

OXFORD CITY COUNCIL

INTERNAL AUDIT REPORT - FINAL

INCOME GENERATION
DECEMBER 2022

Design Opinion	● Limited
Design Effectiveness	● Limited

CONTENTS

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
OBSERVATIONS	8
APPENDIX I - DEFINITIONS.....	17
APPENDIX II - TERMS OF REFERENCE	18

DISTRIBUTION

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Jane Winfield	Head of Regeneration & Major Projects
Christopher Wood	Corporate Asset Manager
David Hunt	Commercial Manager
Emma Gubbins	Corporate Asset Lead
Neil Markham	Income Team Leader
Scott Warner	Counter Fraud Manager

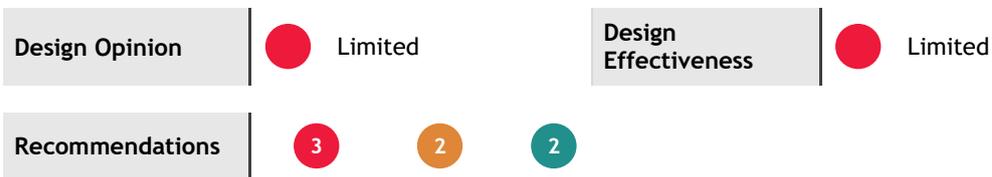
BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

REPORT STATUS

Auditors:	Max Armstrong - Assistant Manager Greg Rubins - Partner
Dates work performed:	8 July - 2 September 2022
Draft report issued:	16 September 2022
Final report issued:	12 December 2022

EXECUTIVE SUMMARY

CRR REFERENCE: ENABLE AN INCLUSIVE ECONOMY




SCOPE

BACKGROUND

- ▶ Oxford City Council (the Council) have adopted the ‘Oxford Model’ which is to generate greater levels of income to offset reductions in central government funding so that it can maintain investment in the services it delivers to customers. The Council has seen a £7m reduction in funding as part of the Government’s austerity programme and now no direct grant funding from the Government for its core activities. Over the past four years, the Council has delivered £12m of savings and income
- ▶ In 2018, the Council set up Oxford Direct Services (ODS) consisting of a Teckal Company (ODSL) delivering refuse and recycling, building maintenance, highways and street cleaning services to the Council and a trading company ODSTL, Oxford Direct Services Trading Ltd undertaking commercial contracts for highway works, construction and trade waste collection. Surpluses made in each company are returned to the council in the form of dividends. Additionally, it has commercialised to other services which are charged to other local authorities and private sector organisations. The Council’s Counter Fraud team are national leaders in counter fraud management.
- ▶ The Council’s other main sources of income are from:
 - Business rates
 - Council tax
 - Council Housing and Commercial Rent, the latter being the main focus of this report
 - Car Parking
 - Town Hall lettings.
- ▶ The Council have a commercial property portfolio of 215 properties generating c£13.04m in rent per annum. Commercial property leases are negotiated with tenants by the Property & Asset Management team, who send the tenancy information to the Income team via a change note process. The Income team are responsible for billing tenants. The property management database used by the Property & Asset Management team is Uniform which does not interface with Agresso, the finance system.

AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ We reviewed 40 commercial rent accounts to assess whether customers were billed accurately and in a timely manner

- ▶ We reviewed whether there were reconciliations between the rent billed on Agresso and Uniform to ascertain whether the data was consistent and customers had been billed correctly
- ▶ We reviewed 10 arrears accounts to assess whether adequate actions were taken to recover the monies owed to the Council in a timely manner
- ▶ We reviewed a sample of business cases to assess whether there was adequate consideration of the ‘invest to save’ principle
- ▶ We enquired about and reviewed arrangements for income generation through the Investigations and Town Hall Lettings services
- ▶ We enquired about the arrangements in place to oversee ODS’s and OCHL’s income generation arrangements, particularly in relation to commercial opportunities, through formal channels.

