

**Audit Reports with Moderate or Low Level of Assurance issued
Quarter 1 2019/20**

Grounds Maintenance – 9 October 2019

1 Introduction

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 Background

- 2.1 The grounds maintenance contract was let as part of a large exercise covering a number of different services provided by Neighbourhood Services. The contract was awarded to The Landscape Group (now known as IdVerde) and commenced in April 2013.
- 2.2 Client-side management of the contract is carried out by staff in the Contract Services section of Neighbourhood Services.
- 2.3 Work is carried out not only for Neighbourhood Services, but also for Cultural Services (sports facilities), Housing Services, the Assets team, and the County Council.

3 Scope and Objectives of the Audit

- 3.1 The audit was undertaken in order to test the management and financial controls in place.
- 3.2 In terms of scope, the audit covered the following areas:
- Service provision and monitoring
 - Contract amendments and variations
 - Finance
 - Contingency planning and risk management
- 3.3 The audit programme identified the expected controls. The control objectives examined were:
- Staff are aware of what the Council aims to achieve in relation to the services that are being provided

- Contractors are aware of the services to be provided
- Works are undertaken to agreed standards
- Permanent changes to the contracts are formally agreed
- The Council only pays for work that has been previously agreed
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
- The Council is aware of any potential budget variances
- Payments are valid and accurate and processed in accordance with the appropriate conditions of contracts
- All income due to the Council is received
- Contingency plans exist to ensure that the service continues to be provided
- The Council would not be financially disadvantaged should the contractor fail to provide a service
- The Council will not be liable for any claims received due to the work of the contractor
- The Council is aware of the risks in relation to the services provided (where it retains responsibility) and has taken steps to address them
- The contractor is aware of the risks in relation to undertaking the contracted services and has taken steps to address them

4 Findings

4.1 Recommendations from Previous Report

4.1.1 The current position in respect of the recommendations from the audit report in December 2016 is as follows:

Recommendation	Management Response	Current Status
Formal, authorised, variation orders should be maintained for changes to the grounds maintenance contract with these being coordinated through a named officer.	Changes to the contract bill of quantities will be supported by formal contract variation orders in order to identify the changes made, both in terms of measurement and cost.	Changes to the contract BofQ's and VO's are retained here I:\CONTRACT SERVICES\NEW CONTRACT 2013-2021\Grounds Site List and Bof Q\Contract Amendments These are undertaken by the Green Space Development Officer.

<p>Budgets for the relevant codes should be set in line with the known costs with budget managers for other codes being informed of the relevant figures to use.</p>	<p>Where contract variations have an impact on the allocated budget, agreement will first be sought from the budget manager, who can then make the necessary budget allocations.</p>	<p>Around August, Accountancy is advised of the inflation rate and it adjusts the budget codes accordingly for the following year. For any contract variations the request / agreement for any changes will have come from the particular service area whose budget it will affect.</p>
<p>Supporting documentation should be retained for the variable invoices received.</p>	<p>Contract variation orders will be raised for any work over and above the core contract.</p>	<p>For any work over and above the core contract, a VO is raised with a copy issued to the contractor and a copy retained here I:\THE CONTRACT TEAM\Grounds\Variation Orders\2019</p>

4.2 **Service Provision & Monitoring**

- 4.2.1 The contract is monitored through performance measures and KPIs which are set out in the Team Operational Plan. Responsibility for monitoring the measures and KPIs is assigned to designated officers.
- 4.2.2 The 2019-20 Service Area Plan also includes measures relevant to Grounds Maintenance such as phone call data and time taken to respond to complaints and enquiries. There is also a section on Managing Risks which includes ongoing actions that apply. These include joint inspections, liaison meetings and customer enquiries and complaints.
- 4.2.3 Contract documentation was located in the Document Store. It was stored under a different number to the one advised in the contract register. The Contract Manager has been advised so this can be corrected. The original contract was signed in 2013 by the Landscape Group.
- 4.2.4 The company changed their name in October 2016 but, whilst a copy of a letter from the contractors detailing their name change and new bank account details was available to view on the network in the shared drive, there is no formal document held with the contract to support the change.

