

INTERNAL AUDIT PROGRESS REPORT

Oxford City Council

April 2023



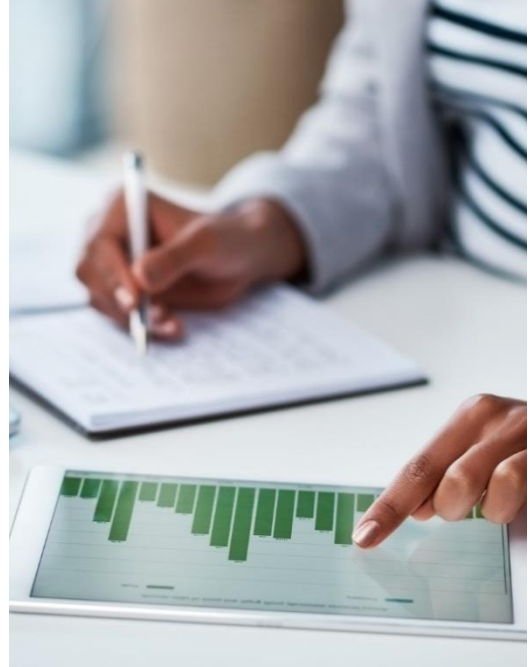
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SUMMARY OF APRIL 2023 WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2022/2023 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.

APRIL 2023 INTERNAL AUDIT PLAN

We are now making good progress in the delivery of the April 2023 audit plan, and we are pleased to present the following reports to this Audit Committee meeting:

- ▶ Change Programme
- ▶ Enforcement Restructure
- ▶ Cyber Security (to be presented separately in a confidential session)
- ▶ Housing Rents
- ▶ Follow-up Report.

Fieldwork is underway in respect of the following audits which we anticipate will be presented at the next Audit Committee meeting:

- ▶ Planned Maintenance and Refurbishment
- ▶ Contract Management & Procurement.

CHANGES TO INTERNAL AUDIT PLAN

Community Strategy - We will not be undertaking the Community Strategy audit review as the Council have undergone developments within this area and the scope of the audit work will duplicate the work currently being undertaken.

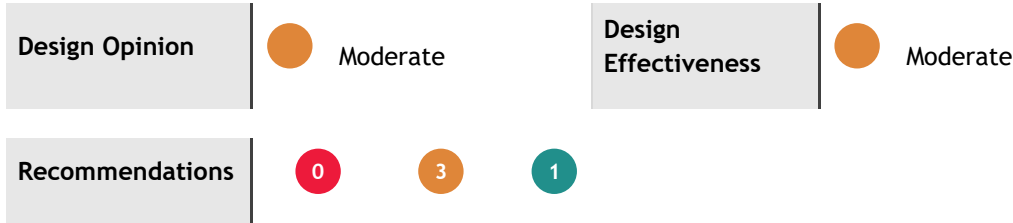
REVIEW OF APRIL 2023 WORK

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



CHANGE PROGRAMME

CRR REFERENCE: ENABLE AN INCLUSIVE ECONOMY



SCOPE

BACKGROUND

- ▶ The impacts of the pandemic on the local economy and Oxford City Council (the Council) itself continue to be extremely challenging. The Council has seen a sharp increase in expenditure to support those in need, together with a second year of reduced revenues from its core income streams. Income this year is expected to be £500,000 below normal from the Council's leisure centres, £250,000 lower from town hall room hire, £1.5 million down from car parks and £3.74 million less in rents from commercial premises. Earnings from the Council's wholly owned companies Oxford Direct Services Ltd (ODS) and Oxford City Housing Ltd (OCHL) have also been impacted by difficult trading conditions over the course of the pandemic.
- ▶ The total financial impact of COVID-19 on Oxford City Council over the period 2020-2026 is forecast to be £23 million. To date, the Government has provided around £11 million of financial support to the Council in respect of its day-to-day service delivery. A further £4 million has been provided by Government to support the provision of additional measures to support residents and businesses impacted by the pandemic. As a result of the funding shortfall, the Council has had to draw on £11.3 million of its £22 million of accessible reserves, and it is now reviewing all key income streams to take a prudent assumption on the future impact of COVID 19.
- ▶ The Council has identified proposals to reduce expenditure, increase income and transform its services to deliver efficiencies. In total, efficiencies of £16.1 million are planned in the Medium Term Financial Strategy (MTFS) between 2022-2026. Actions will include reducing office space and supporting remote working to enable the letting of two floors of the Council's offices at St Aldates Chambers; provide more digitalisation of the Council's services and going cashless, reviewing ICT data storage and software licences, and delivering efficiencies in the homelessness service as a result of countywide changes to provision.
- ▶ Six work streams have been set up, each with a different delivery lead, strategic lead (Head of Service) and programme manager. These are: people plan, flexible working, business intelligence unit, digital and technology, customer experience and integrated financial and service planning. A Change Team has been developed from June 2022, with reporting of the progress of the programme into the Corporate Management team (CMT) and the Organisational Change Board (Change Board).