The scope of the review was limited to the areas documented above. All other areas were considered outside of the scope of this review.


AREAS OF
STRENGTH

We identified the following areas of good practice:

- ▶ The Investigations team have a clear marketing strategy to generate income through the provision of counter fraud services to other local authorities and organisations. Its website, brochure and attendance at conferences act as effective promotional activity to increase sales
- ▶ The Town Hall team have invested c£20k in its website over the past 12 months. This has resulted in a user-friendly website that clearly outlines the pricing structure for letting rooms in the Town Hall
- ▶ We reviewed 10 event bookings at the Town Hall for 2022/23 and noted that in all instances the customer had been billed accurately on Agresso, invoices were approved appropriately and customers had paid invoices in a timely manner. In the three instances where the customer had not paid the invoice by the due date, they had been issued reminder letters at the appropriate intervals
- ▶ Oversight mechanisms for monitoring the income generation plans for the ODS and OCHL were appropriate with the Shareholder & Joint Venture Group dedicating sufficient resource to monitoring the financial performance and the dividend payments regularly. Furthermore, the Head of Financial Services meets monthly with the ODS Finance Director and the OCHL Strategic Finance Manager to discuss performance. ODS has recently declared a dividend payment to the Council of £600k dividend for 2020/21 and will declare a further dividend for 2021/22 when its accounts have been audited, subject to meeting profit targets.


AREAS OF
CONCERN

We found:

- ▶ We identified instances where tenants were undercharged rent for the use of commercial properties, partly due to the Property & Asset Management team not completing a Change Note in full which resulted in a delay in collection of £1.1m of income, but the invoice has been subsequently paid. In a separate instance, the Income team incorrectly suspended a rent subscription resulting in a customer not being billed for two consecutive quarters, for £558k which has not yet been paid to the Council but the Income team and Property & Asset Management Team are actively chasing the customer (Finding 1 - High)

- ▶ Uniform, the asset management system, and Agresso, the accounting system are not reconciled increasing the risk of inaccurate billing, as identified in Finding 1, not being identified (Finding 2 - High)
- ▶ There was not a proactive approach towards recovering overdue rent from customers, driven in some instances by inactivity from the Property & Asset Management team and a failure to respond to queries made to it by the Income team. Furthermore, there were five instances identified in our testing of 40 commercial properties where the tenant had not paid consecutive invoices, some dating back to 2020, and significant arrears had been built up, although this has also been impacted by the Commercial Rent (Coronavirus) Act 2022. Yet, from the Customer Notes on the Arrears spreadsheet, it was unclear that there had been activity undertaken to reduce the arrears or remove the tenant (Finding 3 - High)
- ▶ The Change Note process for communicating amendments to billing amounts, frequency or tenants is susceptible to human error as, where there is a stepped rent agreement it is reliant on the Income team remembering to increase the billing. Also, the Income team and Property & Asset Management team use different property identification numbers which increases the risk of the incorrect property being billed (Finding 4 - Medium)
- ▶ The Property & Asset Management team did not always complete Change Notes in sufficient detail, resulting in them being returned by the Income team and delays and/or incorrect billing to customers (Finding 5 - Medium).



CONCLUSION

Overall, we have provided Limited assurance on both the control design and effectiveness of the Council's income generation, mainly due to the High significance findings for the billing of commercial properties (NB we are aware that the Council has taken immediate action as a result of our findings to bill and recover lost income). Other key issues were identified over the Change Note process and the recovery of arrears from commercial properties.

Consistently poor communication was identified between the Property & Asset Management team and the Income team which occasionally resulted in rent not being billed and delayed recovery of income to the Council. We also noted that high arrears have built up on commercial properties over the pandemic, and the Income team are not being fully utilised to support the recovery process. This is partially due to queries raised by the Income team not being responded to in a timely manner or at all by the Property & Asset Management team.

