

**AUDIT REPORTS WITH MODERATE OR LOW LEVEL OF ASSURANCE
ISSUED QUARTER 3 2017/18**

Events Management – 30 January 2018

1 Introduction

- 1.1 In accordance with the Audit Plan for 2017/18, an examination of the above subject area has been completed recently and this report is intended to present the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, results obtained have been discussed with the staff involved in the various procedures examined and their views are incorporated, where appropriate, in any recommendations made. My thanks are extended to all concerned for the help and co-operation received during the audit.

2 Background

- 2.1 This was the first audit to be undertaken following a revised audit planning approach whereby events management would be considered holistically, while also absorbing the management of markets and Mop fairs into the assignment scope.
- 2.2 This revised approach was influenced in particular by Executive endorsement in 2013 of a revised delivery model for events across the District. While the principles and aspirations behind the model are still seen as relevant, the structural changes that the model entailed have since been effectively reversed as a result of a subsequent service redesign by removing the split roles between Cultural Services and Development Services.
- 2.3 This culminated in a new structure (implemented in 2016) whereby the role of events management is concentrated within Development Services with Cultural Services acting essentially as consultees, mainly for events using Council parks and public open spaces as venues.
- 2.4 In the wake of the service redesign, a review project led by the Policy and Projects Manager (referred to hereafter as the Events Review) was initiated with a Terms of Reference based on four broad phases:
- Phase 1: Agree priority outcomes
 - Phase 2: Data and intelligence collection
 - Phase 3: Identification of issues, opportunities and potential improvements
 - Phase 4: Preparation of report and recommendations.
- 2.5 A briefing note outlining terms of reference, progress to date and issues emerging was considered by the Overview and Scrutiny Committee in August 2017.

2.6 Phases 1 to 2 had been completed at the commencement of the audit as had the part of Phase 3 in terms of the identification of issues. At the time of this report, it has been advised that consultations with stakeholders on perceived opportunities and potential for improvement have been completed and the outcomes will feed into Phase 4.

3 **Scope and Objectives of the Audit**

3.1 The audit examination was undertaken for the purpose of reporting a level of assurance on the adequacy of structures and processes for managing events economically, efficiently and effectively in accordance with relevant legislation and corporate policies/strategies.

3.2 The examination was formed of an evidential risk-based overview of those structures and processes in the context of the following themes:

- strategies and policies
- roles and responsibilities
- programming events over short and medium term
- managing individual events
- events costs
- feedback and reporting (periodic and individual events).

3.3 The examination was solely concerned with event management and support roles of the Policy and Development Team in Development Services (Policy and Projects). This excluded from the scope of the audit:

- indoor events, irrespective of whether they are organised by the Council or use Council premises;
- outdoor events on land that is not Council-owned and not public open space except where support from the Team is required (e.g. to institute temporary road closures).

3.4 In the light of findings from the Markets and Mops audit reported in 2014, along with key developments since, a revisit of these two areas was incorporated into the audit scope and the findings are considered separately in the Report (Sections 4.2 and 4.3 respectively).

3.5 The findings are based on consultation and discussion with key contacts and examination and analysis of relevant documentation and records including computerised data where appropriate. The principal contact for the audit was to be James Deville, Business Support Team Leader.

3.6 In the event most consultation in the course of the audit was with David Butler (Business Support Manager) as it dealt mainly with areas of policy and developments on markets and Mop fairs preceding the current role structure.

4 **Findings**

4.1 **Recommendations from previous report**

4.1.1 The current position in respect of the recommendations from the audit

reported in March 2014 is as follows:

| Recommendation | Management Response | Current Status |
|---|--|---|
| <p>1 Formal meetings should be held to discuss / review invoice figures at appropriate stages of the year, in line with the (current) contract, with the FS Team being made aware of the correct figures to be used on the invoices in a timely manner. <i>(Low risk)</i></p> | <p>A formal meeting is to be held during September / October to review stall counts and set next year costs.</p> | <p>Since the letting of new general District market contract in 2015, this contract compliance process has evidently been neglected. Discussed further in 4.2.4 below.</p> |
| <p>2 The fee setting process should be adhered to (i.e. fees to be agreed for the production of the October Executive report for the following year), with notes to the report highlighting that these will be implemented from April, not January as stated in the report (unless agreed differently in the new contract). <i>(Low risk)</i></p> | <p>This will continue for future years.</p> | <p>Local details of current stallholder fees being charged were found to match the approved Fees and Charges schedule effective from the correct date.</p> |
| <p>3 If new fees are being agreed to come into effect from April 2014, an update report should be presented to Executive as appropriate. <i>(Low risk)</i></p> | <p>A meeting with Sketts is already set for 3 April to review this year's fees and an Executive report will follow.</p> | <p>As 1. above</p> |
| <p>4 Formal monitoring should be undertaken to ascertain the number of stalls in place at markets held. <i>(Medium risk)</i></p> | <p>Quarterly spot checks to be undertaken by relevant Town Development Officers. A monthly spreadsheet is to be supplied by (the market operator) showing stall numbers.</p> | <p>This has now become the responsibility of a designated Business Support and Events Officer following restructuring. There was no evidence from the review that such checks are being undertaken, indicating another element of contract management being neglected. Discussed further in 4.2.4 below.</p> |
| <p>5 Annual reminders should be set up to ensure that updated insurance cover details are received from the market operator upon expiry of the certificates provided. <i>(Low risk)</i></p> | <p>The need to supply insurance details will be covered in the new tender, and reminders will be set thereafter.</p> | <p>Up to date proof of requisite insurance cover for the market operators was confirmed.</p> |

| | | |
|--|---|--|
| <p>6 Insurance documentation is obtained in respect of all rides operated at the Mop fairs. (<i>Medium risk</i>)</p> | <p>Insurance documentation will be obtained for future Mop Fairs.</p> | <p>It was advised that, under the Operational Agreement effective from 2014, the liability insurance for the appointed Fair operator covers all rides.</p> |
|--|---|--|

4.2 **Markets Re-visit**

- 4.2.1 Contracts are still in place with external providers to manage the Council's markets. At the relet process in 2014, what had been up to then one contract has now been split into 2 'lots':
- general market contract from February 2015 for 3 years with a provision for a 2-year extension;
 - seasonal Leamington Sunday markets contract from July 2015 for 3 years with provision for a 2-year extension.

- 4.2.2 The contracts are with separate providers (the latter having held the previous combined contract). In reviewing the contract agreements, no signed original of the latter of the two above contracts could be located.

Risk

Difficulties are encountered in case of dispute.

Recommendation

On completion of the next extension or relet of the two market contracts (whichever is the sooner), procedures should ensure that the both agreements are properly executed and signed originals duly lodged in the Document Store.

- 4.2.3 Council income for the seasonal contract is set at a fixed annual sum for which debtor invoices are raised. For the general market contracts the banded formulaic structure from the previous contract has been retained.
- 4.2.4 The audit findings indicate that key processes for determining income due to the Council for invoicing have been neglected since the start of the current general market contract. This is particularly illustrated by:
- the monthly instalments invoiced not having changed since the start of the contract;
 - an absence of quarterly market stall returns from late 2016;
 - no evidence of Council officer spot checks found;
 - no evidence found of the six-monthly reviews to set invoicing amounts, despite clear increases in the numbers of stallholders.
- 4.2.5 It is estimated that the Council received in the region of £2,500 less than was due under the contract in the 2016/17 financial year and is on course for a similar shortfall in the current year.

Risks

- (1) The shortfall in income received to date will not be recovered;**
- (2) Shortfalls in income will continue due to under-billing.**

Recommendations

- (1) A retrospective review of stallholder statistics from the start of the general markets contract should be instituted to determine and recover the shortfall of income to the Council to date.**
- (2) Six-monthly meetings with the contractor should be instituted and maintained in accordance with the general markets contract to set the ongoing monthly instalment amounts to be billed.**
- (3) Formal periodic returns on weekly stallholder numbers should be re-instituted in accordance with the general markets contract.**
- (4) Periodic officer spot-checks on stallholder numbers should be undertaken and results logged.**

