

TO: Head of Health and
Community Protection

SUBJECT: Licensing Services

C.C. Chief Executive
Deputy Chief Executive (AJ)
Head of Finance
Regulatory Manager
Democratic Services Manager

REF: JK/JB/LIC

FROM: Audit and Risk Manager

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1. Introduction

- 1.1 As part of the 2014/15 Audit Plan an audit has recently been completed on the systems and procedures in place to manage the council's Licensing Service.
- 1.2 This report outlines the approach to the audit and presents the findings and conclusions arising.

2. Scope and Objectives of the Audit

- 2.1 The audit was undertaken in order to establish and test the controls in place over the management of licensing.
- 2.2 The audit programme identified the controls that were expected to be in place and the possible risks arising from the absence of those controls.
- 2.3 The control objectives examined were as follows:
- a) A consistent approach is applied to processing applications and managing licences.
 - b) All individuals, premises and activities requiring a licence are identified.
 - c) The correct licence fee is being charged.
 - d) Discretionary licence fees are set at an appropriate level.
 - e) Enforcement of conditions is exercised through inspection and monitoring.
 - f) Licensing information and the licensing system are secure from unauthorised access.

g) Risks associated with the service are managed.

3. Background

- 3.1 The Licensing Team is based within the Regulatory Division of Health and Community Protection. The team is responsible for issuing and managing a wide range of licences with the highest profile being premises licences and licences relating to hackney carriage and private hire vehicles.
- 3.2 Until comparatively recently licensing sat within the Community Protection Service Area and was the responsibility of the former Licensing Services Manager. His departure, the merger of Environmental Health and Community Protection and a number of changes and new appointments to the Licensing Team have meant that the service is in something of a developmental and transitional phase.
- 3.3 The team, under the leadership of the Regulatory Manager, is continuing to issue and manage licences as before and at the same time reviewing all of the existing practices and procedures with a view to identifying improvements and rectifying any shortcomings.
- 3.4 The estimated expenditure on Licensing and Regulation in 2014/15 is £311,900 with income being estimated at £304,400.
- 3.5 The subject of the audit is Licensing Services but the fairly fixed nature of the expenditure i.e. employee costs, administration costs and support services meant that the focus of the audit was on issuing and managing licences.
- 3.6 A small number of licences, mainly relating to animal welfare, are issued by the Safer Communities Division and not examined as part of this audit.

4. Findings

- 4.1 In overall terms the audit concluded that there are sound systems and procedures in place to manage Licensing and that there is a clear intention to improve them. There were some areas where control could be improved but in the main these have already been identified by the team.
- 4.2 In terms of the control objectives listed at 2.3 the findings are as follows:
- 4.3 **A consistent approach is applied**
- 4.3.1 As most of the licences dealt with have been issued for many years, and premises licences have been issued since 2005, it is not surprising that systems and procedures have developed and been standardised.

- 4.3.2 The procedures for receiving and processing all types of applications are recorded and effectively form a procedures manual. These would enable members of the team who do not normally process applications to do so if necessary. As with most regular processes staff familiarity with them will mean that the manual is rarely referred to.
- 4.3.3 The procedures manual was compiled under the previous Licensing regime and while the content is still relevant it is in the process of being reviewed and updated as part of the complete review of the service.
- 4.3.4 Included in the manual is reference to the Scheme of Delegation and there is evidence of delegation of the licensing powers of the Head of Community Protection to the Licensing Services Manager and officers in the Licensing Team. The scheme was last approved in June 2013 which is prior to the creation of the current structure.
- 4.3.5 Clearly the Scheme of Delegation cannot be revised and reapproved for every single change in responsibility but the current responsibility needs to be reflected the next time that the scheme is reviewed.
- 4.3.6 In terms of consistency of information available to applicants and the processes to follow the Licensing pages on the WDC website contain everything that an applicant would need to know. There is a vast amount of information available and all application forms can be downloaded or printed.
- 4.3.7 In addition to information available to applicants there is also a search facility for members of the public in the form of a licence register whereby basic details on licence holders and licence conditions can be viewed.
- 4.3.8 Again as part of the review of the service the currency, content and user friendliness of the web pages are set to be reviewed.

4.4 **All people, premises etc. are identified**

- 4.4.1 As with any "system" requiring the compilation of data concerning individuals or premises the measures to do that will have been decided many years ago. Once the initial work has been completed, thereafter it is a question of confirming its accuracy and ensuring that all necessary changes are actioned.
- 4.4.2 In terms of ensuring that there is no unlicensed activity reliance is placed on internal sources such as Planning and the Food Team and liaison with external bodies such as the Police and Trading Standards.
- 4.4.3 The regular enforcement and compliance activity, the Licensing Team's general knowledge of the area and articles or advertisements in the local media all contribute to identifying any new businesses or changes in ownership.

