

FROM: Audit and Risk Manager **SUBJECT:** Corporate Properties Repair and Maintenance

TO: Head of Neighbourhood and Assets **DATE:** 29 March 2023

C.C. Chief Executive
Head of Finance
Portfolio Holder (Cllr Matecki)

1 Introduction

- 1.1 In accordance with the Audit Plan for 2022/23, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and, where appropriate, action.
- 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 'corporate' property portfolio for the purpose of this audit encompasses all non-HRA assets including operational and non-operational properties as well as open spaces.
- 2.2 Due to variations in the way that they are represented between the key data sources, it is difficult to give a precise number of discrete sites and units within this portfolio. A report run on ActiveH (asset management software) details 558 corporate assets, this list includes car parks, land, cemeteries, shops, public toilets, and larger buildings such as the Town Hall and the Pump Rooms. The disparity is mostly accounted for by the separation of land from buildings in the Asset Register and other variations in the sub-division of premises.
- 2.3 Year-on-year, the base budget for planned maintenance and responsive repairs in relation to the corporate portfolio is £913,000, although additional allocations in the current year of circa. £250K have been allocated from the Corporate Assets Reserve Balance.
- 2.4 A preventative maintenance programme is managed by the Assets Team with the sites covered categorised as follows:
- corporate operational
 - non-operational
 - public open spaces

3 **Objectives of the Audit and Coverage of Risks**

- 3.1 A 'risk-based audit' approach has been adopted whereby key risks have been identified during discussion between the Internal Auditor and key departmental staff and upon review of the Significant Business Risk Register and the relevant Departmental Risk Register.
- 3.2 The management and financial controls in place have been assessed to provide assurance that the risks are being managed effectively. The findings detailed in the following sections confirm whether the risks are being appropriately controlled or whether there have been issues identified that need to be addressed.
- 3.3 In terms of scope, the audit covered the following risks:
1. Incorrect identification of who is responsible for works so unnecessary orders are raised.
 2. Inadequate funding to repair and maintain properties.
 3. Contractors paid in excess of sums due for work done to requisite standards.
 4. Budget overspend.
 5. Failure to meet the Council's legal obligations for maintaining property standards.
 6. Failure to meet new fire safety regulations.
 7. Adverse public impression of appearance of property assets, especially in context of their surroundings.
 8. Irregularities in procurement/ordering processes.
 9. Safety of leaseholders, staff and visitors to premises is compromised.
 10. The Asset Management Strategy is not used to evaluate options for our assets.
- 3.4 These risks, if realised, would be detrimental to the Council with regards to meeting the following corporate objectives, as set out in the Fit for the Future Strategy:
- Maintaining the condition of corporate assets broadly supports the aims of all five priority themes under the Sustainable Communities Strategy.

4 **Findings**

4.1 **Recommendations from Previous Reports**

- 4.1.1 The current position in respect of the recommendations from the previous audit reported in April 2018 were also reviewed. The current position is as follows:

Recommendation	Management Response	Current Status
The procurement options around the use of Ser-Tec Systems Ltd should be investigated, with a formal contract being put in place if no other suppliers are able to provide the service.	Following advice from Procurement, these works will be tendered for a 3-year contract and a contract will be in place by the end of July 2018.	Ser-tec Systems Ltd is no longer a supplier to the Council so this recommendation is no longer relevant.

4.2 Financial Risks

4.2.1 **Risk: Incorrect identification of who is responsible for works so unnecessary orders are raised.**

Corporate assets are identified on ActiveH (asset management system). They include open spaces such as Abbey Fields and Jephson Gardens, allotment sites, car parks, sub stations, cemeteries, and buildings. At the time of the audit there were 558 assets detailed on the system.

Corporate stock is reviewed regularly and maintained on a 5-year rolling planned preventative maintenance (PPM) programme. This allows timely identification of works that need to be completed before any issues arise.

Where there have been ad-hoc repairs the responsibility of the property is clearly identified on ActiveH. This prevents works being raised against non-Council properties such as leaseholds. Where works have been completed in non-corporate buildings these are most commonly carried out in communal areas where the works include things like repairs or replacement to entry systems, fire doors and other building security works. In some instances repairs have been carried out inside leasehold properties, such as where there has been a leak in a Council-owned asset impacting the surrounding properties which has then required repairs or maintenance to be completed.

A review of recent repairs and maintenance works completed within non-Council properties was carried out. Where the Council had taken responsibility for the works, additional information to support the transfer had been uploaded to ActiveH.