Better arrangements were in place for income generation through the marketing and promotion of counter fraud services by the Investigations team and managing booking for the town hall. Furthermore, effective channels were in place to oversee the income generation plans for the Council's wholly-owned companies through the Shareholder & Joint Venture Group and monthly meetings between the Head of Financial Services and counterparts at the companies.

DETAILED FINDINGS

1 TENTANTS WERE UNDERBILLED DUE TO CHANGE NOTES NOT BEING COMPLETED

TOR Risk:	Commercial properties are not billed or are inaccurately billed leading to rent not being paid in a timely manner
Significance	 High

FINDING

The Council have a property portfolio of 215 commercial properties which are leased out to tenants who, in return, pay rent. The Property & Asset Management team negotiate leases and manage lease renewals with tenants, which includes setting the rent for the property. Leases are usually negotiated to cover a five- or 10-year period, with some historic leases lasting far longer. For 10-year leases, rent reviews are normally conducted after five years. Tenancy data, including the lease end date, the rent and the billing frequency is stored in Uniform, the asset management system. Bills are issued to tenants through Agresso, the finance system, by the Income team.

To inform the Income team of a new tenant, lease termination or a change in rent (following a rent review), the surveyor responsible for the property completes an Agresso Change Note. These are sent to the Property Information Officer who uploads the data into Uniform and then circulates the Change Note to the Income team. The Income team create or amend the customer account to set the amount that the tenant is billed and the billing frequency into Agresso, using the data provided on the Change Note. The Property & Asset Management team have self-service access to Agresso to review customer accounts but it is not a standard part of the process for them to review these to confirm the tenant is being billed correctly.

We reviewed 40 commercial properties selected from the asset database on Uniform to assess whether the tenant had been billed on Agresso in accordance with the lease agreement or any subsequent rent review memorandums. We identified four instances where there were issues with the billing. These were due to Change Notes not being received following rent reviews for changes to the lease agreement, Change Notes not being administered or subscriptions being suspended on Agresso. The details of these cases were:

UPRN	Customer ID	Issue/Finding
11100278	36806716	<p>A Deed of Variation was agreed with the tenant in February 2021 to set the rent at the initial rate of £500.4k plus an additional rent at a stepped decrease over the following five years. The additional rent was £1,008,000 in 2021/22, £633k in 2022/23 and £625k per annum between 2023-2026. So, for example, total rent for 2022/23 should be £1,133,400.</p> <p>The Property & Asset Management team issued a Change Note to the Income team in February 2021 detailing the additional rent but the Change Note details on the supplier were incomplete and so was returned in May 2021 with a request for further information to be completed on the form. A second Change Note for an amendment to income was then sent to the Income team in</p>

		<p>August 2021 (3 months later) which specified that the annualised rent of £500.4k for the property should be charged quarterly.</p> <p>Therefore, the Council failed to bill additional rent of £833k for 2021/22 and £317k for Q1 and Q2 of 2022/23 due to the Income team not being informed of the increase in rent. We understand that a Change Note was subsequently completed on 2 August 2022, following our finding of the variance, and that the additional rent from 2021/22 and the first two quarters of 2022/23 has been charged to the tenant. The Council have now received payment for the additional rent.</p>
11100263	36806929	<p>The tenant is billed £279.25k per quarter for rent. However, the rent subscription was suspended on Agresso for no apparent reason by the Income team and so the customer was not billed for Q1 or Q2 of 2022/23. We raised this issue to the Income team who have subsequently raised an invoice for £558.5k for these two quarters on 5 August 2022. Payment has not yet been received for this but the Council are actively chasing the customer for the debt</p>
11100144	36800994	<p>The Lease Agreement states that the annual rent charge to the tenant should be £25k. However, the tenant was billed annualised rent of £17k. Therefore, the tenant was billed £8k less than they should have been. A Change Note was sent to the Income team in 2016 for the rent uplift but it appears it was missed and has not been enacted in Agresso. Furthermore the Income team did not have a copy of the Change Note retained on its records. The Income team have since billed the tenant and the Property & Asset Management team will agree a payment plan with the tenant to recover the amount.</p>
11100188	N/A	<p>The Lease Agreement, signed in 1956, sets rent at £65 per annum. However, the tenant has not been set up as a customer on Agresso and has not been billed any rent for the property resulting in an underbilling of approximately £4,290. This has been charged to the tenant but not yet been paid so will be escalated through the monthly Income team and Property & Asset Management team meetings if it falls overdue.</p>