Advisory

Contract Manager to ensure the contract register is updated with the correct information and a copy of the amendment letter is stored with the contract.

- 4.2.5 The Contract Officers monitor the contract and liaise with the contractors. This is done through weekly inspections, fortnightly work updates and

monthly meetings. The inspections and meetings are documented and show where substandard work has been highlighted.

- 4.2.6 The contract documentation includes the specification and method statements which set out the expected standards of service and detail the work to be completed. Although not stored with the contract they were easily located on the network in the shared drive.
- 4.2.7 The specification covers the types of management or maintenance for the various areas. It is supported by detailed site lists which include comprehensive criteria such as the required length of grass to the types of floral containers to be used. The method statements formed part of the original tender documents and, although these were agreed, there will have been minor changes that have occurred over time.
- 4.2.8 Joint inspections are carried out on a weekly basis by the Contract Officers and contractor staff. The inspections are documented listing the work checked and the quality of it. The inspection sheets are saved and stored on the network in the shared drive. Any issues noted are raised at the time directly with the contractors and are rectified at the time.
- 4.2.9 Meetings with the contractors are held on a monthly basis with agendas and minutes being formally documented and saved on the network. Meetings are used to discuss the planned work, substandard work and any variations required.
- 4.2.10 The contractors provide the Council with a work update spreadsheet every fortnight. This spreadsheet contains up-to-date information of the work completed and a schedule of works still to be done. This allows the Contract Officers to monitor the work and ensure the contractors are on target to complete the specified workload in time.
- 4.2.11 In the last financial year there were 164 complaints received regarding grass cutting. Most of these were dealt with by Grounds Maintenance. Of the samples reviewed, the majority of complaints were resolved within a week. Many of the complaints had been received when the team had finished a shift or had a break and returned to the job later or the following day; residents perceived the work to be forgotten and called or emailed to complain.
- 4.2.12 One particular complaint had taken a longer time to resolve (152 days). The issue occurred because the land in question had only recently been adopted and had not yet been added to the site maps provided by Warwickshire County Council (WCC). As Warwick District Council maintains the verges, shrubs and hedges for WCC highways, confirmation was needed from WCC to include the site in maintenance programme.
- 4.2.13 Substandard work is raised through various channels, including complaints, joint inspections, internal park group meetings and through the contractors own monitoring system. Rectification notices are issued and, if not completed to standard within the specified time frame, default notices are issued. In the previous financial year (2018-19) there were 87 rectification

notices issued and 17 default notices. These did not incur financial penalties as the contract conditions are written so that money is only deducted if there are five or more defaults written within the same week.

4.3 Contract Amendments & Variations

4.3.1 Amendments to the contracted work carried out by the contractors are discussed at the liaison meetings. The cost is calculated using the Bill of Quantities and added to the annual invoice. A variation order is completed and agreed with the contractors, with the site plans and spreadsheets being updated with the new amendments added.

4.3.2 Where ad-hoc variations are required they are discussed at the monthly meetings with the contractors. The cost implications are considered along with the expected standard and specifications of the work required. Where the costs would impact other budget managers they are informed of the changes and their agreement is sought.

4.3.3 Ad-hoc works are carried out infrequently and include various works such as additional grass cutting, hedge cutting and installing water standpipes. Quotes are provided before the work commences. Although a list of payment rates was provided with the contract, setting out costs for additional works, it was based on an hourly rate and is no longer used. Instead ad-hoc works are charged on a job or daily rate basis as agreed at the start of each year or at monthly meetings with the contractor.

4.4 Finance

4.4.1 The main budget for Grounds Maintenance is spread across a number of ledger codes. The figures for the budgets on Total were compared to the annual orders raised which highlighted variances across all codes.

4.4.2 Most of the variances were minor. However, there was one budget that was £10,000 overspent. On discussion with the relevant Accountancy staff it was discovered that a virement should have been applied to the cost code to cover the grounds maintenance works at a housing site that had been added to the contract. This has now been corrected.