AREAS REVIEWED

- ▶ We reviewed the Fit for the Future Programme portfolio structure and governance document to assess if governance structures were adequate to oversee the change programme and escalate any issues

- ▶ We reviewed the CMT and Change Board agenda items and action log to assess whether there was adequate oversight of the change programme
- ▶ We reviewed the benefit tracker to assess whether there were efficiency targets for each workstream and projects
- ▶ We reviewed three projects within the Fit for the Future Programme to assess whether financial savings were addressed in the business case proposal and efficiency targets
- ▶ We reviewed workstream programmes and enquired to the Senior Business Analyst about setting and monitoring of key performance indicators (KPIs) at a local and corporate level
- ▶ We interviewed four change agents to assess whether adequate communication and consultation has been undertaken with staff to ascertain the appetite/readiness for change
- ▶ We reviewed the May 2022 pulse survey results to assess whether action has been taken to address areas of weakness
- ▶ We reviewed the risk management for each workstream and the Fit for the Future Programme Risk Register to verify whether risks were effectively identified, monitored and managed.



AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ The Council have an effective governance structure for the Fit for the Future Programme which is outlined in its governing document. These were shared with the Change Board in June 2022 and are accessible to staff via the intranet
- ▶ Risk registers were retained and owned by the Strategic Lead for each workstream identifying the impact and likelihood on a range of risks. These risk registers were used as live documents as projects developed. Additionally, there was a separate Risk Register for the entire Fit for the Future Programme using Smartsheets which is monitored by the Change Board quarterly
- ▶ The Council use the Smartsheet System which automatically issues reminder emails to action owners to review and update risk registers periodically
- ▶ Pulse surveys have been conducted every six months, which have received positive engagement from staff, to provide an insight on staff morale, including the leadership and communication from management. The survey results were reported to CMT and the Organisational Delivery Group to ensure there was adequate oversight of the impact of change on staff from senior management. Actions have been identified to improve staff morale and have been published on the Council's intranet page. The most recent survey was completed February 2023.




AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
Finding 1 - Medium Critical success measures were not established for all workstreams and were not reported to the Change Board and CMT.	a) Critical success measures should be developed for each workstream by the workstream lead to monitor the effectiveness of projects in delivering efficiencies and financial savings. These critical success measures should be SMART b) The critical success measures from each workstream should be reported to the Change Board quarterly to oversee the impact of project on the overarching critical success measures and escalate any issues where projects benefits have not materialised as expected. <u>Management Response</u>	Helen Bishop	31 July 2023