4.3 Mop Fairs Re-visit

- 4.3.1 The review of the Mop Fairs referred to in the previous report culminated in a report to the Executive in September 2014 recommending a list of additional provisions to the Mop Licence when it was to come up for renewal. The Executive approval is seen effectively crystallising policy direction on the future running of the Mops with clear reference to the 'licence' as the instrument of the Council's direction and operation along with the entire list of additions.
- 4.3.2 All available evidence and staff recollections of what happened since indicate a transformation of approach to foster a more collaborative partnership with the Mop operator, but at the same time sidelining the Executive resolution.
- 4.3.3 The instrument that was adopted from 2015 is entitled 'Operational Agreement' and various features indicate this to be a departure from a 'licence' in favour of a service contract. In addition, several of the approved provisions for the expected licence renewal have not transferred over to the agreement.
- 4.3.4 Most of these were matters of finer detail with no significant implications, along with one that was aspirational that had been implemented on a trial basis without success. However, there were two provisions relating to potentially sensitive issues:
 - prohibition on 'giving' of live animals as well as existing prohibition on 'selling';
 - Mop Fairs to close no later than 10.00pm on each day.
- 4.3.5 The Mop closure times are not specified in the Agreement which states that they are to be detailed in the respective event day licences. Such day licences are standard for Council-supported supported events and are issued as standard text confirmatory letters by Shared Legal Services. The 2017 licence for the Mop is no exception and includes no mention of closure times, an omission that raises particular concern as it emerged that 2017 Mop Fair was permitted by officer consent to remain open to 10.30 and 11.00 respectively on certain days.

4.3.6 The inevitable conclusions from this are that:

- there was a failure to implement fully the 2014 Executive resolution requiring certain licensing conditions to be put into effect including one with significant implications for residents of properties in and around the Mop area;
- officers have acted contrary to policy direction from the Executive and without proper authority by permitting the 2017 Mop to remain open beyond 10pm.
- officers may have acted contrary to policy direction from the Executive and without proper authority by not maintaining the 'licence' instrument for outsourcing the running of Mop Fairs.

Risks

- (1) Failure to implement Executive-approved policy and perpetuation of officer actions contrary to such Policy.**
- (2) Unauthorised extensions of opening hours for the Mop Fairs are repeated under the current Agreement.**

Recommendations

- (1) The status of the Operational Agreement as a true 'licence' document should be clarified with the aid of legal advice.**
- (2) An update on the management of Mop Fairs should be reported to the Executive, including deviations from the 2014 Executive resolution.**
- (3) Any proposal to extend the opening time beyond 10.00pm on any Mop day in 2018 or 2019 should be submitted for Executive approval.**
- (4) Unless formally withdrawn in the meantime, the approved changes to the Mop licence under the 2014 Executive resolution should be revisited as part of the re-letting process for the Operational Agreement covering Mop Fairs in 2020 and beyond.**

4.3.7 Further observations signify a relaxation of some of the formalities under the Operational Agreement considered onerous and disproportionate in context. One such example relates to costs incurred by the Council to be reimbursed by the operator.

4.3.8 The provisions on classification of recoverable costs have not changed from the previous licence, neither have provisions requiring advance payments on account and production 'cost accounts' and 'cost certificates'. In practice the whole recharge is rendered as one annual invoice based on a summary from the operator which, considering the levels of recharge (between £7,000 and £8,000 per annum), is supported as a more proportionate approach.

4.3.9 The Agreement provides for the option of an annual returnable fixed-sum deposit or a performance bond to be provided by the operator. In discussions it was advised that the latter had been opted for, but this could not be verified as a copy of the bond could not be found.

Risk

The Council's redress in case of non-performance under the Operational Agreement is impaired.

Recommendation

Procedures should ensure that the financial security provisions of the Operational Agreement for the Mop Fairs (Clause 12) are complied with and retrievable copies kept of any bonds.

4.3.10 The key provisions for management of risk and insurance requirements were found to be adhered to.

4.4 Strategies and Policies

4.4.1 Running and supporting events are very much knitted into the roles of local authorities. In strategic terms they are seen as being an important component among various initiatives aimed at meeting authorities' social, environmental and economic objectives. In the case of Warwick District, these objectives are mainly enshrined in the Council's Prosperity Agenda.