4.4.3 The annual contract amount is split across twelve monthly invoices with the payments split proportionately across the various relevant ledger codes. This figure should determine the basis of the budgets with an allowance made for variation orders. The charges are discussed with the relevant budget manager so they are able to monitor their budgets accordingly.

4.4.4 The budgets are reviewed on a monthly basis with the Assistant Accountant. Any variances highlighted or potential overspends are discussed.

4.4.5 Payments made to the contractors, including those for variations of works, have been paid in a timely manner and authorised appropriately. Invoices for the work had been saved on Total alongside the relevant payments.

4.4.6 Chargeable fees for external customers are received through the sundry debtor system. The only external customer charged for services in the last financial year was Warwickshire County Council (WCC). This is for grass verge, hedge and shrub cutting. WCC pay a pre-agreed fee each year with an annual invoice being raised.

4.5 **Contingency Planning & Risk Management**

4.5.1 A contingency plan was referred to in the risk register but was unable to be provided for this audit.

Risk

In the event of the contractor failing to complete the work there might be an absence of plans in place to ensure the standards of the service are maintained.

Recommendation

There should be plans in place allowing the service to continue to be maintained in the event of the contractor being unable to complete the work.

4.5.2 A performance bond of 10% of the annual sum is required as part of the contract. Although a performance bond was produced for the auditor's inspection, it was noted that it was no longer current, having expired on 31 March 2018. In addition, it was also noted that the bond had been signed only by the guarantor.

Risk

Without a performance bond in place there may be a financial loss to the Council should the contractor fail.

Recommendation

A performance bond should be put in place for the contract and duly signed by all relevant parties.

4.5.3 Copies of the insurance documents are saved to the shared folder. They are updated annually. Due to a recent change in staff, the current year's documents had not been obtained by the Contract Officer until they were requested as part of this audit. The updated documents expire February 2020.

4.5.4 The contract requires the contractor to have public and employer's liability and professional indemnity insurance with a minimum limit of £5m. The up to date insurance documents exceed this. The documents provided also include details of vehicle insurance held.

4.5.5 The risk register for Neighbourhood Services has a generic section as well as area specific sections. These cover relevant risks and measures to reduce them for the services provided by the Grounds Maintenance contractor. Some of the highest risks identified include the contractor’s performance not meeting the required standards, service disruption, accidents / health and safety of contractors and damages and injuries resulting from poorly maintained trees.

4.5.6 Grounds Maintenance is often performed in public areas whilst members of the public are around. The Council has a responsibility to ensure works on Council land are carried out safely. Accordingly, the contractors have produced detailed risk assessments that cover all aspects of the work specified in the contract documents. The copies on file were last reviewed in January 2018. There is an accompanying risk index which rules out some of the risk assessments as not being relevant to the contract. However, these works are listed in the specification and are carried out frequently. As such, it is considered that they should be included.

Risk

There may be a potential a risk of injury to members of the public or Idverde staff due to risk assessments not being used.

Recommendation

Checks should be in place to ensure risk assessments have been reviewed annually and are relevant to the contract.

5 Summary & Conclusion

5.1 Following our review, we are able to give a MODERATE degree of assurance that the systems and controls that are currently in place in respect of Grounds Maintenance are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 The assurance level provided is based on concerns relating to an absence of a contingency plan and an absence of a performance bond together with gaps in the risk assessments provided by the contractor.

5.4 A minor advisory was also noted to address storage issues concerning contract documents.

6 **Management Action**

- 6.1 The recommendations arising above are reproduced in the Action Plan for management attention.

Utilities Management – 29 August 2019

1 **Introduction**

- 1.1 In accordance with the Audit Plan for 2019/20, an examination of the above subject area has been undertaken and this report presents the findings and conclusions drawn from the audit for information and action where appropriate. This topic was last audited in December 2017.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.