	Agreed		
<p>Finding 2 - Medium</p> <p>The Change Board meetings were not minuted and actions agreed at the Change Board were not followed up to completion.</p>	<p>The Action Log for the Change Board should be amended to include revised implementation dates when actions have not been completed by their due date, explanations where actions are overdue and the actual completion dates of ongoing actions.</p> <p><u>Management Response</u> Agreed</p>	Tim Martin	30 April 2023
<p>Finding 3 - Medium</p> <p>The Change Agents were unclear on their roles and responsibilities, and Change Agents did not meet regularly to share ideas and communicate feedback from staff.</p>	<p>a. The Change Board should liaise with Change Agents to identify further training opportunities and/or guidance on their roles and responsibilities, including expectations around time that they should commit to the role. This should be undertaken after it has been agreed on how Change Agents will be deployed on projects</p> <p>b. The Change Team should consider whether to introduce additional meetings for Change Agents as a cohort. The agenda for the meetings should include:</p> <ul style="list-style-type: none"> • Best practice on promoting change across the organisation • Feedback from staff on the impact of change • Staff morale and potential concerns. <p>c. Following the change in role of the Change Agents, they should be invited onto the relevant project boards or similar to raise any issues and feedback from across the organisation.</p> <p><u>Management Response</u> Agreed</p>	Helen Bishop	30 September 2023
<p>Finding 4 - Low</p> <p>The Benefits Tracker did not provide a clear breakdown of the efficiency savings by each workstream as a contribution towards the overall Fit for the Future Programme. Additionally, comments from the Change Board were not recorded on the Benefits Tracker</p>	<p>a. Financial savings and efficiency targets should be recorded for each project, where applicable, on the Benefits Tracker, showing the contribution of savings towards the workstreams and the Fit for the Future Programme. We would expect that for projects that have been developed to achieve financial savings, the following information would be reported to the Change Board:</p> <ul style="list-style-type: none"> • Target Completion Date • RAG Status of each saving/efficiency to identify whether it is on target • Updates on the progress/implementation of the project • Financial efficiencies obtained from the project compared to the business case • Details of non-financial efficiencies from the project. 	Tim Martin	31 July 2023

		<p>The financial savings from each work stream should be calculated and reported to the Change Board to identify whether the workstreams are meeting the savings targets.</p> <p><u>Management Response</u> Agreed</p>			
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CONCLUSION

Overall, the Council have moderate controls in place for the management of its Change Programme.

The Council demonstrated good governance for the Fit for the Purpose Programme, with oversight routes for projects, workstreams and the overall programme. However, records of Change Board meetings, performance reporting and the overview of financial savings from projects could be formalised.

Additionally, while Change Agents have been recruited throughout the Council, Change Agents did not understand fully their roles and responsibilities and platforms were not in place to share best practice for promoting change in the Council. However, the Council has undertaken pulse surveys to assess the morale within the organisation. This leads us to conclude that control effectiveness was also Moderate.

ENFORCEMENT RESTRUCTURE

BAF REFERENCE: SUPPORTING THRIVING COMMUNITIES




SCOPE

BACKGROUND

- ▶ Local authorities have responsibility for undertaking enforcement action in the public interest for areas such as: licensing, planning and environmental activities. These include issuing warnings, fines and formal notices or prosecution.
- ▶ Oxford City Council’s (the Council) Enforcement Policy from March 2019 sets out five principles towards its enforcement activity:
 - i. Proportionate - the Council’s core duty is to protect the public and safeguard children and vulnerable adults from harm. The enforcement activities will reflect the level of risk to the public and enforcement action taken will correspond to the seriousness of the offence.
 - ii. Accountable - the way the Council carries out enforcement activities will be open to public scrutiny, with clear and accessible policies, and fair and efficient complaints procedures. The Council will use enforcement activity to assist businesses and others in meeting their legal obligations without unnecessary expense and to support economic growth
 - iii. Consistent - the Council will enforce the law in a fair, equitable and consistent manner with a view to maintaining public support for the Council’s regulatory role.
 - iv. Transparent - the Council will ensure that their advice to those they regulate is clear and reliable to help them understand their legal obligations and the Council will seek to raise awareness about what is expected of them and the need to comply.
 - v. Targeted - the Council will seek to change the behaviour of the offender and eliminate any financial gain or benefit from non-compliance where practicable. The Council’s resources will be focussed on higher risk enterprises and activities, reflecting local need and national and corporate priorities.
- ▶ The Enforcement restructure, in 2019, involved combining two departments of Community Safety and Regulatory Services under one Head of Service, whose responsibilities increased from three teams to eight. Prior to 2014, Regulatory Services, Community Safety and Environmental Services were all in the same team, therefore, to create efficiencies within enforcement it was deemed appropriate to combine these departments.

AREAS REVIEWED

- ▶ We reviewed the governance arrangements to assess whether there are clear and robust reporting channels. We reviewed the process to identify income generation and how successful this has been.
- ▶ We reviewed the overarching corporate level KPI and two service level KPIs for accuracy and reporting against source data.

- ▶ We interviewed the Head of Regulatory Services and Community Safety, and a Team Manager to establish whether efficiencies and process improvements have been identified with the restructure.