4.2.2 **Risk: Inadequate funding to repair and maintain properties.**

The budget for repairs and maintenance is based on the 5-year PPM programme. This is funded through the general fund, corporate capital reserve and an annual revenue contribution. The programme provides general budget allocations for the next 5-years which can then be allocated and fine-tuned when budget setting is carried out.

Budget setting is completed annually between budget managers and the assistant accountant. Usually, budgets are carried forward with changes made to allow for inflation and increases in contracts, salaries, pay awards. Sometimes, there are reductions to budgets where, for example, projects have ended and the budget is no longer required.

Budget managers meet with their allocated assistant accountant on a monthly basis to help manage spending and to ensure budgets are being adhered to. They also meet around March to complete the end of year accounts. This provides an opportunity to review spend incurred against the budgets and ensure that the budgets set are adequate for the planned maintenance and repairs.

4.2.3 **Risk: Contractors paid in excess of sums due for work done to requisite standards.**

The works to be carried out as part of the PPM programme are entered into ActiveH. This is then issued to the contractor to be actioned. Reactive jobs are also raised through ActiveH, in this case by the surveyors, which issues the work request directly to the contractors.

Reactive jobs are reported by members of the public using the online "Report an Issue" form, phone call or email. Staff members can also use these methods or use the internal communication channels such as jabber (internal communication platform) or MStTeams or the online form held on the intranet.

Reactive jobs are usually for minor issues such as a toilet not flushing, door closure issues and other small works. With larger work requests photos are usually uploaded onto ActiveH to show the issue or works required and the exact location for the contractors. Once repaired the surveyors will visit and check that the works are completed, in some cases the contractors will upload photos of the completed works which reduces the need for a visit and in most cases shows the standard of the works carried out.

A sample of works completed was reviewed. The sample included cases where photos had been uploaded to show the before and after status. The reactive works included an issue with the gates at Riverside House and the planned works included stonework restoration at Warwick Cemetery Chapel Building. As well as the photos of the completed works, the surveyor confirmed that the works would be checked in person when they were next in the area.

Works completed in the sample were in line with the contract and the pricing schedule. Works can only be requested through ActiveH. This links to CIAnywhere (finance system) so that invoices are connected to the authorised work request and requested works can be paid for.

4.2.4 **Risk: Budget overspend.**

The operating costs of individual assets, including future maintenance and PPM, are managed through individual service budgets and within the annually-agreed PPM budget. Where possible, longer term PPM plans are put in place to ensure that assets are maintained to a good standard and remain fit for purpose and meet statutory and other compliance measures. These are reviewed annually on a rolling basis.

The most recent PPM budget review was reported to Cabinet 10 February 2023. The review detailed the expectations of the budget to allow the Council to proactively maintain all existing corporate assets in a suitable condition unless or until decisions are made through the Corporate Asset Management Strategy.

The proposed budget allocation for 2022/23 is based on a review of the current PPM data by officers within the Assets Team, in consultation with building managers from other services. For 2022/23, the total PPM budget is £803,600. This will be funded using £413,200 from the Annual Revenue PPM budget and a £390,400 top-up from the Corporate Assets Reserve.

There are monthly budget meetings to review the budget situation. These are attended by the Head of Neighbourhood and Assets and the allocated accountant. The accountant keeps a large spreadsheet which includes all of the relevant budgets for repairs and maintenance, including housing properties. Individual budgets are monitored using the detail on the main spreadsheet. This allows any variances to be highlighted before they can become significant. Contract managers who are responsible for the repairs and maintenance contracts review spending against contract and the budget to ensure they are adhered to.

There have been no identified instances where variances have been so significant that they have had to be formally reported and approved. The accountant confirmed that variations are identified early due to the frequent budget monitoring meetings that highlight any potential issues before they become significant.

4.3 Legal and Regulatory Risks

4.3.1 Risk: Failure to meet the Council's legal obligations for maintaining property standards.

The main regulations applicable to corporate properties is the Health and Safety at Work Act 1974. An audit of Health and Safety Compliance of Council Buildings that was recently completed on 23 January 2023 reviewed corporate buildings and leased properties covering elements such as gas, electric, lift and other key areas from within the Act. Where recommendations were noted in the report management had responded with appropriate actions which either resolved the issue immediately or put plans in place to resolve them within a few months.

The 5-year rolling PPM programme in place is not designed to just repair issues as they arise but to maintain the condition of the properties in order to reduce the need for repairs.