2 **Background**

- 2.1 The previous audit was entitled Energy Management. However, the scope was extended to include water and, as such, was renamed Utilities Management.

- 2.2 The budget for the current financial year for the supply of utilities is £993,700, broken down as:

	£
Electricity	659,900
Gas	136,300
LPG	78,900
Biomass	18,500
Fuel Oil	15,000
Water	139,700
Water Rates	16,700
Photo Voltaic Feed-In Tariffs	(71,300)

- 2.3 Biomass is currently used in three properties (Oakley Wood Crematorium, Tannery Court, and Sayer Court), with LPG only used at the Crematorium. Fuel oil had previously been used at Jubilee House, although the property is now connected to the mains gas supply.
- 2.4 This was the first audit undertaken of the topic since the reorganisation of the Assets team and the departure of the previous Energy Manager.

3 **Scope and Objectives of the Audit**

3.1 The audit was undertaken to test the management and financial controls in place.

3.2 In terms of scope, the audit covered the following areas:

- Utilities supply procurement
- Management of utilities usage
- Finance
- Compliance with legislation.

3.3 The control objectives examined were:

- The Council has compliant contracts in place for the supply of utilities
- The Council achieves value for money from the procurement processes undertaken
- Utilities usage in Council buildings is appropriately monitored and managed
- New Council buildings are energy efficient
- Budget variances are limited as the budgets are set appropriately in line with known areas of income and expenditure
- Savings figures contained in the FFF strategy are achievable
- The Council does not become subject to debt recovery procedures
- Payments and recharges **can be** appropriately apportioned
- Payments and recharges **are** appropriately apportioned
- Income due to the Council from renewable energy sources is received as appropriate
- Tenants benefit as appropriate from the renewable energy generated
- The Council complies with applicable legislation.

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 The current position in respect of the recommendations from the audit reported in December 2017 was also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
1 A procurement process compliant with the Code of Procurement Practice should be undertaken for the supply of biomass fuel.	Revised contract arrangements, that are fully procurement compliant, will be in place by 31 March 2018.	A new, compliant, contract is in place. This was let via an existing framework. (See 4.2.1 below)

	2 The contract register should be updated to reflect the existence of the Gazprom contract document.	A copy of the contract has been scanned and retained by Assets and the contract register up dated.	The Gazprom contract is no longer in place. Testing on the current contracts confirmed that signed copies were in place in each case. (See 4.2.3 below)
	3 The Harbury Lane Sports Pavilion should be connected to the building management system.	We are currently obtaining quotes to assess if it will be cost effective to get the pavilion connected. A new Wi Fi connection would be required for the remote location.	This situation is still ongoing and it now applies to Newbold Comyn Sports Pavilion as well. (See 4.3.2 below)
	4 Training should be obtained by the Contract Administrators to ensure best use of the building management system is made.	Training has been booked for both CA's scheduled for end of January 2018.	The M&E & Energy Officer (MEEO) confirmed that training had been undertaken and that, as the system is due to be upgraded, further training will be undertaken accordingly. (See 4.3.5 below)
	5 Actual meter readings should be taken and provided wherever possible.	Procedures are being developed to ensure that meter readings are captured.	Upon review of recent bills paid, it was confirmed that some estimated readings are being used. However, some 'automatic meter readers' are now installed which automatically transmit actual readings. There is scope for more of these to be installed although this requires a corporate decision. (See 4.4.8 below)
	6 Correct recharges should be raised for the leaseholders of the flats at St Margaret's Shopping Centre.	Bill payments have been moved to the correct cost centre and charges recorded to be apportioned to the leaseholders.	Leaseholder recharges are now being performed as appropriate. (See 4.4.17 below)

7 A formal sign up document should be implemented for Sayer Court that includes details of energy charges.	Legal Services have been contacted for advice.	A document has now been introduced as recommended. (See 4.4.26 below)
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4.2 Utilities Supply Procurement