AREAS OF STRENGTH

- ▶ There is a Council Corporate Enforcement Policy 2019, which has Cabinet approval. This is scheduled for review at the June 2023 Cabinet meeting. In addition there is the Oxford Safer Communities Partnership rolling plan 2022-23, and a Regulatory Services & Community Safety Service Plan 2022-23, in place. These documents define the role and purpose of both Regulatory Services and Community Safety (RSCS).
- ▶ Information regarding these functions is also available to the public via the Council's website.
- ▶ The RSCS function reports into the Executive Director of People & Communications. The Head of RSCS meets with the Director monthly for Service team meetings, and receives appropriate support.
- ▶ There is not a separate plan regarding income generation, as it forms part of business as usual activities. Where there are objectives that are linked to savings or a significant opportunity there is visibility and monitoring at a Board level for example, for the financial year 2022-23 the Council have introduced the Selective Licensing initiative. In January 2023 the income was reported as £492K.
- ▶ Monthly meetings with Finance Business Partners are held, so the budget and RSCS income generation targets are monitored regularly.
- ▶ The RSCS values in 2022-23 have been demonstrated by:
 - Pooling & sharing of expertise that build capacity
 - Better joint working particularly around hand off points
 - Consistency of approach to enforcement
 - Problem solving using each other's powers for the best solution
 - Financial cross subsidy
 - Intelligence sharing has been facilitated; and
 - Increased size and focus has ensured regulatory activity is at the right tier of decision making so the service can be heard.
- ▶ Outcomes and efficiencies are monitored through the Service Area KPI's and targets for example; number of cases in the private rented sector where homelessness was prevented following intervention by the Tenancy Relations Officer; and Jobs contributing Improving Client Safety/Reduction in Likelihood of Falls. Please see finding 2 for more information.
- ▶ The restructure occurred in 2019, and appears to be working. However, we have raised an observation regarding an inconsistency in reporting structures. The Community Safety Service contains four teams who report into a Service Manager. However, the head count within the Regulatory Services is greater, and the Team Managers report directly to the Head of Service rather than a Service Manager.



AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
<p>Finding 1 - Low</p> <p>There is a corporate level KPI, regarding affordable housing documented in the Council’s Regulatory Services & Community Safety Service Plan 2022-23. This is a complex KPI, where only one person has the understanding and instructions to complete the calculation, potentially creating a single source of failure risk. Mitigating actions against this risk should be taken; by sharing the local procedures and training another person to calculate the KPI.</p>	<p>a) The corporate KPI procedures should be updated to reflect the current target, then shared with relevant members of the team.</p> <p>b) Other team members should be trained to run the relevant reports and calculate the KPI.</p> <p><u>Management Response</u> Agree with the recommendation. The procedures will be updated and made available and three other officers will be trained so the KPI can be updated as required.</p>	Ian Wright	30 April 2023
<p>Finding 2 - Medium</p> <p>Team service level KPIs are monitored and reported via Smartsheet. The information includes a year-end target, actual and target for the reporting period in a RAG status. The information could be enhanced for decision making by including the year-to date figures. In addition reporting errors were identified in the December 2022 Smartsheet.</p>	<p>To assist informed operational decisions the Regulatory Services & Community Safety service KPIs Smartsheet report should be verified to ensure that it holds the correct data. In addition including an ‘actual year to date’ column will establish how close the KPI is to achieving its annual target; which can then be monitored throughout the year.</p> <p><u>Management Response</u> Agree with the recommendation. The data issue will be raised at the next service management meeting and the monthly reviews will be used to check the data for each KPI. A request has been submitted to amend the Smartsheet as recommended.</p>	Ian Wright	30 April 2023



CONCLUSION

There is a good understanding of statutory duties and responsibilities in the Regulatory Services & Community Safety team. The Corporate Enforcement Policy recognises that its regulatory services play an important role in ensuring a level playing field for business, fairness for all and in particular, protection of the vulnerable. There is a dedicated Head of Regulatory Services & Community Safety who engages regularly with senior team members.

Whilst the restructure is working well, the reporting structures are inconsistent between Regulatory Services and Community Safety. In addition, there are several KPIs being monitored and we identified minor weaknesses around the process, accuracy and value of the information produced to enable informed operational decisions.