Inadequate communication between the Property & Asset Management team and the Income team could lead to significant losses in income owed to the Council.



RECOMMENDATION

- a. A spreadsheet/database should be set up between the Property & Asset Management team and the Income team with the following details:
 - The surveyor completing the change note should record the date that it was sent to the Property Information Officer

- The Property Information Officer should record the date that the change note was issued to the Income team
 - The Income Officer should record the date that the change note was received and actioned, emailing the Property Information Officer when it has been actioned
 - Once the email has been received, the surveyor should review the rent/billing details in Agresso and confirm that these align to the change in rent/new tenant, etc.
- b. At the monthly meetings between the Property & Asset Management team and the Income team, the spreadsheet/database should be reviewed to prompt action on any change notes that have not been actioned or where the surveyor has not confirmed that they have checked Agresso
 - c. The Property & Asset Management team and the Income team should complete an immediate reconciliation of the entire commercial property portfolio to confirm that rent is being charged/billed correctly for all commercial properties
 - d. We understand that the Council are considering procuring a new asset management system therefore, it should be investigated whether a new system could interface directly with Agresso to reconcile the rent billed to tenants with the property management database.



MANAGEMENT RESPONSE

- a. Agreed - a spreadsheet will be kept in a shared folder on the M Drive.
- b. Agreed
- c. Agreed - this is underway but is challenging due to the two separate systems. The Council is in the process of specifying requirements for an Asset Management system which included within the functionality will be the requirement for more automation of the change note process between the Assets team and the Income Team. This will significantly mitigate any reconciliation differences between the rent agreed and the rent charged.
- d. Agreed - this is underway as we are liaising with ICT re. interface.

Responsible Officer:	<ol style="list-style-type: none"> a. Chris Wood (Corporate Asset Manager) and Neil Markham (Income Team Leader) b. Chris Wood (Corporate Asset Manager) and Neil Markham (Income Team Leader) c. Emma Gubbins (Corporate Asset Lead) and Neil Markham (Income Team Leader) d. Emma Gubbins (Corporate Asset Lead) and Malcolm Peek (Property Services Manager)
Implementation Date:	<ol style="list-style-type: none"> a. 01/11/2022 b. 15/10/2022 - date of next meeting c. 01/11/2022 d. 01/01/2023

2 COMMERCIAL RENT CHARGES ARE NOT RECONCILED BETWEEN UNIFORM AND AGRASSO

TOR Risk:	Commercial rent charges are not reconciled between Agresso and the asset management system resulting in inaccurate billing to customers
Significance	 High

FINDING

The Property & Asset Management team use Uniform to record tenancy details. When a surveyor has completed a lease negotiation or renewal they will issue a Change Note to the Property Information Officer who then circulates it to other departments, including the Income team. They will also update Uniform with any changes to rent or the lease period. All commercial properties on Uniform have a unique property reference number (UPRN). The billing to tenants for rent is undertaken by the Income team on Agresso using the data provided on the Change Note. Each property on Agresso has an Agresso Property ID, which differs to the UPRN.

However, the Uniform database and Agresso are not reconciled regularly to verify that the income being billed to customers is consistent with the tenancy details recorded by the Property & Asset Management team on Uniform. Our review of 40 commercial properties (18.6% of the Council’s portfolio) identified that there were some properties where the amount of rent billed did not reconcile to the Uniform database of the rent that should have been charged (see Finding 1).