- 4.2.1 New contracts have been let since the last audit for the supply of gas and electricity and these were placed with Total Gas & Power Ltd. via ESPO frameworks by Procurement. A framework mini competition was also undertaken for the provision of biomass fuel (with Forest Fuels / AMP Clean Energy) and this was also done with Procurement involvement.
- 4.2.2 The LPG contract with Calor Gas Ltd. was extended for two years as allowed for in the original contract, subject to an amendment on the rates to be paid. An extension had also been agreed to the contract in place with RIX Petroleum, to allow for a changeover period whilst Jubilee House was being connected to mains gas.
- 4.2.3 These contracts are recorded on the contract register with details of their location and, upon review, signed copies were found to be in place in each case.
- 4.2.4 It was also highlighted that water supplies can now be procured from different suppliers as opposed to the previous area-based supplies. The Senior Procurement Business Partner (SPBP) advised that a framework agreement is to be used with a CCS (Crown Commercial Service) auction taking place.
- 4.2.5 Whilst not a supply contract, the Compliance Manager (CM) also flagged an 'issue' with the use of Sertek (who provide the Building Management System (see 4.3.1 below)). They have always been used as a subcontractor of D&K and their continuing use is seen as essential, and more cost effective than running a separate procurement exercise and potentially changing systems.
- 4.2.6 The SPBP confirmed that a contract variation is being pursued with D&K to ensure that Sertek are included as a named subcontractor and the Procurement Business Partner was to meet with the CM to progress this.
- 4.2.7 The signed documents held in relation to the contracts with Total Gas & Power Ltd do not go into details as to the pricing etc. However, the framework details on ESPO's website show that the contracts are fixed in price as at a certain point each year which removes some of the risk in relation to price fluctuations.
- 4.2.8 A similar situation is in place in relation to the contract with Forest Fuels Ltd for the biomass fuel supply. The framework in place in this instance is via YPO.

4.2.9 The contract with Calor Gas Ltd. had been for two years and a two-year extension was subsequently agreed at a different rate. The CM advised that Calor will not enter into agreements of more than two years due to price fluctuations.

4.3 **Management of Utilities Usage**

- 4.3.1 The MEEO advised that the building management system (BMS) in use is the same as at the time of the previous audit although the system (software) is due to be upgraded to a new version in the near future. As such, it was not considered necessary to review the existing system in any depth.
- 4.3.2 As at the time of the previous audit, the Harbury Lane Sports Pavilion is not connected to the system. The Newbold Comyn Sports Pavilion is now, similarly, not connected as the connection had to be cut during the redevelopment of the leisure centre.
- 4.3.3 The ICT Infrastructure Manager advised that, due to the (lack of) proximity of the telephone lines, it has not been possible to establish a regular connection to these buildings. Various alternatives have been considered and he is awaiting a quote from BT in relation to a SIM based solution in order to take this forward.
- 4.3.4 The current system is web-based although a link has to be installed on individual machines for access to be gained. At present, there are three users of the system and they all use a generic log in. However, when the system is upgraded, they will each have individual user accounts.
- 4.3.5 The MEEO advised that training had been received on the current system as recommended at the time of the previous audit. Training would also be undertaken on the upgraded system so that best use can be made of it.
- 4.3.6 He further advised that little had changed since the last audit in relation to any kind of data analysis from the system, with it still being mainly used as a programmable timer with thermostat control and, whilst issues can be identified and settings can be changed, there is generally no data extraction regarding energy consumption. Again, once the system is upgraded, there is a chance that this becomes possible, but it is not yet known whether the system contains this level of functionality.
- 4.3.7 In terms of new Council buildings it has been confirmed that energy efficiency is being appropriately considered.
- 4.3.8 The Programme Manager advised that the Council is not yet at the relevant design stage for Phase 2 of the leisure development programme or for the new community stadium. However, he suggested that energy efficiency (including issues such as rain water capture) would be considered when relevant and advised that the designers were being asked to produce reports on energy efficiency, especially in light of the increased number of Green Party councillors following the recent local elections.