Therefore, we have concluded substantial assurance for control design and moderate assurance over operational effectiveness.

HOUSING RENTS

STRATEGIC REFERENCE: DELIVER MORE AFFORDABLE HOUSING



SCOPE

BACKGROUND

The Housing and Homelessness Strategy 2018 - 21, was approved by Oxford City Council's (the Council) City Executive Board (CEB) and adopted in January 2018. The strategy sets out the Council's vision for housing and how the Council work in partnership to prevent and tackle homelessness and meet housing needs.

A mid-point review of the strategy and associated documents was carried out during 2019. As a result, the strategy Action Plan has been updated and refreshed to ensure that it is in line with the developments over the last year and sufficiently addresses future challenges.

As at January 2023, the Council managed 7832 houses, generating a total income in excess of £24 million from August 2022 to January 2023. The total arrears amounted to just over £1.93 million, out of which £1.55 million relate to current tenants and £380k to former tenants. The Council uses the QL - Areon Housing Management system to process and record rental transactions. The system holds all the information about the customer and is able to record payments to any rental account.

A number of significant issues arose from the QL implementation. As a result, the programme implementation is in a status of recovery. A review of the QL Housing System Programme Implementation has been undertaken by the Director of Housing in parallel with putting in place programme interventions to stabilise the programme and deal with immediate issues. The Council are heading towards a business-as-usual status with QL Areon and the Council have developed a series of planned actions, decisions, and recommendations to improve the progress of the project.

AREAS REVIEWED

The following areas were assessed as a part of this review:

- We reviewed a sample of housing rents received from 1 April 2022 to date and assessed whether rents were accurately collected from tenants and allocated to the correct rent account in a timely manner
- We reviewed a sample of refunds and write-offs and assessed whether there was adequate and appropriate documentation and authorisation for each transaction
- We reviewed whether reconciliations are undertaken between the Housing Management system and the financial system (Agresso), with timely action taken to address any issues identified
- We reviewed a sample of debts recovered from tenants and assessed whether there was a consistent approach to debt recovery with sufficient or appropriate actions undertaken to manage the debt in accordance with tenant's circumstances.
- We also reviewed whether the system access levels, and appropriate segregation of duties are in place to make amendments to residents' rent accounts and rent liabilities
- We assessed whether there is an adequate segregation of duties and supporting evidence when making amendments to the rentable value of a property

➤ We assessed the last three housing stock reconciliations undertaken to confirm the accuracy of data held and reviewed a sample of properties removed from the housing stock list to verify they are only removed by officers with appropriate level of authorisation.


AREAS OF STRENGTH

- We assessed a sample of 15 Housing rent accounts and noted that 14 of the rent accounts corresponding payments were allocated to the correct rent accounts and where the accounts fell into arrears these were adequately managed in line with Council policy
- We noted there is a robust escalation procedure in place when a tenant falls into rent arrears
- Five write off cases reviewed had appropriate supporting documentation, adequate reasons for sign off, and appropriate authorisation in place
- There was a segregation of duties for all five write-off samples which were raised and authorised by various staff members with adequate authority
- Adequate processes were in place for adjustments such as issuing refunds which were evidenced by relevant reasoning and appropriate authorisation
- Properties were removed and added to the Housing Stock register in a timely manner
- Amendments to rent accounts were made where there were instances of refunds and write offs only. We noted there were appropriate system access levels, and appropriate segregation of duties in place to make amendments to residents’ rent accounts and rent liabilities.

AREAS OF CONCERN

Finding	Summary of Recommendations	Owner	Due Date
<p>Finding 1 - Low</p> <p>There was no segregation of duties for the review and approval of clearing suspense accounts</p>	<p>There should be a segregation of duties between clearing the suspense account and its subsequent approval.</p> <p><u>Management Response</u> Agreed - We are aware of the risk and agree that an authorisation form will be in place to approve clearance of suspense accounts.</p>	Katie Ball	31 May 2023
<p>Finding 2 - Medium</p> <p>One tenancy account had a rent arrears value of £2729 however, due to an internal processing error the Council did not follow up on who was residing at the property post the death of the original tenant and subsequently failed to issue a contract to cover the dates for the above arrears. The arrears were subject to a write off.</p>	<p>The Council should ensure a robust policy is in place in cases of succession of tenancies, clear guidelines should be established on this including an inspection of the property should this fall in the above category.</p> <p><u>Management Response</u> Agreed - This recommendation sits with the Landlord Services, and they will update the policy to reflect such a case of succession.</p>	Bill Graves	31 July 2023
<p>Finding 3 - Low</p>	<p>The Council should ensure that a segregation of duties is in place for Housing Stock Reconciliations where there is a separate person authorising the reconciliation.</p>	Tracey Cheng	31 May 2023

