p>
<p>While savings plans are in place for individual aspects of the customer experience strategy, these do not clearly state how these are monitored or tracked. (Finding 3 - Medium).</p>	<p>Cost savings plans for the channel shift project as a whole should be developed to allow for regular monitoring of actual savings versus expected savings. This should be reported to management or another appropriate group such as the Corporate Transformation Board.</p> <p>All Projects that feed into the channel shift savings should be monitored by the responsible service area on a regular basis and reported into the overall channel shift saving targets</p> <p>Management Response <i>The delivery of committed savings for projects are already being tracked by the Corporate Transformation Board. These savings can be analysed to show any savings that could be attributed to channel shift.</i></p>	<p>Helen Bishop, Head of Business Improvement</p>	<p>30 Jun 21</p>

<p>The web service satisfaction scores from customers were significantly lower than telephony and web chat scores. However, we were informed that this is the normal trend for local authorities and GovMetrics benchmarking data shows that the Council perform better on web channel satisfaction relative to their peers (Finding 4 - Low)</p>	<p>The Council should engage with website users to ascertain additional information as to why they were not as satisfied with the web service. The results of these should be collated to improve the web service for users and ensure content is easily accessible.</p> <p>Management Response</p> <p><i>We will be reviewing the Customer Experience Strategy, by commissioning research to understand the evidence/ revised customer requirements due to the impact of COVID, so we can ensure what further activities need to happen to best serve our community maximising accessibility and inclusion.</i></p>	<p>Helen Bishop, Head of Business Improvement</p>	<p>31 Mar 22</p>
---	---	---	----------------------

CONCLUSION

Whilst there are indicators which measure the performance and customer satisfaction, the golden thread to how these feed into the objectives set out in the Customer Experience strategy is unclear as formal KPIs have not been established. Furthermore, a key benefit of the channel shift project is the cost savings it will achieve, however it is not clear how these are monitored or tracked to provide value for money. Albeit, we have noted through our enquiries that the cost savings from the channel shift are estimated by officers at c£250k.

This leads us to conclude that both the control design and effectiveness are Moderate.



LOCAL GOVERNMENT SECTOR UPDATE

Quarter 4 Update

April 2021

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.

FINANCE

Councils get £300m from scrapped £1.5bn energy efficiency scheme

Councils will get just £300m extra to help low-income households make their homes more efficient after the government abandoned a £1.5bn grants scheme with a similar aim after just six months.

Launched in August 2020 by Alok Sharma, who called it “a key part of [the government’s] plans to build back greener”, the Green Homes Grant Voucher Scheme was supposed to help make 600,000 homes more energy efficient and support 100,000 jobs.

So far, just 39,000 vouchers have been issued, and the government expects to have spent £300m by the time the scheme closes at the end of March.

“It has been a disaster, and this is hugely disappointing because we have around 10 million homes which don’t have high enough energy efficiency to be moved over to low-carbon heating,” said chair of the Adaptation Committee, part of the Committee on Climate Change, Professor Julia King.

She told BBC Radio 4’s Today programme that improving energy efficiency in homes is “critically important”, because 20% of the UK’s greenhouse gas emissions come from buildings, with the “huge majority” of that coming from homes.

The Green Homes Grant scheme was announced alongside £1bn for local authorities to support insulation and low-carbon heating improvements for people on low incomes, and upon closing the voucher scheme the government has added £300m to that pot.

<https://www.publicfinance.co.uk/news/2021/03/councils-get-ps300m-scrapped-ps15bn-energy-efficiency-scheme>

Croydon chiefs question section 114 notices

Section 114 notices are unfit for purpose, two senior officers at the London Borough of Croydon - which issued two last year due to financial problems - told MPs this week.

Speaking to Parliaments’ Housing, Communities and Local Government Committee yesterday, interim chief executive Katherine Kerswell said that the section 114 notice is “too blunt of an instrument for authorities”.

She added that section 114 notices were introduced at a time when councils had other tools to manage budgetary pressures, which no longer exist.

Kerswell said: “I was interim chief executive at Nottingham city council last summer, and there was lots of discussion about was this [section 114 notice] a possibility for the council and real anxiety about going there because of what it was presented to the residents to staff.

“We need something better to enable us as chief officers to flag the warnings that need to be flagged and control expenditure in a much, much better way than we can at the moment when things get as tough as this.”

Her thoughts were echoed by Chris Buss, interim chief finance officer at [Croydon](#), who said that the section 114 notice was an instrument of its time and needs to be looked at.

He told the same committee: “When it was first introduced in 1988, there were lots of other protections around for local government.

<https://www.publicfinance.co.uk/news/2021/03/croydon-chiefs-question-section-114-notice>

Government to ban Covid-19 business rates appeals

The government is to retrospectively ban business rates appeals based on a drop in property values due to Covid-19, a move labelled as “scandalous” by rating advisers.

Announcing the move today, the government said that economic changes to property values, including Covid-19, can only be properly considered at general rates revaluations, with the next one not expected until 2023.