4.4.2 In considering the legislative framework that has to be taken into account in the running of events, a large list of statutes, regulations and regulatory guideline papers emerge dealing with a range of areas including:

- general safety
- equipment safety
- equality
- protection of vulnerable persons
- compulsory insurance
- temporary closure of public highways
- environmental protection
- food hygiene
- alcohol sales
- market and street trading

4.4.3 There is no adopted policy document for events management overall, although the Council did adopt a Markets Policy in 2012. It is clear that the rolling out of an Events Policy has been considered (evidenced in a Portfolio Holder Update report from March 2017), although discussions during the audit have indicated the focus to be moving away from a policy document towards clearer and tighter management standards.

4.4.4 Appreciation of the legislative framework is seen as supporting this approach.

4.4.5 In adopting the Markets Policy in 2012, the Council also expressly invoked additional legislation to supplement the existing legal framework establishing the Council's rights to hold markets and rights of prohibition against the setting up of markets by other parties.

4.4.6 The Markets Policy does not currently appear to be publicised in any way – no copy could be found on the Council's website and there was no evidence of the Policy being referred to in recent interventions on proposed markets by

external parties.

- 4.4.7 In the way that the Policy is framed, the key provisions of the additional legislation invoked, Section 37 of the Local Government (Miscellaneous Provisions) Act 1982, appear to have been played down. These are:
- requirement of at least one month's notice to the Council of intention to hold a temporary market of car boot sale within the District;
 - holding a temporary market of car boot sale within the District without such notice constituting an offence subject to a fine.
- 4.4.8 From discussions, there is no recollection of any known instance of such an offence being committed in the District and recent interventions in evidence have made no mention of the Section 37 provisions. These instead invoked the Council's rights under Warwick Charter.
- 4.4.9 Another flaw perceived in the Policy is wording that implies that invoking Section 37 has reinforced the Council's pre-existing powers of prohibition, when it has actually had no effect in this regard. By that token, downplaying the notice and default offence provisions has to be seen as defeating the object of invoking Section 37 in the first place.
- 4.4.10 It is seen as in the Council's best interest that the notice requirement and offence provision of Section 37 are reinforced in any future interventions on markets and car boots planned by external parties.

Risk

Offences are committed under Section 37 through lack of awareness or perception of the Council as unwilling enforce expressly invoked statutory provisions.

Recommendations

(1) The Markets Policy should be revised to:-

- **update (or remove) the market operator contact details;**
- **clarify the distinction between notice requirements under Section 37 and the Council rights of prohibition under Food Act 1984;**
- **reinforce the one-month period of notice required under Section 37 and liability to summary conviction for an offence if flouted.**

(2) Appropriate publicity should be initiated for the Markets Policy following revision, including publication on the Council's website.

- 4.4.11 In a related observation, it was noted that provisions of the Warwick Charter effectively give the Council powers of prohibition on markets that extend into areas of Stratford-upon-Avon District and Solihull Metropolitan Borough. There is no indication of this being monitored or enforced outside the District in recent memory, and use of such powers nowadays can be justifiably seen as having no place in an embedded culture of collaborative joined-up working.

4.4.12 It is noted that a revised Street Trading Policy came into force in September 2016, partly aimed at removing barriers to competitive trading at short events.

4.5 **Roles and Responsibilities**

4.5.1 Under the current officer structure, the events management role is placed within the Policy and Development Team reporting to the Policy and Projects Manager, Development Services. The Business Manager post at the head of the Team oversees events management as part of a wider 'strategic delivery' role.

4.5.2 The events management function is exercised by a Business Support Team Leader (reporting to the Business Manager) and three Business Support and Event Officers. The job descriptions for the two post levels are essentially similar on events management responsibilities, but with expected distinctions between ground level operation and higher level oversight and monitoring.

4.5.3 The oversight role in terms of the market contracts and Mop Fairs are alluded to in the Team Leader job description. A generic job description is in place for the three Business Support and Event Officer posts which does not specifically mention the market contracts and Mop Fairs, although one of the post holders has been designated as lead officer for these.

4.5.4 Review of the job descriptions in the context of markets raised another concern in relation to the Markets Policy. Neither the Policy itself nor the Executive resolution approving it provided for delegation of authority to exercise the Council's powers of prohibition. No provision could be found in the Scheme of Delegation and nothing in the job descriptions affirms any decision-making role.