	There was no evidence of approval for three Housing Stock Reconciliations.	<u>Management Response</u> Agreed - There will be a control in place to authorise the Housing Stock reconciliations, ensuring segregation of duties.		














CONCLUSION

Overall the Council has a sound system of controls to manage, process and collect housing rents from Council tenants. In addition, the Council has an adequate policy to manage rent arrears and collection of payments.

However, clarity is required on the succession of tenancy agreements where appropriate timeframes should be set to visit council properties on the death of a tenant, preventing write off of arrears. There should also be clarity on the segregation of duties for processes such as reconciliations and suspense account clearances.

We have therefore provided a Substantial Assurance on design and Moderate Assurance on its effectiveness.

KEY PERFORMANCE INDICATORS

QUALITY ASSURANCE	KPI	RAG RATING
High quality documents produced by the auditor that are clear and concise and contain all the information requested.	We have had five survey response in 2022/23 where the respondent 'Agreed' or 'Strongly Agreed' that the final report was clear and concise.	
Frequent communication to the customer on the latest mandatory audit standards and professional standards prescribed by the main accountancy bodies.	Sector updates were provided within the Audit Committee progress report and/or in appending reports.	
The auditor attends the necessary, meetings as agreed between the parties at the start of the contract	All meetings so far have been attended, including Audit Committee meetings, pre-Audit Committee, scoping meetings and meetings during audit fieldwork.	
Information is presented in the format requested by the customer.	No requests to change the BDO format.	
Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit.	We have received five survey responses for 2022/23 where we had an average score 4.3 for audit satisfaction. We will continue to issue surveys for each audit as it is finalised.	
External audit can rely on the work undertaken by internal audit (where planned)	To be clarified at year end once we have met with the new external auditors	
Positive result from any external review	In June 2021 an External Quality Assessment by the Institute of Internal Auditors reported that BDO LLP's Public Sector Internal Audit Team 'generally conforms' with the International Professional Practices Framework (IPPF) and the Public Sector Internal Audit Standards (PSIAS).	
	This is the highest of the three ratings categories.	
REPORTING ARRANGEMENTS	KPI	RAG RATING
Draft report to be produced 3 weeks after the end of the fieldwork	Draft reports have been produced within 3 weeks in the year to date.	
Management to respond to internal audit reports within 2 weeks	We have received management responses within 2 weeks for all audit reports so far in 2022/23, with exception to the Income Generation report which required cross-departmental responses, therefore, we set up a meeting with all stakeholders to obtain an agreed response.	
Final report to be produced 1 week after management responses	The final reports issued were released within one week of receipt of management comments for all reviews so far in 2022/23.	
90% recommendations to be accepted by management	All recommendations have been agreed with management prior to release of the final audit report and have been accepted in full.	

DELIVERY	KPI	RAG RATING
Annual Audit Plan delivered in line with timetable and Actual days are in accordance with Annual Audit Plan	Progress against the audit plan is reported at every Audit Committee, against original planned dates. All audits have been completed in line with the actual days agreed, with some dates moved back at the request of the Council.	G
At least 60% input from qualified staff	Audits undertaken in 2022/23 have been undertaken by qualified staff.	G

LOCAL GOVERNMENT SECTOR UPDATE

Our monthly public sector briefing summarises recent publication 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, non-executive directors and governors.

CIPFA TO LEAD REVIEWS OF COUNCIL FINANCES

The government has chosen CIPFA to look into select councils' finances and governance, to inform any intervention the government then decides to make.

The institute, along with Grant Thornton and the Good Governance Institute, will carry out “targeted external assurance reviews”, aiming to present a comprehensive picture of the challenges, risks and issues local authorities are facing.

These will include the impact of rising inflation, economic uncertainty, increased service demand and the continuing effects of Covid-19.