4.3.2 Risk: Failure to meet new fire safety regulations.

The fire safety regulations were covered in the audit of Health and Safety Compliance of Council Buildings; since completion of the audit, however, the Fire Safety Regulations 22 have been issued (at the end of January 2023). The Council is intending to achieve compliance by April 2023, six months in advance of the October deadline set by the Regulations.

The Regulations implement the recommendations made by the Grenfell Tower Inquiry. Seeking to improve the fire safety of blocks of flats / high rise buildings. The regulations supplement the fire safety order 2005. They apply to all buildings with additional requirements for those over 11 metres high. Although the changes apply mainly to residential properties, there are some areas which include all buildings, especially those with common parts used for evacuation such as corridors and stairways.

Although Assets staff have not yet been made formally aware of the new regulations, are in place. The Council have commissioned Pennington's to perform a full review to assess the baseline of compliance processes and

procedures across the Council. Part of this commission includes liaising with relevant staff and providing recommendations and feedback. This provides an opportunity to make staff aware of the changes and the impact on their roles and will bring the current processes and procedures in line with the new regulations.

The scheme of delegation is being reviewed and updated to include fire safety with the responsibilities shared between the Head of Housing and the Head of Neighbourhood and Assets. As part of the scheme, the Head of Neighbourhood and Assets meets with managers in Housing and Assets on a monthly basis to review concerns and enable fire safety works to be prioritised using a RAG (red / amber / green) spreadsheet. This method quickly highlights the main concerns and allows updates to be completed ensuring the information is current.

Building heights have been measured and recorded to help the Council to comply with the changes. Where buildings are different heights at the front to the back because the guidance is unclear the highest measurement is used.

According to the Regulations, the Council, as a corporate body, is the "responsible person". The guidance recommends delegating to an individual in this situation to help ensure compliance with the regulations. The role of "responsible person" has been delegated to the Chief Executive of the Council.

Fire doors in corporate buildings are checked every three months following the guidance given in the Regulations. Although this audit focuses on corporate buildings it was confirmed that a new post of Service Officer for Housing is being established to whose role it will be to check compliance in all flats and high-rise Council owned buildings.

The Regulations specify that external wall records and floor plans must be produced, for clad housing properties and for residential buildings over 11 metres high, respectively, with a copy kept on site and another issued to the local Fire and Rescue service. However, there is no known corporate stock that needs to produce external wall records as part of the new Regulations and similarly there are no corporate buildings that include residential properties over 11 metres high so no external wall records or floor plans or plans need to be provided to Fire and Rescue.

Monthly fire safety checks are recorded in logbooks and kept on site for the individual buildings. The checks include inspecting fire escape routes and fire doors and reviewing signage in place together with practice evacuations and alarm tests. A review of the logbooks held at Riverside House showed that testing is completed on a weekly basis for alarms with additional checks carried out throughout the month. Where any issues have been noted, a separate section of the logbook is completed to detail the issue and the repair / replacement or maintenance needed.

Other requirements of the Regulations apply for residential buildings and include the provision of fire safety instructions, wayfinding signage and secure information boxes. As these are required for residential properties they have not been checked as part of this audit, the remit of which concerns corporate buildings only.

4.4 **Reputational Risks**

4.4.1 **Risk: Adverse public impression of appearance of property assets, especially in context of their surroundings. .**

A budget report to Cabinet on 9 February 2023 provided information about the PPM programme. The detail given was limited providing the overall budgets for the three categories: Corporate Operational, Non-operational, and Open Spaces.

The accountant managing the budgets for the PPM programme was able to provide a detailed spreadsheet covering the 5-year PPM programme in place. The spreadsheet breaks down the three main categories in detail listing the various corporate properties and land. The plan is further broken down into years, detailing the works planned and the expected budget. The works include maintenance of footpaths, walls, lighting, roofs, painting, and internal works such as bathroom and kitchen replacements. The external works planned will help to ensure the appearance of the properties is maintained.

4.5 **Fraud Risks**

4.5.1 **Risk: Irregularities in procurement/ordering processes.**

Orders for works are raised through ActiveH logged under the asset requiring the works. Logging the works in this way prevents the same work being raised more than once as well as enabling a work request to be issued directly to the contractor. When the work has been completed the contractor updates the system and uploads any relevant documents. An invoice is issued and uploaded to CIAnywhere.