4.4 **Finance**

- 4.4.1 A review of the relevant cost centres and subjective codes relating to utilities was undertaken via TOTAL. This highlighted that only two budgets had changed between 2018/19 and the current financial year.
- 4.4.2 As there is always likely to be a degree of uncertainty about the usage of utilities (due to various different factors such as the weather etc.), it is accepted that there will always be variances. However, upon review, it was noted that 18 budget lines had a variance of more than £5,000 when comparing the actual income / expenditure to the budget for 2018/19, with the largest overspend being roughly £38,000 (electricity for the 'Communal Areas' budget) whilst the largest underspend was almost £33,000 (LPG at the Crematorium).
- 4.4.3 It was also noted that a budget of £15,000 remains for fuel oil at Jubilee House. There was no expenditure against this budget last year and, as previously highlighted (see 4.2.2 above), the building is now connected to the mains gas, so there is not going to be any expenditure against this code for this year either. Furthermore, the review identified that no budget had been set for mains gas usage at Jubilee House.

Risk

Budget management and monitoring may be inaccurate.

Recommendation

Utility-related budget lines with large variances should be reviewed to ensure future budgets are more closely aligned with actual expenditure, with the Jubilee House budget being amended to remove the fuel oil budget and include a budget for gas.

- 4.4.4 The Asset Manager (AM) advised that the Fit for the Future (FFF) Change Programme includes a saving of £35,000 for 'built corporate assets energy costs' (FFF33). The report that was presented to Executive on 27 June 2018 covering this 'programme' suggests that this will be a recurring saving.
- 4.4.5 However, upon discussion with various senior members of staff (Head of Finance, Deputy Chief Executive and the AM), it was unclear how this figure had been arrived at and was probably a notional figure. It is, therefore, unclear whether this is achievable.

Risk

The savings needed to be made by the Council may not be achievable.

Recommendation

The saving included in the FFF Change Programme in relation to energy costs (FFF3) should be reviewed to identify whether this is

achievable, with the change programme being amended if required.

- 4.4.6 The Business Administration Manager (BAM) advised that all bills are processed for payment when they are received and are passed to the FS Team for inclusion in the normal payment runs.
- 4.4.7 A sample of bills from the contracted suppliers was selected and bills were generally found to have been paid in a timely manner.
- 4.4.8 The sample was also reviewed to ascertain whether the bills were based on actual or estimated meter readings. This highlighted that a number of bills were still based on estimates.
- 4.4.9 The BAM advised that, where estimates were being used, the bills are reviewed to ensure that they seemed reasonable and if anything 'odd' was noted the MEEOs would be asked to go to the property to ascertain whether there were any problems and to take an actual reading, with actual readings being performed on, at least, an annual basis.
- 4.4.10 The MEEO advised that AMR (automatic meter readers) were now in place for a number of the Council's larger properties in relation to gas meters, so these provided actual readings that would be used for the bills raised. A number of corporate properties also had these types of meters for electricity charges as well. However, he highlighted that a (corporate) decision was required as to whether these should be installed in other buildings as approximately 300 needed to be installed.

Risk

Budget management and monitoring may be inaccurate.

Recommendation

A decision should be taken as to whether AMR or 'smart meters' should be installed for all relevant utilities supplies at relevant Council properties.

- 4.4.11 Recharges are processed for a number of different housing tenants and leaseholders. Some are direct recharges (e.g. Sayer Court), whereas others are recharged as part of their service charges with the bills calculated based on previous energy usage.
- 4.4.12 The meter readings for Sayer Court are taken remotely with recharges being based on the actual figures recorded. The figures are imported into spreadsheets that are used as the source for the mail merge used to create the individual bills.
- 4.4.13 Some of the residents pay by direct debit, with a set amount being paid each month for six months before the position (under or over payment) is reviewed and a new figure arrived at, with others paying on a monthly basis.