There is a risk that incorrect billing to tenants or tenants being billed for the incorrect property is not identified and addressed without regular reconciliations between Uniform and Agresso.

RECOMMENDATION

In accordance with Recommendations 1c and 1d an immediate reconciliation should be completed between Uniform and Agresso and stored in shared folder between the Property & Asset Management team and the Income team. At a minimum the information that should be reconciled is:

- Pre-VAT annualised rent charge to the tenant
- Periodic (ie monthly, quarterly, half-yearly or annually) bill charged to the tenant depending on the lease agreement
- Frequency of billing per Agresso and Uniform
- Tenant/customer for each property.

The Property & Asset Management team and the Income team should then undertake a quarterly check between subscriptions on Agresso and the asset management database prior to billing to identify any variances between the two systems which should be amended as identified.

MANAGEMENT RESPONSE

Agreed and this is underway but challenging due to separate systems. As above the specification for the new Assets system should include sufficient automation to mitigate the potential for differences between rent agreed and rent charged.

Responsible Officer:	Emma Gubbins (Corporate Asset Lead) and Neil Markham (Income Team Leader)
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Implementation Date: 01/11/2022

3 RENT ARREARS WERE NOT RECOVERED IN A TIMELY MANNER DUE TO RESPONSES/INSTRUCTIONS ON RECOVERY NOT BEING SENT TO THE INCOME TEAM

TOR Risk:	Arrears, for rent and other income sources, are not recovered using the Council's debt recovery procedures and/or in a timely manner	
Significance		High

 **FINDING**

This has been reported in a separate confidential report due to the content containing sensitive commercial data.

4 THE CHANGE NOTE PROCESS CURRENTLY USED IS SUSCEPTIBLE TO HUMAN ERROR

TOR Risk:	Commercial properties are not billed or are inaccurately billed leading to rent not being paid in a timely manner
Significance	 Medium

FINDING

New tenants, amendments to rent and termination/cessation of leases are notified to the Income team via Change Notes from the Property & Asset Management team. For example, where there is a rent review on a Lease Agreement resulting in an increase or decrease in rent charged to the tenant a Change Note is sent to the Income team detailing the new rent amount and the date from which the rent increase/decrease is to be applied from, as well as other tenant details.

Whilst we understand the Change Note process has been in place for a number of years to communicate rent changes, we noted several issues which are susceptible to human error that could increase the risk of incorrect rent being billed and/or the tenants being billed for the incorrect property. These were:

- When a stepped rent is negotiated in a lease with a tenant, the Property & Asset Management team issue a single Change Note at the start of the lease period to the Income team showing the annual increases in future years. However, Agresso does not have the facility for the Income team to input future billing amounts to commence from a certain date and they are therefore reliant on remembering to increase the billing charge at the specified intervals. The Property & Asset Management team used to send separate change notes at each interval to inform the Income team of the stepped rent increase but this procedure no longer exists. The Income team do maintain a spreadsheet of all change notes that require future stepped increases in rent
- The Income team and the Property & Asset Management team use different reference numbers for properties which could cause tenants to be billed for the wrong property when the Income team receive a Change Note. The Property & Asset Management team use the unique property reference number (UPRN) from Uniform whereas the Income team use the Agresso Property ID. Furthermore, we were informed that the Agresso Property ID section on change notes are often not completed by the Property & Asset Management team, which we noted on our testing of 40 commercial properties.

All Change Notes are reviewed and authorised by the Income Team Leader to ensure the rent calculations are correct, particularly where there is a mid-period changeover in tenancy and therefore the rent needs to be apportioned. However, this control would not necessarily prevent either of the issues identified above. Furthermore, as reconciliations between Agresso and Uniform are not completed (see Finding 2) it is unlikely that incorrect billing would be identified unless the tenant were to raise it to the Council when billed.

If Change Note processes are inadequate and are not followed, this could result in tenants not being billed correctly or stepped rent increases not being implemented, resulting in underpayments to the Council.