A sample of contracts relevant to repairs and maintenance was reviewed. The sample included ten contracts. Most of the contracts are showing none (or very little) spending against contract when using the contract management section of CIAnywhere to review it. This is because the invoices for works raised on ActiveH are not linking to the contract information on CIAnywhere. Monitoring and reviewing contract spend is a time-intensive process as the invoices for work have to be identified and manually added up. After reviewing the invoices from the contractors in the sample it was found that two of the ten were overspent. This was raised with both Procurement and the Head of Neighbourhood and Assets allowing them to discuss whether variations were needed to be made to the contracts with D&K (air con) and Stannah (lifts) to account for the overspend.

Raising work orders through Active H is the appropriate way to do this as it shows the work against the correct asset. CIAnywhere is relatively new to the Council. Phase 2 of the implementation of CIAnywhere was to link it to the other systems in place, including ActiveH. Due to changes in staff and lack of resource this phase was temporarily put on hold. The Head of Finance has confirmed that implementation of phase 2 is delayed but that officers will be working on it, with the aim of completing it within the next two years.

Spending actioned through ActiveH accounts for around a third of contract spending. To enable contract and budget managers to successfully manage the spending against contracts it is important that the phase 2 be completed as soon as possible. This will not only save the officers time but could also prevent the Council from breaching contracts and overspending.

Recommendation

Phase 2 of the implementation of CIAnywhere should be actioned as soon as possible enabling invoices raised through ActiveH to be linked to the relevant contract.

All contracts in place have been procured in line with guidance and with the support of the Procurement team. Spend over £5k with one supplier should be recorded on the contract register in order to be compliant with the Local Government Transparency Act. A review of a sample of spending for repairs and maintenance found that spending was with listed contractors; there was no spending over £5k identified where the supplier wasn't listed on the contract register.

4.6 Health and Safety Risks

4.6.1 Risk: Safety of leaseholders, staff and visitors to premises is compromised.

The safety of leaseholders, staff and visitors to corporate properties was considered in the audit of Health and Safety Compliance completed in January 2023. Covering areas such as gas and electrical safety checks, legionella, lift maintenance and fire safety, the audit reviewed the risks that could impact the safety and the controls in place. Rather than re-cover the same information the risk registers have been reviewed to identify other areas that could impact the ability to repair and maintain corporate buildings.

There are a number of financial risks identified in the significant business risk register (SBRR). The following risks were identified as being relevant to this audit:

- Contractor going into administration or withdrawing from the contract
- Not complying with legislation or legal requirements
- Failure to protect and maintain Council buildings.

To reduce the likelihood or impact of these risks there are various controls in place such as effective contract management procedures and properly procured contracts, ongoing training and legal advice, using a corporate asset management strategy, and having appropriate structures to review compliance.

Service area risk registers are in the process of being incorporated into a spreadsheet with the service area plan. This will help to keep them relevant and in line with the objectives set out in the plan. This has not yet been completed since the service areas of Neighbourhood and Assets were combined. The previous risk register for Assets was last updated in August 2021. In addition to the larger risks identified in the SBRR, the service area risk register identifies risks that directly impact the service such as failure to communicate effectively

resulting in incorrect work being carried out. Other risks echo those in the SBRR but provide more asset-focused mitigating controls rather than generic ones.

4.7 **Other Risks**

4.7.1 **Risk: The Asset Management Strategy is not used to evaluate options for our assets.**

The Asset Management Strategy (AMS) 2019 – 2023 was approved 13 November 2019 at Executive. The strategy links to and supports the Council's Business Strategy and Medium-Term Financial Strategy.

The strategy details six categories of asset classification and provides suggested approaches to take when maintaining and managing the assets owned by the Council and when acquiring new assets. The categories include a sustainability criterion beginning with category one where the property has a minimum of 30 years' sustainable life and is expected to meet the client and customer requirements for a minimum of ten years. The sustainability criteria diminishes as it travels through the categories, e.g. reducing to 15-30 years' sustainable asset life, and defined as underperforming, outlived requirement or beyond economic recovery; category five is where the asset and land are no longer in beneficial use. Finally, category six is for assets with no specific service delivery value (such as sustainable urban drainage schemes – known as SUDS, pumping stations and footpaths) or for land banking purposes linked to future developments.

Capital investment ranges across the categories from full investment to no investment with repairs and maintenance following a similar route from being included in the 5-year plan to only undertaking repairs and maintenance in order to maintain the safety and security of the asset or to maintain statutory requirements. The suggested review timeframe for the categories ranges from 6 months to 10 years.

