

Legal and Property Services
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Report

Report subject: Update on Statement on Internal Control

Report to: Audit Committee

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1. Summary.

To present a draft improvement action plan for Property Management in the light of the draft Internal Audit Report for Property Management 2006/07.

2. Background.

2.1. The background to this Report is set out in paragraph 5.1 of the Annual Report and Progress Report ["the Internal Audit report"] on the agenda.

2.2. Constructive discussions have taken place between the Head of Legal and Property Services and members of Internal Audit on the way forward in the light of the issues raised by the draft report and the draft improvement action plan is intended to reflect those discussions. An action plan is attached as an Appendix.

3. Improvement Action Plan.

The main issues arising from the draft report and the recommendations for dealing with them are as follows:

3.1. land ownership

3.1.1. The draft report highlights the lack of an up-to-date authoritative record of the Council's land and property holdings.

3.1.2. Legal and Property Services historically recorded all land held by the Council on a manual land terrier. A land terrier is a system of large-scale ordnance survey maps showing the boundaries of all land held by the Council together with details of all



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- acquisitions, disposals, leases and any other dealings in Council land.
- 3.1.3. The land terrier has not been maintained as it should have been for the reasons set out in 5.1 of the Internal Audit Report.
- 3.1.4. However Legal and Property Services has since last year been carrying out a programme of voluntary registration of its HRA land and property holdings and of those General Fund holdings that the Council has identified in its Asset Disposal Strategy to part fund the Council's Office Centralisation Project. Registration of all HRA land and property holdings was completed earlier this year.
- 3.1.5. The benefits of registration are:
- Legal title is guaranteed
 - An accurate plan is provided
 - There is an up to date authoritative public record of ownership
 - The risk of fraud is reduced
 - Disputes can be resolved more easily
 - Processes for dealings in land are simplified
 - The Council will no longer have to maintain land records itself
- 3.1.6 **Recommendation:** the Council pursues voluntary registration of all of its land and property holdings.

3.2. Monitoring review and action

- 3.2.1 The draft report highlights the lack of an effective system for diarising monitoring and reviewing key dates and for taking any action e.g. renewing a lease, carrying out a rent review, chasing rent arrears.
- 3.2.2 From the Council's perspective as landowner it is neither always necessary nor appropriate to seek to renew a lease with a tenant. A business lease protected by the Landlord and Tenant Act 1954 automatically continues unless and until either party seeks to bring the lease to an end in accordance with the Act. The Council would generally only wish to seek to take action if it wished to end the lease or seek a higher rent so as to avoid spending unnecessary resources in merely maintaining the status quo. However, there needs to be a robust decision-making evidence trail.
- 3.2.3 Again from the Council's perspective as landowner it is not always necessary to carry out a rent review. The Council would only wish to do so if the rent would increase and by other than a nominal amount.
- 3.2.4 Any material financial issues with regard to the Council's major commercial holdings are considered at monthly meetings between the Head of Legal and Property Services and Legal and Property Services Management Accountant.
- 3.2.5 However the systems for recording key dates and for taking any follow up action has not been maintained as it should have been.
- 3.2.6 **Recommendation:** the Head of Legal and Property Services ensures that the Property Team has a documented procedure to ensure that matters are progressed as appropriate including recording key dates on files and in an electronic back up system and that the Business Support Manager monitors the back up system.

4. Background papers.

None

5. Implications.

Financial: there will be resource implications in completing the registration of all of the Councils land and property holdings. The best estimated cost is of the range £5000 - £10000. This will need to be identified by the unit.

Legal: none

Human rights: none

Personnel: there will be additional demands placed on staff as a result of implementing the proposed recommendations

Community Safety: none

Environmental: none

Councils Core Values: being open and honest continually trying to improve and learn, achieving practical results

Wards affected: all

APPENDIX

SIGNIFICANT INTERNAL CONTROL ISSUES

Internal Control issue	Proposed action
Lack of up to date authoritative property records	<p>Register all general fund properties</p> <p>Responsible Officer: Head of Legal and Property</p> <p>Target date for completion: beginning April 2007</p>
Lack of an effective system of key dates	<p>Set up key date procedure</p> <p>Responsible Officers: Head of Legal and Property; Property Manager and Business Support Manager</p> <p>Target date for completion: end October 2006</p>