Risk

Officer decisions to exercise the Council's powers of prohibition against holding markets under the Warwick Charter or the Food Act 1984 are unauthorised.

Recommendation

An update to the Scheme of Delegation should be sought to the effect that authority to determine applications for markets and exercise the Council's rights of prohibition under Part III of the Food Act 1984 are delegated to the Head Development Services.

4.5.5 In common with many other local authority areas, Warwick District is served by a multi-agency Safety Advisory Group. The constitution, role and remit are outlined on the Councils' website and linked Terms of Reference. These are generally in line with HSE literature on the roles and constitutions of groups of this nature.

4.5.6 Evidence seen confirms meetings of the Group being held monthly.

4.6 **Programming Events**

4.6.1 The review looked briefly at means by which forward projection of events is

achieved to facilitate the effective management of resources. This was found in an Excel spreadsheet model maintained by the Business Support Team Leader.

- 4.6.2 The model timespans two consecutive years and incorporates various criteria to facilitate an equitable distribution of lead officer assignments to the Business Support and Events Officers. Additionally, a form of risk-based assessment on each event produces a level code from 1 to 3 which determines what minimum follow-up documentation is required, extent of meetings required and whether the Safety Advisory Group should be involved.

4.7. **Managing Individual Events**

- 4.7.1 While effective management and support of events relies to a large degree on skills, training and experience, it has been recognised that standard forms, guidance and procedural direction have a part to play.
- 4.7.2 This is reflected in a suite of standard forms and guidance documents, many of which date from before the officer restructure but have since undergone some refinements. A recent addition referred to in the Events Review documentation is a process flowchart for internal officer guidance and direction.
- 4.7.3 A review of documentation was undertaken on an indicative sample of events over the last six months. This generally confirmed that the key document requirements and formalities were met in accordance with the level codes ascribed and peripheral formalities verified where applicable (e.g. temporary event notices, traffic management plans, road closure orders, etc.). There were isolated incidences of particular documents not found but this is attributed to obscure file location or retention failure rather than non-compliance.
- 4.7.4 It has been advised that the electronic file organisation for events is itself under review to better ensure completeness of documentation and improve ease of retrieval.

4.8 **Event Costs**

- 4.8.1 With event costs featuring prominently in the Events Review and outcome details provided, the audit examination was limited to an overview of financial data with some cross-referencing to the indicative sample where possible.
- 4.8.2 With the officer restructure came the inevitable budgetary realignment, in this case setting up a new 'Events Management' cost centre mid-year in 2016/17. This is populated with a considerable range of subjective heading allocations, especially under the 'Supplies and Services' umbrella which has to absorb the third party charges incurred in supporting events.
- 4.8.3 There has been some discussion during the audit on concerns arising from the Events Review on future levels of support that the Council can input to events. A look at budget outturn for both the previous and current financial years has shown good reason for concern.
- 4.8.4 Clearly the budgets have proved unequal to the levels of supported event

activity in both years with significant overspends in evidence.

- 4.8.5 In the current year especially, supplies and service expenditure is on course to overspend by as much as £20,000 on the revised budget of £65,200, and this is after an in-year injection of £20,000 presumably to cover cost commitments on the Womens' Cycle Tour event.
- 4.8.6 Generally, organisers of supported events are only expected to pay the Council (where applicable):
- fees for use of Council land or public open space (set under the Fees and Charges regime);
 - reimbursement of costs incurred for repair to damage of amenities caused by the events;
 - ancillary charges (e.g. temporary event notices, street trading/ collection consents).
- 4.8.7 The overall level of income arising from the above is small in the context of event costs and did not warrant any detailed review.
- 4.8.8 There are fundamental questions to consider on the nature and extent of future support of events and it is assumed from discussions that these will feature in the reported outcomes of the Events Review.