RECOMMENDATION

- a. The Property & Asset Management team should set rent review reminders into Uniform for stepped increases in rent so that, when the rent review report is run this will identify

all tenancies where the rent should be increased. The Property & Asset Management team should then contact the Income team to remind them to implement the stepped rent increase in the billing

b. A central database should be collated between the Property & Asset Management team and the Income team to reconcile each property UPRN to the Agresso Property ID. The Property & Asset Management team should refer to this database when completing a Change Note to ensure the Agresso Property ID is quoted on the document. Any future properties added to the Council’s portfolio should be included on the spreadsheet with the UPRN and Agresso Property ID.

 MANAGEMENT RESPONSE

- a. Agreed - the reporting system in uniform is not ideal for this but it will form part of the new Asset Management System requirements.
- b. Agreed. This will require support from ICT.

Responsible Officer:	<ul style="list-style-type: none"> a. Emma Gubbins (Corporate Asset Lead) b. Chris Wood (Corporate Asset Manager) and Neil Markham (Income Team Leader)
Implementation Date:	<ul style="list-style-type: none"> a. 01/01/2023 b. 01/01/2023

5 CHANGE NOTES WERE NOT COMPLETED WITH ALL RELEVANT DETAILS

TOR Risk:	Commercial properties are not billed or are inaccurately billed leading to rent not being paid in a timely manner
Significance	 Medium

FINDING

The Agresso Change Note templates are used by the Commercial Property team to inform the Income team of a change in rent for an existing tenant, for a new tenant or for the cessation of a lease with a tenant. The Change Notes are bespoke dependent on what change is being requested but it generally includes:

- Surveyor name
- Description of event, ie. lease in/out/increase
- Company coming in/out and their address and billing address
- Agresso property reference
- Uniform property reference
- Property address
- Annualised rent charge
- Cost centre to allocate income to
- Frequency of billing, ie. annually, half-yearly, quarterly or monthly and in advance or arrears
- Date to commence/cease billing from.

However, we were informed by the Income team that these are often not completed accurately with sufficient detail and therefore, have to be sent back to the Commercial Property team before the information can be updated on Agresso. The Income team maintain a log of all change notes received from the Property & Asset Management team with a column for any queries raised and dates that they were made. We reviewed the Change Note Logging Sheet at 25 July 2022 and noted that there were five outstanding queries sent to the Property & Management team raised between January and March 2022. Furthermore, a log is retained within the Income team showing the email queries and change note queries raised by them to the Property & Asset Management team.

We reviewed 40 commercial properties to assess whether change notes were completed correctly with sufficient information, where required. We found:

- There was one instance (UPRN: 11100262) where a Deed of Variation was agreed with the tenant for a rent increase however, the customer notes on the Arrears Log states that the tenant's new billing address was not recorded correctly on the Change Note and therefore, the customer did not receive their invoice. This led to the customer falling into arrears for one quarter's rent
- There was another instance (UPRN: 11100130) where the section on the Change Note stating whether VAT is applicable to the rent was not completed by the Property & Asset Management team. Subsequently, VAT was not charged on the rent
- For one property, referenced in Finding 1, where additional rent was to be charged following a Deed of Variation (UPRN: 11100278) the initial change note in February 2021 for the additional rent did not specify whether the tenant was a new or existing customer, the UPRN or Agresso Property ID, the existing net annual rent charge or Agresso customer reference. As a result the Income team had to request further information from the Property & Asset Management team in May 2021. A separate Change Note for a new tenant was sent to the Income team in August 2021 which referenced the rent as £500.4k without mentioning the additional rent

leading to confusion from the Income team and the tenant not being charged the additional rent.

There is a risk that tenants are not billed correctly if change notes are not completed appropriately, with information provided for all relevant sections of the Change Note.