The evidence gathered will inform any further actions the Department for Levelling Up, Housing and Communities believes are necessary.

“Local authorities are no exception [to the pressures facing the entire public sector] and are facing some tough challenges as they continue to deliver their essential services in very difficult circumstances,” said CIPFA chief executive Rob Whiteman.

“I’m really pleased that CIPFA has been chosen as the lead reviewer, which is a testament to our expertise around financial management in local government.

“As ever, we remain committed to the public sector, and I hope that these reviews will bring about positive outcomes for those involved.”

A CIPFA spokesperson confirmed the programme is separate from the **recently announced discussions** set to take place between the institute and Warrington Borough Council, and that the list of authorities involved has yet to be announced by DLUHC.

“The financial sustainability of many councils remains precarious, and local leaders are facing myriad challenges, including double-figure inflation, rising interest rates and growing demand for services,” said Phillip Woolley, partner and head of public sector consulting at Grant Thornton.

<https://www.publicfinance.co.uk/news/2023/02/cipfa-lead-reviews-council-finances>

FOR INFORMATION

For the Audit Committee Members and Executive Directors



SOCIAL HOUSING PROBE LAUNCHED

MPs have opened an investigation into the financial pressures facing English social housing providers amid concerns over a crisis in the sector.

The Levelling Up, Housing and Communities Committee's inquiry will assess the financial health of providers, the impact of inflation on spending and the ability to meet government demands on housing numbers and home standards. Housing providers have been under the microscope in the past year over the poor condition of properties, including mould and leaks that have led to high-profile deaths and declining living standards.

Committee chair Clive Betts said: "The social housing sector is in crisis.

"The reality is that social landlords face a range of significant financial pressures, not least the urgent need to invest in improving homes, so they are not blighted by mould, damp, and leaks.

"The sector must also meet the pressing demands to build thousands of new homes for social rent, decarbonise the housing stock, and fix building safety defects.

"In the committee's inquiry, we want to understand the extent of these demands, the impact on the financial resilience of the social housing sector, and the support and resources needed to meet these challenges and ensure we have the supply of good quality social homes we need for the future."

MPs will also question whether the Regulator of Social Housing has the necessary resources and skills to effectively regulate an increasingly complex sector.

In December, the government announced that social housing providers' rent rises will be capped at 7% instead of by inflation in 2023-24, to help shield tenants from the cost-of-living crisis.

Council leaders warned the cap could cost local authorities more than £3bn over five years, and restrict investment in regeneration and the transition to net zero.

<https://www.publicfinance.co.uk/news/2023/03/social-housing-probe-launched>

FOR INFORMATION

Audit Committee, Executive Directors, and Non-Executive Directors

INDEPENDENT COMMISSIONER APPOINTED AT THURROCK

A new commissioner at Thurrock Council will help run the authority as it tries to recover from its high debt and failing commercial investments.

Levelling up minister Lee Rowley confirmed that David Smith, former chief executive of South Yorkshire Mayoral Combined Authority, has been appointed as a managing director commissioner.

Smith will fulfil the role of a chief executive for the authority, and will be responsible for its day-to-day operations until the council appoints a replacement, joining Essex County Council on the commissioning team.

Council leader Mark Coxshall said: "Dave brings with him great experience and expertise having held senior positions across a number of local authorities in England.

"I look forward to working hand in hand with him as we drive forward our recovery to ensure Thurrock Council has a future in which it is sustainable and is the best it can be."

Commissioners, the first of whom were appointed in September, will also have new powers over the scrutiny of council decisions; how services are designed and run; hiring and firing senior officers; overseeing an audit of the authority's governance; and the development of a senior management performance framework.

"Having carefully considered the best value inspection report, and the representations I have received about the intervention, I am satisfied that Thurrock Council is continuing to fail to comply with its best value duty," Rowley said.

Details of the authority's financial woes became clearer in November, when a £452m funding gap emerged in this year's budget due to the **impairment of four assets** and a significant increase to MRP to comply with local government guidelines.

<https://www.publicfinance.co.uk/news/2023/03/independent-commissioner-appointed-thurrock>

FOR INFORMATION

Audit Committee, Executive Directors, and Non-Executive Directors

COMMISSIONERS QUESTION VIABILITY OF UNITARY COUNCIL

A “fundamental shift” in culture at slough borough council is needed to avoid it being broken up, the government has warned after reading a report from the team trying to turn the organisation around.