- 4.4.14 Upon review of the sample monthly bills provided it was noted that a number of tenants had outstanding debts. The BAM advised that these cases were raised with the Housing Support & Lifeline team who would deal with the tenants.
- 4.4.15 The Business Administration Officer (BAO) advised that electricity costs are recharged to leaseholders in blocks with communal electricity usage, with the figures being included in their service charges.
- 4.4.16 The bills for the year are included in monthly spreadsheets, with a summary spreadsheet being pulled together when the service charges are to be calculated. These figures are then included on the overall service charges spreadsheet to calculate the individual recharges. Further testing of these service charges was not performed as a separate audit of Leaseholder Service Charges is undertaken.
- 4.4.17 The previous audit had highlighted two issues where tenants were not being charged appropriately for their energy usage. One of these (in relation to communal electricity usage by leaseholders at St Margaret's Shopping Centre in Whitnash) had been successfully resolved.
- 4.4.18 The other issue related to energy charges at the LAMP building is Adelaide Road ('Club Land'). A new lease had now been entered into with the tenant which confirmed that they were responsible for paying for their own utilities. However, upon review of the supporting spreadsheets submitted in relation to the gas and electricity invoices, it was noted that payments were still being made by the Council in relation to this building (although it appears erroneously on the documents as Nelson's Gym).
- 4.4.19 Following the identification of the continuing issue, the Estate Management Surveyor (EMS) advised that steps would be taken to ensure that LAMP were billed directly in the future.
- 4.4.20 A further issue was noted, however, in that water payments were being made by the Council in relation to the Sea Cadets building in Club Land. These bills should similarly be payable by the tenant and not by the Council.

Risk

The Council may continue to pay for utilities that are used by tenants.

Recommendation

The utilities providers should be advised that accounts should be arranged with the relevant tenants, with the tenants being reminded of the terms of their leases with regards to utilities payments.

Risk

The Council may not receive income that is due.

Recommendation

A decision should be taken as to whether monies paid by the Council in relation to utilities previously used by these tenants should be recovered from them.

- 4.4.21 A similar issue was noted in relation to water usage at one of the Creative Arches. However, the Business Manager (Enterprise) advised that this had already been identified and steps were being taken to get the tenant to pay themselves. In the meantime, recharges are being raised with the tenant as appropriate.
- 4.4.22 During the course of this audit, an audit was also being undertaken in relation to Bereavement Services. Previous audits of this topic had raised an issue with regards to a disparity between different 'lodges' as some tenants were being charged for their water where as others were not.
- 4.4.23 The current (Bereavement Services) audit confirmed that this issue still exists and this was confirmed upon review of the water bills and the spreadsheet provided by the BAO which showed that the Council was paying for water at the Birmingham Road and Old Milverton Road cemetery lodges but not at the other lodges.
- 4.4.24 The BAO provided copies of the previous tenancy agreements which state that the tenants are responsible for paying all relevant utility charges. However, there was nothing that she could find in the current agreements to suggest that this was still the case.

Risk

The Council may not be treating all tenants fairly.

Recommendation

A review of water charges at cemetery lodges should be undertaken to ensure that tenants are being treated equally.

- 4.4.25 For Housing properties where the Council is not responsible for the energy charges the tenants are informed of the processes as part of the tenancy sign up with the sign-up sheets for the standard tenancies and for the Very Sheltered Schemes (VSS) being the same as at the time of the previous audit.
- 4.4.26 A new document has also now been introduced for tenants at Sayer Court which confirms that they are responsible for their own electricity and that the heating charges will be recharged to them by the Council.
- 4.4.27 The EMS advised that there is a standard clause in the leases for non-operational properties which covers the need for the lessee to 'pay bear and discharge all existing and future rates taxes water charges assessments and outgoings' which effectively covers the payment of utility bills directly. There is also a further safeguard in some leases which state that the lessee

will 'reimburse to the Lessor the cost of all electricity consumed by the Lessee on the demised premises'.