In a move that follows a slew of appeals from office occupiers, which are not covered by government business rate holidays, the Treasury said that it will legislate to rule out Covid-related ‘material change of circumstance’ challenges.

Instead, £1.5bn will be allocated to councils to distribute reliefs to business which have yet to receive any rate support during the pandemic.

John Webber, head of ratings at business rate advisors Colliers, told PF: “What they have just done is just shocking - not only in terms of the amount of money they are giving back, which is a fraction of what they should be giving back, but the fact the government is altering the law retrospectively is just scandalous.”

He said the industry had been expecting a support package of closer to £5bn, to cover for changes to rental values, on which business rates are based, due to the pandemic.

He added that the £1.5bn for local authorities to administer the relief will increase the burden for organisations that are already “swamped” dealing with other Covid-19 grant applications.

<https://www.publicfinance.co.uk/news/2021/03/government-ban-covid-19-business-rates-appeals>

Council ‘ignored’ finance officers over land disposal

Concerns raised by legal and finance officers over land sales by Liverpool City Council went ignored, according to the damning report likely to lead to commissioners being imposed at the authority.

Communities’ secretary Robert Jenrick unveiled proposals for government-appointed officials to run parts of the authority following the best value review.

Inspectors sent in by Jenrick examined 65 land deals and found issues with every single one, their report said.

The report said: “From time to time, both legal and finance officers raised concerns, but no-one thought it correct to call a halt, reflect on where the deal now was and whether it was still right to continue.

“Instead, the files were full of, ‘what do we now do to get this deal over the line.’

“Securing LCC’s best interests were not on the agenda.”

The report added that when officers tried to resist bad deals from being completed, “implied threats were employed”.

<https://www.publicfinance.co.uk/news/2021/03/council-ignored-finance-officers-over-land-disposal>

Liverpool inspection uncovers ‘dysfunctional culture’

A government review has uncovered a litany of mismanagement relating to procurement, standalone companies and property-related services by Liverpool City Council.

Communities minister Robert Jenrick has proposed appointing commissioners to take over the running of Liverpool City Council, after receiving a Best Value report delivered by a team of inspectors.

Speaking to Parliament yesterday, Jenrick said the report found the council consistently failed to meet its statutory and managerial responsibilities and that “the pervasive culture appeared to be rule avoidance”.

Jenrick told MPs: “It paints a deeply concerning picture of mismanagement, the breakdown of scrutiny and accountability, a dysfunctional culture putting the spending of public funds at risk and undermining the city’s economic development.”

The secretary for state is now consulting on a proposal to send commissioners in to run regeneration, highways and property management services at the authority, he told MPs.

Inspectors found that some council services were transferred to an authority-owned company without a formal contract agreed.

<https://www.publicfinance.co.uk/news/2021/03/liverpool-inspection-uncovers-dysfunctional-culture>

Council finance officer imprisoned for £60,000 business rates fraud

A revenue finance officer redirected more than £60,000 from the local authority she worked for to pay off her credit card bills.

Kerry Wheatley has been sentenced to 12 months in prison for the fraud, which took place between October 2018 and October 2019 during her time working at Bassetlaw District Council.

She diverted 21 refunds of business rates, supposed to be paid to firms, into a single bank account. “This was an act of fraud involving public money, and is a regrettable abuse of a position of trust within the authority,” said the council’s chief executive Neil Taylor.

“This criminal act was uncovered by council staff and referred to the police as soon as it had been discovered, in line with the council’s anti-fraud strategy.”

Taylor said he hoped the sentencing would reassure the public “that the authority will stringently protect the public purse”.

The fraud, which totalled £60,745.44, was discovered when her address appeared on the record of a refunded rate payer while a manager was reviewing the control reports.

<https://www.publicfinance.co.uk/news/2021/03/council-finance-officer-imprisoned-ps60000-business-rates-fraud>

NAO: Local authority finances a ‘concern’ amid funding gap

Councils still face a funding gap of more than £600m this financial year due to Covid-19, despite huge government support for the sector, the National Audit Office has found.

A report from the watchdog into the cost of the pandemic felt by local government found that the combined impact on spending and non-tax income in 2020-21 is £9.7bn - equivalent to 17.6% of revenue expenditure.

So far the government has announced £9.1bn of financial support, leaving a deficit of £605m, [the NAO](#) said.

“Government’s support to local authorities during the Covid-19 pandemic has averted system-wide financial failure,” said NAO head Gareth Davies.

“Nonetheless, the financial position of the sector remains a concern and authorities are setting budgets for 2021-22 with [limited confidence](#).”

Councils will have faced £6.9bn of cost pressures in 2020-21 because of Covid-19, as well as losing £2.8bn of revenue, mostly from sales, fees and charges, the report found.

Authorities have forecast £2.9bn losses in council tax and business rates collected in the same period, but this will only affect their budgets next year. About 30% of councils will see a gap between the financial pressure and the extra funding equal to 5% or more of their revenue expenditure in 2019-20, with district councils being particularly exposed (49.7%).