4.9 **Feedback and Review**

- 4.9.1 This has been indicated in discussions as an area to be developed.
- 4.9.2 Evidence has been seen from the events sample test of post-event feedback from event organisers and of some elements of 'lessons learned' on recurring events to feed into the following year.
- 4.9.3 There is no evidence, however, of the above feeding into a review and reporting process in such a way as to measure elements such customer satisfaction and achievements in contributing to the Council's aims and objectives. The Service Plan currently contains no customer measures specific to events management.
- 4.9.4 It is indicated from discussions and the terms of reference of the Events Review that a process will be developed along the above lines, therefore no formal recommendation is seen as warranted.

5 **Conclusions**

- 5.1 With the Events Review still to run its full course at the time of this report, the events service remains in a transitional state from the perspective of review of the structures and processes.
- 5.2 In terms of day-to-day roles and procedures overall, the findings show a robust foundation for an effective management system to deliver the aims of the events service.

5.3 Conversely, issues emerging from re-examination of the markets and Mop Fairs are seen as a significant qualifying factor in determining the overall level of assurance. In this regard, we are able to give a MODERATE degree of assurance that the systems and controls in place for managing events are working effectively.

5.4 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 the controls that do exist. |

6 **Management Action**

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

Energy Management – 11 December 2017

1 **Introduction**

1.1 In accordance with the Audit Plan for 2017/18, 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 2012.

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 budget for the current financial year for energy supplies is £915,400, broken down as:

| | |
|-------------|---------|
| | £ |
| Electricity | 663,000 |
| Gas | 143,500 |
| LPG | 78,900 |
| Biomass | 15,000 |
| Fuel Oil | 15,000 |

- 2.2 Biomass is currently used in three properties (Oakley Wood Crematorium, Tannery Court, and Sayer Court), with LPG only used at the Crematorium, and fuel oil being used at Jubilee House.
- 2.3 The audit was undertaken during a period of transition, with Asset Management having recently moved from the old Housing & Property service area into the Chief Executive's Office.
- 2.4 The Interim Asset Manager (IAM) in post at the start of the audit moved to a different role and was replaced by a new interim member of staff. In addition, the Energy Manager had been off work since December 2016 resulting in the interim management arrangements being deployed for the staff reporting to the post.

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:
- Energy supply procurement
 - Management of energy usage
 - Bill payments and recharges
 - Compliance with legislation.
- 3.3 The control objectives examined were:
- The Council has compliant contracts in place for the supply of energy
 - Energy usage in Council buildings is appropriately monitored and managed
 - New Council buildings are energy efficient
 - The council does not become subject to debt recovery procedures
 - Payments and recharges **can be** appropriately apportioned
 - Payments and recharges **are** appropriately apportioned
 - The Council complies with applicable legislation.

4 **Findings**

4.1 **Recommendations from Previous Report**

- 4.1.1 The report relating to the previous audit of this topic, undertaken in December 2012, did not include any recommendations.

4.2 **Energy Supply Procurement**

- 4.2.1 The Council currently has formal contracts in place for four of the energy supplies referred to above. However, the (original) IAM advised that there is a need for the 'regularisation' of the procurement for the supply of biomass fuels.

4.2.2 The Council has spent approximately £32,000 with the current supplier (Forest Fuels) since the start of the 2016/17 financial year, with a further £19,000 having been spent with the previous supplier, MWF, at the start of that period.

4.2.3 This would suggest a contract value over the £50,000 threshold set out within the Code of Procurement Practice for which competitive tenders are required. The IAM suggested that there is a framework that the Council can use and this was being looked into.

Risk

The Code of Procurement Practice has not been followed for the procurement of biomass fuel.

Recommendation

A procurement process compliant with the Code of Procurement Practice should be undertaken for the supply of biomass fuel.

4.2.4 Upon review of the contract register, it was suggested that there is no copy held of the gas supply contract in place with Gazprom. The IAM advised that this had been let prior to him being in the AM role, so was unaware of what had happened in this instance. However, it subsequently transpired that an electronic copy of the document is held.

Risk

Staff may be unaware of the existence of relevant documentation.

Recommendation

The contract register should be updated to reflect the existence of the Gazprom contract document.

4.3 Management of Energy Usage

4.3.1 The Contract Administrator (M&E) (CA) provided an overview of the building management system that is in use at the Council (Trend 963). This covers various properties although he highlighted that the Harbury Lane Sports Pavilion wasn't currently connected.