- 4.4.4 Whenever a licence covers an activity including trade and profit there is always a self-policing element. Licence holders can be relied on to report any competitors operating illegally.
- 4.5 **The correct licence fee is being charged**
- 4.5.1 In general terms the control here is that fees are published in the budget book and on the website and applicants and the Licensing Team are familiar with them. It is extremely unlikely that an incorrect fee will be submitted and that a licence will be issued on that basis.
- 4.5.2 In terms of the audit check the cost centre codes for the various licences were examined on TOTAL to ensure that the entries complied with the approved fees.
- 4.5.3 In respect of premises licences the situation is less straightforward than the other fees in that they are based on the Rateable Value of the premises. There are five bands covering the range from zero to £125,001 and above. The Rateable Value of the premises will be in one of the five bands and that will determine the initial fee and the annual charge.
- 4.5.4 Enquiries concerning how this particular aspect was controlled were met by a slightly hazy response and the comment that the team was aware of the potential for error here and that all RVs were being verified to ensure that the correct fee was being applied.
- 4.5.5 The scope for error mainly stems from processing a licence when the RV is not known e.g. a new build or a property undergoing alterations and from being aware of other changes in RVs throughout the year e.g. appeals.
- 4.5.6 A sample of 25 premises was selected from data supplied by NDR and checked against data supplied by the FS Team on the charges being invoiced. There were four anomalies, three of which were in the council's favour.
- 4.5.7 In addition a further five premises was selected from data on invoicing where it was evident that there was no Billing Authority (NDR) reference and so the chance of an error was much higher. In these five cases there were three anomalies all in the applicant's favour.
- 4.5.8 In the sample of 25 revealing four anomalies, three of those anomalies were the result of changes in RVs. On the basis that most premises licences are probably issued to long established businesses or buildings where the RV probably hasn't changed it is considered that most premises will be in the right band.
- 4.5.9 As the bandings for premises licence fees will have been set by the previous Licensing regime and the current Licensing Team want to ensure the accuracy of the data and therefore the billing it would be prudent to confirm all of the bandings.

- 4.5.10 There are several hundred premises licences so to check them all at the same time would be a huge task. The job could be undertaken over time to coincide with the issue of the invoice for the annual fee – these are issued throughout the year, not all at the same time.
- 4.5.11 To facilitate the task and to ensure that the Licensing Team are able to monitor the banding of premises they should have access to the council’s NDR system which contains the latest and most reliable RV data. Currently they access the Valuation Office (VO) website.
- 4.5.12 As an alternative to having access to the NDR system, if this is not possible for any reason, NDR should be able to supply details of all the current RVs, possibly filtered to include only properties that would require a premises licence.
- 4.5.13 When a situation is reached where all bandings have been verified it will then be a case of maintaining the accuracy. NDR receive weekly notifications from the VO in the form of schedules of changes to the Valuation List. These are filed electronically and access can be granted to the Licensing Team.

Risks

Inaccurate RV data may result in premises being placed in the wrong banding and revenue may be lost.

There may be damage to the council’s reputation.

Recommendations

The Licensing Team should liaise with NDR to arrange access to council held Rateable Value data.

When RVs are available the current bandings for premises licences should be compared.

Access should be arranged to Valuation Office schedules of changes to the Valuation List. They should be assessed regularly for any possible changes to premises bandings.

4.6 Discretionary fees are at an appropriate level

- 4.6.1 Certain licence fees, premises for example, are established by the Government. Other fees, notably all of those relating to hackney carriage and private hire activity are discretionary and are set by the council.
- 4.6.2 Discretionary fees are reviewed and usually revised each year as part of the fees and charges review that is part of the budget setting process. Often this “review” will simply be an inflationary increase.

- 4.6.3 There has been a significant change recently to the calculation of discretionary licence fees as a result of EU legislation. Local Authorities should not be seen to make a surplus from issuing discretionary licences and should break even over a three year period. Failure to do so would leave them open to challenge.
- 4.6.4 This has necessitated a significant amount of work for the Licensing Team in identifying and costing every single component of processing, issuing and managing certain licences.
- 4.6.5 The outcome can be seen in the changes to discretionary licence fees approved by Executive in October and coming into force on 2nd January 2015.

4.7 **Enforcement of conditions is exercised**

- 4.7.1 Enforcement or compliance checks on licence conditions are carried out on both a scheduled and responsive basis. Compliance issues are often identified during the business of Multi Agency team meetings.
- 4.7.2 For vehicles there are regular checks carried out for the council by garages as part of the MOT process and in addition vehicles have to be presented for inspection at other times of the year.
- 4.7.3 Checks on other aspects of vehicle activity such as use of taxi ranks and using the correct meter tariffs are undertaken by the Licencing Team.
- 4.7.4 Checks on premises are carried out on a planned basis. Members of the Licensing Team conduct compliance visits and on occasion they are accompanied by a representative of the Police or Trading Standards.
- 4.7.5 Plans are in place to move the inspection of premises onto a risk based frequency similar to that used by the Food Safety Team.

4.8 **Licensing information and the system are secure**

- 4.8.1 The management system for Licensing is the one used by the rest of Health and Community Protection, Civica, commonly known as Flare.
- 4.8.2 Access to the system is restricted in the usual way by the granting of access privileges and the issue of IDs and passwords.
- 4.8.3 Virtually all supporting information for licences is scanned into Flare and then confidentially disposed or returned if necessary.
- 4.8.4 The exception to this are the files relating to premises licences. These are held in unlocked filing cabinets close to the Licensing Team's office area. They contain personal data such as names, addresses, telephone numbers and examples of signatures. The files are easily

accessible but the risk of any fraudulent activity resulting is extremely low.

4.8.5 Measures are in place to prune all of these files in order to identify any redundant paperwork and then to scan the remainder to secure electronic filing.

4.9 **Risk management**

4.9.1 The Licensing Service is exposed to the generic risks facing all services – staffing shortages, system and communication failure, accommodation, lack of resources.

4.9.2 Service specific risks will relate to staff safety, poor management of the licensing process and inappropriate fee setting.

4.9.3 All of the above are identified, recorded and allocated in the Health and Community Protection risk register.

5. **Conclusion**

5.1 The audit identified some areas where control could be improved but most of these are being addressed and so concluded that the systems and procedures in place to manage the Licensing Service are sound.

5.2 The audit can therefore give a **SUBSTANTIAL** level of assurance that the systems and procedures in place are appropriate and working effectively.

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