Commissioners sent into the authority in December 2021 said in their second report that progress has been “very slow”, and that the authority has only just recognised the scale of the task at hand.

They said that while the authority recognises that openness, transparency and honesty are critical to reforms, it is failing to regularly uphold these values in its actions.

“As a consequence, SBC is many months behind where it should be by now,” the commissioners said.

“SBC needs to recognise that driving through the required culture change which ensures openness, transparency, honesty, and effective delivery is the starting point for recovery and that this thread needs to run through every element of every action plan.

“Too often it is possible to point to events that demonstrate that this is not so.”

The commissioners said the slow progress calls into question whether the authority can function as a unitary.

“At this stage, it is impossible for commissioners to conclude that SBC will be a viable unitary authority at the end of the current or a potentially extended direction period,” the report said.

“Commissioners and ministers will need to consider alternative scenarios.”

Local government minister Lee Rowley confirmed that two of the three commissioners - Max Caller and Margaret Lee - have resigned, citing retirement and personal reasons respectively.

<https://www.publicfinance.co.uk/news/2023/03/commissioners-question-viability-unitary-council>

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BUDGET 2023: LOCAL GOVERNMENT RESPONDS

A round-up of sector reaction to jeremy hunt's first budget. it contained some good news, but perhaps too little.

CIPFA

Chief executive Rob Whiteman said the Budget generally “just tinkered around the edges”, and that Hunt might have kept some policies back until next year, closer to the coming general election.

But there were reasons for some optimism at least, such as multiyear settlements for combined authorities, which he said “will allow them to plan with greater certainty”.

“We would like to see this rolled out to all local authorities, bringing the short-term begging culture to an end once and for all,” said Whiteman.

Investment zones also showed that levelling up as a policy “has life in it yet”, he added, but they are not guaranteed to solve regional inequalities.

“If the intention is to lift economic growth and productivity, a clearer plan to connect these strategies with those areas outside the funded zones will be needed,” Whiteman warned.

“We also need a strong evaluation framework to ensure money is being spent effectively and outcomes are successful.”

*Read more from CIPFA in response to Wednesday's announcements: **The Budget won't fix public services, by Joanne Pitt***

Local Government Association

James Jamieson, chairman of the LGA, said he was pleased with announcements such as £200m for potholes, £63m to support leisure centres with swimming pools and lower borrowing rates from the Public Works Loan Board for social housing projects.

Support early years education and childcare was also pleasing, he said, but given Hunt's focus on getting people back to work it was “disappointing” he did not provide any new investment in adult social care, public health or children's services, which all “play a vital role in supporting economic growth and helping people back into work”.

He called for more emphasis on local decision-making, including over levelling up funding and skills, as well as agreeing with Whiteman that the government should take a similar approach to all local government as its approach to the combined authorities.

“We want to work with the government on a long-term funding plan that ensures councils have adequate resources to deliver local services for our communities,” said Jamieson.

“Alongside sustainable long-term investment in local services, bringing power and resources closer to people is also key to improving lives and building inclusive growth across the country, and many more places are ambitious to follow in the footsteps of the devolution trailblazers which are a positive step towards more local decision-making.”

SIGOMA

By ignoring public sector pay and leaving detail on funding for services light, the chancellor will have forced councils into an even trickier position than they currently face, said Sir Stephen Houghton, chair of the Special Interest Group of Municipal Authorities.

Welcome funding for regeneration projects and a more focused investment zone policy than before will help support regional development, he said.

“However, with nothing on public sector pay or new money for public services after 2024, councils will face a challenging period with many forced into further savings and cutbacks,” Houghton warned.

“The piecemeal investments announced by the chancellor are at risk of counting for little if they are not delivered alongside proper investment in local public services, while moves to further roll-out the discredited system of business rates retention will widen the growing gap between the poorest and wealthiest areas.”





<https://www.publicfinance.co.uk/news/2023/03/budget-2023-local-government-responds>

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APPENDIX I

OPINION SIGNIFICANCE DEFINITION

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

RECOMMENDATION SIGNIFICANCE DEFINITION

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

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