RECOMMENDATION

- a. The Income team should hold a training session for all officers in the Property & Asset Management team to outline the expectations and requirements for the completion of change notes. This training session should be recorded so that any new officers joining the team can refer to it at a later date
- b. The Income team should create a Change Note guidance document to share with the Property & Asset Management team. This should signpost what information should be completed in each section and where the data can be obtained from. For example, the Agresso Property ID will be available from the central database of commercial properties (see Recommendation 3b)
- c. Following the training session, the Income team should monitor the quality of completion of change notes and report back to the Corporate Asset Manager and the Senior Estates Surveyor at the monthly meeting, identifying areas that are completed poorly or not at all.



MANAGEMENT RESPONSE

- a. Change notes inform other teams within the Council. Suggest Corporate Assets runs a training session for newer members of the team.
- b. To be produced by Corporate Assets with input from Incomes.
- c. Agreed but ideally any inconsistencies would be flagged upon receipt.

Responsible Officer:	<ul style="list-style-type: none"> a. Chris Wood (Corporate Asset Manager) b. Chris Wood (Corporate Asset Manager) c. Chris Wood (Corporate Asset Manager) and Neil Markham (Income Team Leader)
Implementation Date:	<ul style="list-style-type: none"> a. 31/12/2022 b. 31/12/2022 c. Date of next meeting

6 THE TOWN HALL LETTING TEAM'S KPIS WERE NOT SMART

TOR Risk:	Income opportunities in service areas such as Investigations and Town Hall Lettings are not identified and plans are not developed to generate additional income through these sources
Significance	 Low

FINDING

The Council's Town Hall, located in the city centre, is used by the Council for meetings. However, it is also booked out to customers who can rent out the rooms for office space or events. There are 13 commercial function rooms available for hire for weddings, awards ceremonies, conferences, parties, dinners, away days, etc. Rooms are hired out at an hourly rate dependent on the size but the Sales team have the authority to offer discounts or promotional prices to customers. Rooms are booked on a first-come-first-served basis. For Fridays and Saturdays the minimum spend is £2.5k and there are no wedding ceremonies booked after 3pm. There is part of the building that is leased to Oxford Innovations until 2025 with an agreement of a 50% profit share with the Council. Additionally, the Council receive 10% of profits from the café in the Town Hall.

The Town Hall team have a Sales & Marketing Plan 2022/23 which outlines its financial targets and KPIs. The overall revenue target for 2022/23 for the Town Hall team is £808k. This has been reduced by £250k from £1.058m due to the uncertainty around Covid restrictions in Q1 leading to a loss in bookings. However, the target will be reset to £1.058m in 2023/24 and then remain stable for the next few years. Additionally, there are five KPIs that the team is monitored against covering both financial and operational performance.

However, we noted that these targets were not SMART (specific, measurable, achievable, realistic, time-bound). For example, the 'Customer Feedback' target 'to achieve a high percentage and positive reviews' does not explain what would be considered a high percentage and where the customer feedback will be collected from, ie. the Survey Monkey results, online feedback or direct contact from customer

Vague performance targets could lead to difficulties in monitoring performance, which could have a knock-on effect on the quality of service provided to customers and therefore income generation if sales are not achieved.

RECOMMENDATION

The Commercial Manager should, with agreement from the management team, revise the KPIs in the Sales & Marketing Plan to ensure they are SMART. These should then be monitored through the monthly Head of Service reports on CorVu.

MANAGEMENT RESPONSE

New performance targets to be created and monitored on a monthly basis.

Responsible Officer:	David Hunt (Commercial Manager)
Implementation Date:	31/12/2022

7 WEBSITE USAGE DATA IS NOT UTILISED BY THE TOWN HALL LETTINGS TEAM TO GENERATE HIGHER SALES

TOR Risk:	Income opportunities in service areas such as Investigations and Town Hall Lettings are not identified and plans are not developed to generate additional income through these sources
Significance	 Low

FINDING

The Council have developed a separate website for Town Hall Lettings to advertise the venues and promote sales to customers. In 2021/22 it invested £20k to improve the functionality of the website to make it more user-friendly, including setting out a clear price schedule for customers on the costs of its rooms. The annual marketing budget for the Town Hall team is £20k, therefore, it was a clear focus in 2021/22 as a way of generating more sales and income.