The PPM programme breaks down the property portfolio into the following asset classifications:

1. Operational – assets held to support service delivery including our HQ offices, Spa Centre, Art Gallery & Museum, Leisure Centres, Crematorium and cemeteries.
2. Community – assets for the benefit of the community including parks, play areas, woodland, open spaces, sports pitches and pavilions, monuments and other heritage or cultural assets.
3. Economic – assets held to support local and regional economic development objectives and business start-ups.
4. Commercial – assets let on a commercial basis and expected to make an appropriate rate of return including HRA shops.
5. Investment – assets held for disposal, development or alternative use.

The technical surveying team deliver the PPM programme and manage the responsive repairs. There is a spreadsheet of works in place, used as a guide as there is not a dedicated staff member in place to manage it. The spreadsheet of works details the frequency of maintenance; where a property has been

classified using the AMS categories this is recognised in the frequency and types of works planned.

The AMS provides a framework to use when evaluating the purchase or disposal of assets. The framework provides guidance for reviewing existing assets but can also be used as a tool to assess the suitability prior to acquisition of competing assets as part of a corporate project, or as part of a property investment option.

A review was carried out of properties disposed of or acquired since the implementation of the AMS.

The only disposal reported since November 2019 was the recent report to dispose of Riverside House. Although the disposal is not yet completed, the report proposing it has been issued to committee and approved. The report includes no indication that the property has been evaluated against the AMS. Although an evaluation of the options has been completed as part of the report, no category has been given in line with AMS. A discussion was had with the author of the report (the Chief Executive) as to the evaluation process that was followed. It was advised that the decision to dispose of Riverside House predates the strategy so categorisation was not completed. No other assets were identified as disposed of.

Three assets were identified as being purchased:

1. Waverly Riding Stables, acquired 28 August 2020. There are a number of documents saved to the file for the asset, including quotes for works and inspection records. There was a report to Council on 20 May 2020 but no evaluation could be found.
2. Heathcote Hill Farmhouse, acquired 23 July 2020. Site inspections have been saved to ActiveH and the purchase was reported to Executive on 27 April 2021 but no evaluation in line with the AMS was identified.
3. The most recent acquisition was St Michael's Leper Hospital on 18 July 2022. This was discussed with the Deputy Chief Executive who produced the reports associated with the acquisition. An evaluation following the AMS was not completed due to being a compulsory purchase order. This was because the property is a grade 2 listed building and a part of Warwick's heritage. The owner was struggling to develop it so a compulsory purchase order was issued with an arrangement that it would only be enforced if the owner failed to begin regeneration or development of the site. As they failed to meet the criteria in the arrangement the Council purchased the property. The purchase didn't follow the strategy as it was bespoke and not a normal acquisition.

Recommendation

The Asset Management Strategy should be used to evaluate options for the Council's assets.

5 Summary and Conclusions

- 5.1 Section 3.3 sets out the risks that were being reviewed as part of this audit. The review highlighted weaknesses against the following risks:

Risk 8 - Irregularities in procurement/ordering processes.

Risk 10 - The Asset Management Strategy is not used to evaluate options for our assets.

5.2 In overall terms, however, we can give a SUBSTANTIAL degree of assurance that the systems and controls in place in respect of Corporate Properties Repair and Maintenance are appropriate and are working effectively to help mitigate and control the identified risks.

5.3 The assurance bands are shown below:

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

6 Management Action

6.1 The recommendations arising above are reproduced in the attached Action Plan (Appendix A) for management attention.

Richard Barr
Audit and Risk Manager

Action Plan

Internal Audit of Corporate Properties Repair and Maintenance - March 2023

Report Ref.	Risk	Recommendation	Rating*	Responsible Officer(s)	Management Response	Target Date
4.5.1	Irregularities in procurement/ordering processes	Phase 2 of the implementation of CIAnywhere should be actioned as soon as possible enabling invoices raised through ActiveH to be linked to the relevant contract on CIAnywhere.	Low	Head of Finance	The contract with TechnologyOne will be extended by one year as additional support is needed for the contract with CIAnywhere, this includes phase 2 of the implementation.	March 2024
4.7.1	The Asset Management Strategy is not used to evaluate options for our assets.	The Asset Management Strategy should be used to evaluate options for the Council's assets.	Low	Head of Neighbourhood and Assets	The Strategy is being used for corporate assets and these have been categorised and classified and a project is underway with Savills to advise the Council on appropriate options for each asset – retain / invest / divest.	September 2023

* The ratings refer to how the recommendation affects the overall risk and are defined as follows:

High: Issue of significant importance requiring urgent attention.
Medium: Issue of moderate importance requiring prompt attention.
Low: Issue of minor importance requiring attention.