- 4.4.28 In terms of internal recharges, the BAO advised that where utilities are building specific, the associated orders are raised with the relevant cost codes included directly, rather than having to be recharged. These had historically been raised on a monthly basis (after the receipt of the invoice) although annual orders are now being raised.
- 4.4.29 The electricity and gas charges are covered by corporate bills with supporting spreadsheets showing how the charges are broken down by individual buildings. These bills are initially charged against holding codes with summary and journal upload spreadsheets being prepared to allow for the costs to be recharged appropriately.
- 4.4.30 Back in 2011, a decision was made to install Photo Voltaic (PV) panels on the roofs of a number of housing properties, with the intention that the properties would benefit from reduced electricity costs. As the decision was taken a number of years ago, this has not been covered as part of this audit. However, decisions around the continuing use of renewable energy sources and the potential for further installations will be covered under a planned audit of Housing Stock Asset Management which will include the strategic decisions taken with regards to Council-owned properties.
- 4.4.31 One aspect that was covered under this audit was the receipt of 'Feed-in Tariffs'. The capital costs of the scheme were to effectively be offset by the future 'Feed-In Tariffs' (FiT) received, with the continuing tariffs providing the Council with a surplus.
- 4.4.32 The MEEO provided a list of current sites where PV panels are installed, as per the meter reading submissions. However, it was not possible to directly link the payments received to the readings as no supporting documentation is held.
- 4.4.33 The MEEO advised that he used to receive occasional statements regarding the income that was to be paid although these haven't been received for a while. However, this may be due to the fact that the company paying us has old contact details and the MEEO advised that this is being addressed.
- 4.4.34 At the year-end, he provides a spreadsheet of readings to the Strategic Finance Manager (SFM) so that income can be checked. The SFM provided a copy of the spreadsheet which he had used to compare the expected income to the actual received and the resulting accrual that was required.

4.5 **Compliance with Legislation**

- 4.5.1 The MEEO provided a spreadsheet containing details of the buildings that fall under the DEC (Display Energy Certificate) regulations. This contains details including the date of the certificate and the associated renewal date, and the location of the certificate in each building. Copies of all certificates and the associated recommendation reports are available online.

- 4.5.2 The MEE0 advised that the recommended works have not generally been undertaken, although a meeting had been held to discuss the completion of some of the recommended jobs although noted that there would be a need to spend money to save over the longer term.
- 4.5.3 He also highlighted that a similar process was in place for air conditioning (TM44). He advised that inspections had recently been undertaken, although the certificates and associated reports had not been received at the time of audit testing and had not been uploaded onto the website.
- 4.5.4 The Council also has to comply with the Heat Network (Metering & Billing) Regulations 2014. As part of this, the Council had to submit notifications to the National Measurement & Regulation Office (now part of the Office for Product Safety & Standards). The MEE0 advised that there is no requirement to provide any regular updates, although if any relevant changes were made a new notification would be required. However, none had been required to date.
- 4.5.5 As part of the regulations, the Council was expected to install meters or 'cost allocators' unless the Council could prove that it is not cost effective or technically feasible to do so. The situation again was as it was at the time of the previous audit in that, with the exception of Sayer Court, this had not been implemented at relevant properties.
- 4.5.6 This was (and still is) largely due to the on-line assessment tool being taken down and guidance being given that assessments regarding cost effectiveness of the required works should not be undertaken until the new tool became available. However, a letter has been received from the Department for Business, Energy & Industrial Strategy advising that full policy consultation will be undertaken later in the year.

5 Conclusions

5.1 Following our review, in overall terms we are able to give a MODERATE degree of assurance that the systems and controls in place in respect of Utilities Management are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 A number of issues were identified:

- Budgets are not being amended in relation to large variances, with the

Jubilee House budget not reflecting the current utilities used.

- The energy related saving in the FFF Change Programme is not supported by reasoning as to whether it is achievable.
- Some bills are still based on estimated readings which could be alleviated by the use of 'smart meters'.
- The Council is paying for utilities used by tenants of Club Land properties.
- Tenants of cemetery lodges are not being treated equally in relation to water charges.

6 **Management Action**

- 6.1 The recommendations arising above are reproduced in the Action Plan for management attention.