We were informed by the Commercial Manager that the website receives c5k views per month. However, the Town Hall team have limited use of the data output from the website. For example, it has not investigated whether it is possible to review the conversion rates from views to enquiries.

The lack of data around conversion from enquiries to bookings limits the Town Hall team's understanding of which events are more popular amongst customers or which events convert views into booking more often. This information could help tailor the Sales & Marketing Plan to deliver more tactical advertising/marketing on certain events that are viewed more often or where views are converted into bookings.

The Council is looking to revamp its website, with the project commencing in 2023. As part of the implementation the Council should seek to exploit the use of the updated website to ensure increased efficiency when undertaking Town Hall bookings.

RECOMMENDATION

The Town Hall team should liaise with the IT team and the Business Improvement team to explore the potential data outputs that can be obtained from the website, for example:

- Conversion rate of webpage views to enquiries/bookings
- Regularly visited pages on the website
- Enquiry type, ie. for business events, weddings, etc.
- Enquiries to sales rate including objection handling.

If this data can be extracted, the Commercial Manager should review it monthly to support the Council's marketing strategy.

MANAGEMENT RESPONSE

1. Improving booking process records to capture enquiry date
2. Reports to show details of enquiry through to sale or rejection.

Responsible Officer:	David Hunt (Commercial Manager)
Implementation Date:	31/12/2022

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



KEY RISKS

Based upon the risk assessment undertaken during the development of the internal audit operational plan, through discussions with management, and our collective audit knowledge and understanding the potential key risks associated with the area under review are:

- ▶ Commercial properties are not billed or are inaccurately billed leading to rent not being paid in a timely manner
- ▶ Commercial rent charges are not reconciled between Agresso and the asset management system resulting in inaccurate billing to customers
- ▶ Arrears, for rent and other income sources, are not recovered using the Council's debt recovery procedures and/or in a timely manner
- ▶ Business cases developed and agreed for new projects do not consider the 'invest to save' opportunities and/or do not outline these opportunities in detail
- ▶ Income opportunities in service areas such as Investigations and Town Hall Lettings are not identified and plans are not developed to generate additional income through these sources
- ▶ There is inadequate oversight of income generation arrangements at the Council's trading companies, ODS and Oxford City Housing Ltd (OCHL) leading to reduced dividends.



SCOPE & APPROACH

The following areas will be covered as part of this review:

- ▶ We will review a sample of 40 commercial rent accounts to assess whether customers have been billed accurately and in a timely manner
- ▶ We will review reconciliations between Agresso and the property management system to confirm that these are completed and reviewed in a timely manner
- ▶ We will review a sample of 10 arrears to assess whether adequate actions are taken to recover the monies owed to the Council in a timely manner
- ▶ We will review a sample of business cases to assess whether there is adequate consideration of the 'invest to save' principle
- ▶ We will enquire and review arrangements for income generation through the Investigations and Town Hall Lettings services
- ▶ We will enquire about the arrangements in place to oversee ODS's and OCHL's income generation arrangements, particularly in relation to commercial opportunities, through formal channels.

The scope of the review is limited to the areas documented under the scope and approach. All other areas are considered outside of the scope of this review. However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit.

We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

In delivering this review BDO may need to observe and test confidential or personal identifiable data to ascertain the effective operation of controls in place. The organisation shall only provide the Shared Personal Data to BDO

using secure methods as agreed between the parties. BDO will utilise the data in line with the General Data Protection Regulations 2016 (GDPR) and the Data Protection Act 1998, and shall only share Personal Data on an anonymised basis and only where necessary.

FOR MORE INFORMATION:

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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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