4.3.2 This allows the potential for energy to be wasted if users forget to switch things off when they leave.

Risk

Energy may be wasted.

Recommendation

The Harbury Lane Sports Pavilion should be connected to the building management system.

- 4.3.3 The system is fairly prescriptive and is, in effect, a programmable timer with thermostat control which allows specific settings to be input (e.g. the times that the buildings are operational). The settings for some buildings will rarely be changed, but others (such as the Royal Spa Centre and Town Hall) will be amended on a monthly basis to take account of any events that are taking place. In these instances timetables are provided by the building 'managers'.
- 4.3.4 The system also sends emails that flag if any issues have occurred (e.g. boiler breakdown), although the CA suggested that it is sometimes not easy to interpret all of the emails that are received. Some meter readings are also available on the system although no specific use is made of this information.
- 4.3.5 However, there is nothing in the way of data monitoring which would allow for energy efficiency to be measured / improved. That being said, the CA suggested that the full capabilities of the system are not used and, as he had only received limited training on the use of the system, he was unaware of whether there was something that could be extracted.
- 4.3.6 He advised that he was briefly shown how to use the system but has had no formal training as such and, to the best of his knowledge, there are no procedure notes. He suggested, however, that Sertec (who provide some of the related equipment) will provide assistance when required.

Risk

Energy usage may not be optimised.

Recommendation

Training should be obtained by the Contract Administrators to ensure best use of the building management system is made.

- 4.3.7 In terms of new Council buildings it has been confirmed that energy efficiency is being appropriately considered.
- 4.3.8 The Project Manager advised that the Council is aiming to ensure that the new HQ building will obtain a BREEAM (Building Research Establishment Environmental Assessment Method) rating of 'Very Good' and this will become part of the design and build contract.
- 4.3.9 The leisure centre refurbishments have also taken energy efficiency into account. The Project Officer highlighted that planning conditions were included and provided reports which showed how these conditions had been satisfied.
- 4.3.10 The IAM advised that Sayer Court had been built to the standards contained within the Code for Sustainable Homes. However, due to the departure of the previous AM and the Energy Manager currently being out of the business, he was unable to confirm whether the suggested assessments had been undertaken.

4.4 **Bill Payments & Recharges**

- 4.4.1 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.
- 4.4.2 A sample of bills from the contracted suppliers was selected and all bills were found to have been paid in a timely manner.
- 4.4.3 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 based on estimates.

Risk

Incorrect payments may be made.

Recommendation

Actual meter readings should be taken and provided wherever possible.

- 4.4.4 The BAM advised that, where estimates were being used, the bills would be reviewed to ensure that they seemed reasonable and if anything odd was noted the CAs would be asked to go to the property to ascertain whether there were any problems and to take an actual reading.
- 4.4.5 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.
- 4.4.6 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.
- 4.4.7 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.
- 4.4.8 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 team who would deal with the tenants.
- 4.4.9 The Business Administration Assistant (BAA) advised that electricity costs are recharged to leaseholders in blocks with communal electricity usage, with the figures being included in their service charges.
- 4.4.10 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.

- 4.4.11 Similarly, the billing processes for the golf course and catering contractors, who are recharged for their energy usage, has been covered in audits undertaken during 2016/17 and recommendations were made accordingly.
- 4.4.12 However, it is worth noting that £17,900 had been written off in relation to the golf course electricity charges due to an ongoing dispute over the readings. However, invoices are now being raised on a quarterly basis for electricity recharges as appropriate.
- 4.4.13 Upon review of spreadsheets provided detailing bills paid to the electricity supplier, a number of other properties were identified for which the Council was paying for energy despite tenants being in the properties.
- 4.4.14 The LAMP building in Adelaide Road is currently not recharged for their energy usage. The Estates Manager (EM) advised that this is a historical position. However, a new lease is being entered into which will make energy bills the tenant's responsibility.
- 4.4.15 The Council is also charged for electricity used at St Margaret's Shopping Centre in Whitnash. The EM initially advised that the supply related to housing properties, so the BAM was queried as to whether any recharges were made to the relevant leaseholders.
- 4.4.16 The BAM advised that Active H shows these as corporate shops, hence the charges were going to the Shop Maintenance code on TOTAL. Following the production of the draft report, the BAM was able to confirm that there is a communal supply to the flats.