<https://www.publicfinance.co.uk/news/2021/03/nao-local-authority-finances-concern-amid-funding-gap>

News analysis: CIFPA code revisions

Tightened wording aims to further restrict councils' ability to borrow money for commercial property investments aimed at raising revenue.

In February, CIPFA launched separate consultations on significant amendments to two of its main codes - the Prudential Code and the Treasury Management Code. Both could have major impacts on how authorities invest their money, according to experts.

Currently, the Prudential Code states that "authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed".

CIPFA is keen to change "purely" to "primarily", to mirror wording used by the Treasury in November when it banned borrowing primarily for yield purposes through the Public Works Loan Board.

Code change proposals

Prudential Code

- Commercial investment should be 'proportionate' to service and revenue expenditure;
- Capital expenditure should be "sustainable in accordance with the corporate objectives of the authority";
- Capital strategies should provide more commentary on the affordability of commercial activities;
- 'Liability benchmark' to replace prudential indicator on gross debt and the capital financing requirement;
- Two new prudential indicators on affordability - ratio of external debt and commercial income to net revenue streams.

Treasury Management Code

- New knowledge and skills schedules for treasury management roles to assess and track competencies;
- New council committees to focus solely on scrutinising treasury management decisions;
- New TM guidance on assessing the environmental, social and governance risks of future investments.

<https://www.publicfinance.co.uk/analysis/2021/03/news-analysis-cifpa-code-revisions>

IT

Digital Best Practice

Councils are coordinating and delivering remarkable digital solutions to address the multitude of challenges for a council in 21st Century. We have seen the local government sector pool its resources, respond to new problems and innovate solutions. Here is a selection of best practice from the sector

<https://www.local.gov.uk/our-support/efficiency-and-income-generation/digital/digital-best-practice>

Environment

Waste not, want not: How recycling is set to boost council finances

Levels of waste recycling have a direct impact on local authorities' balance sheets - and reforms to the system are expected to provide a welcome boost

In good years, waste diversion from landfill and increased recycling help local authorities to achieve better environmental stewardship and generate significant financial savings.

However, recycling operations in the West have been beset with perennial market volatility and a shortage of domestic reprocessing capacity.

Overseas recycling markets are becoming increasingly unreliable, and the reputational damage associated with waste exports is becoming more severe. Within the past two years alone, contaminated recyclables have been repatriated to the US, Canada and the UK among other countries.

As a result, developed nations are now accepting that an export-dependent recycling approach is unsustainable. Australia's ban on the export of waste recycling will kick in from January 2021.

<https://www.publicfinance.co.uk/opinion/2021/03/waste-not-want-not-how-recycling-set-boost-council-finances>

HOUSING

Government revises support for affordable housing scheme

The government has revised support measures to Cambridgeshire and Peterborough Combined Authority after pulling out of a £100m affordable housing agreement.

Communities minister Luke Hall wrote to the authority on Thursday saying that £45m of remaining funding was being withheld due to "insufficient progress" on the delivery of 2,000 affordable homes.

However, an updated report discussed yesterday said the ministry will make further funding available to the CPCA for the delivery of affordable housing up to 31 March 2022 subject to three conditions.

The report said: "The Ministry for Housing, Communities and Local Government have concluded that they cannot support the £100m affordable housing programme in its current operation including the ineligibility of the 243 units at Northstowe.

"Nevertheless, MHCLG have made revised proposals to ensure continual delivery of affordable housing to 2022."

These conditions include requirements that the combined authority uses the existing grant funding and ensuring that construction starts before the end of March 2022.

In 2015, the combined authority agreed a five-year £100m affordable housing fund with the government to help deliver at least 2,000 homes, as part of its devolution agreement.

Hall's letter seen by *PF*, said that the combined authority would receive no more funding on top of the £55m already allocated by Whitehall.

He said: "I have concluded that the programme has made insufficient delivery progress and that the value for money being achieved is below our expectations."

<https://www.publicfinance.co.uk/news/2021/03/government-revises-support-affordable-housing-scheme>

LGA responds to new planning rules coming into force

“Local government shares the collective ambition to build more homes in the right locations, genuinely affordable for local people to either rent or buy, of high quality and the right type.”
Housing, planning and homelessness

Responding to new planning laws coming into force today, allowing commercial premises to be converted into homes without requiring a full planning application, Cllr David Renard, housing and planning spokesperson for the Local Government Association, said:

“Local government shares the collective ambition to build more homes in the right locations, genuinely affordable for local people to either rent or buy, of high quality and the right type.

“For that to happen, councils and local communities need to have a voice in the planning process and be able to oversee all local developments. This is crucial so they can shape the area they live in, ensure homes are well designed, built to a high quality, with the necessary infrastructure in place and affordable housing provided.”

<https://www.local.gov.uk/lga-responds-new-planning-rules-coming-force>

APPENDIX I - DEFINITION OF ASSURANCE

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.

FOR MORE INFORMATION:

Greg Rubins

Greg.rubins@bdo.co.uk

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO Member Firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

© 2019 BDO LLP. All rights reserved.

www.bdo.co.uk

This page is intentionally left blank