Risk

The Council may not receive all income due.

Recommendation

Correct recharges should be raised for the leaseholders of the flats at St Margaret's Shopping Centre.

- 4.4.17 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.
- 4.4.18 The Allocations Officer (AO) provided copies of the sign-up sheets for the standard tenancies and for the Very Sheltered Schemes (VSSs). The standard tenancy form highlights that British Gas provides the gas and electricity for the properties and gives details as to how to contact them with regards to setting up accounts.
- 4.4.19 The VSS document does not go into the same level of detail but the AO advised that the tenant would be advised of the inclusion of any energy charges (including the communal aspects) as part of the sign up process.

4.4.20 However, there is currently no documentation for Sayer Court where the Council pays the bills initially and then recharges the tenants based on the readings taken. This was due to the fact that staff were unsure what the process was to be when the tenants moved in to the new properties.

Risk

The Council may not receive all income due.

Recommendation

A formal sign up document should be implemented for Sayer Court that includes details of energy charges.

4.4.21 The EM 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 the leases which states that the lessee will 'reimburse to the Lessor the cost of all electricity consumed by the Lessee on the demised premises'.

4.4.22 In terms of internal recharges, the BAA advised that the majority of the invoices received, with the exception of Gazprom, are building specific and the associated orders are raised with the relevant cost codes included directly, rather than having to be recharged. These have historically been raised on a monthly basis (after the receipt of the invoice) although attempts are being made to raise annual orders.

4.4.23 All properties are covered on one Gazprom invoice each month (although supporting sheets provided the details for each property) and, once paid, the BAA prepares a journal spreadsheet which is provided to Accountancy so that the charges can be allocated appropriately.

4.5 Compliance with Legislation

4.5.1 The IAM advised that he has recently undertaken a review to ascertain whether DEC's (Display Energy Certificates) are in place for relevant Council buildings and has visited each building to confirm the details. The details had been recorded in a spreadsheet which was provided to Internal Audit.

4.5.2 This highlighted that the certificates have not been in place or are out of date in the majority of cases. However, the IAM advised that a contractor has now been appointed to undertake the work to ensure that the Council becomes compliant in this regard.

4.5.3 A subsequent query was raised following receipt of an email from the new Sustainability Officer regarding the absence from the list of the Council's sheltered schemes and whether DEC's would be required.

4.5.4 The IAM was unsure whether they would be required or whether EPC's (Energy Performance Certificates) would be needed instead. As a result, the contractor had been asked to investigate whether these were relevant and

action would be undertaken accordingly.

- 4.5.5 The IAM highlighted that, following the abovementioned reviews, advisory reports will be obtained from the contractor and relevant works will be included in the work plans for each building. However, where previous advisory reports were thought to be in place (as per the spreadsheet), these could not be located.
- 4.5.6 The Council also need to comply with the Heat Network (Metering & Billing) Regulations 2014. Evidence was provided which confirmed that the Council had submitted relevant notifications to the National Measurement & Regulation Office.
- 4.5.7 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. However, the IAM advised that, with the exception of Sayer Court, this had not been implemented at relevant properties.
- 4.5.8 This was 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.
- 4.5.9 The IAM provided evidence that tenders had been sought from companies to review the cost effectiveness elements of any works required and this would be taken forward when appropriate.

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 Energy 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:

- Biomass fuel supply is not compliant with the Code of Procurement Practice.
- The contract register does not reflect the existence of the Gazprom contract.

- The Harbury Lane Sports Pavilion is not connected to the building management system.
- The best use of the building management system may not be being made as staff have not received training.
- A number of bills are based on estimated usage.
- Recharges to leaseholders are required for energy usage at St Margaret's Shopping Centre.
- Documentation was not in place to formally advise tenants of Sayer Court that they are responsible for energy usage charges.
- A number of DECs are out of date or are not in place, although action is being taken to address this.

5.4 Whilst a moderate assurance level has been given it is acknowledged that staff in post have had to pick up a number of new tasks and have already taken action to address a number of issues identified.

6 **Management Action**

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