



INTERNAL AUDIT REPORT

# RENT REVIEWS, LEASES AND CONCESSIONS

PEAK DISTRICT NATIONAL PARK AUTHORITY

	Critical	Significant	Moderate	Opportunity
Findings	0	2	1	1
Overall audit opinion	<b>Reasonable assurance</b>			

Status: Final

Date Issued: 16 January 2025

Responsible Officer: Finance Manager

## INTRODUCTION

Peak District National Park Authority (PDNPA) lease out land and property for various functions including commercial, residential and agricultural. Additionally, the authority has concession agreements which allow businesses to operate in space it owns such as visitor centres and car parks.

In 2023/24 £604,000 of rental and concession income was collected. As of September 2024, the authority had collected £276,344 in rent and concessions in the current financial year. To maintain income, it is important there are adequate processes and controls in place to ensure agreements with reliable tenants are entered into, rent remains in line with market rates, and arrears are recovered.

Rent reviews allow the periodic adjustment of rents to the market rate. This is particularly important where long term tenancies exist to mitigate the effects of inflation on the authority's income. A rent review clause, in the lease agreement, sets out when and how they are conducted. Tenants must be notified about any changes to their rent and concession charges.

As a landlord, the authority has a responsibility to ensure properties are routinely inspected and condition is monitored.

## OBJECTIVES AND SCOPE

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- ▲ Adequate checks are carried out on new tenants and documented to ensure their suitability and reliability to make rent and concession payments.
- ▲ Rent and concession income is correctly charged and accounted for, and recovery action is taken for arrears.
- ▲ Rent is reviewed periodically and correctly calculated in line with lease agreements.
- ▲ There are adequate methods of monitoring the condition of properties to ensure that authority and tenants are meeting their obligations under the lease agreements.

This audit was undertaken as a high-level review of the processes and controls for entering lease and concession agreements, rent reviews, income collection, and property management.

## KEY FINDINGS

Suitable processes are in place to assess the suitability of a tenant and their reliability to pay rent. The formal tendering procedures set out in the standing orders are followed for farm and concession tenancies. Additionally, potential tenants are assessed for residential properties and offices. We saw that applicants are scored based against criteria that includes elements of the authority's strategy and financial and business references. We also saw applicants being asked to provide business accounts and forecasts. A review of assessments confirmed that reasoning for tenant selection are documented.

The Finance team are informed of any new agreements or changes to rent through the use of a TF form or a fixed income recovery form, which are completed by the responsible officers in Corporate Property and Rural Estates services. A comparison of a sample of these forms to the Implicit system found that details are correctly entered onto the finance system for charging. We saw that action is taken to pursue outstanding debts with examples of interest being charged on late payments.

Our review of the TF asset management data could not confirm if some rents have been reviewed during the lifetime of the leases. This is possibly the result of data quality issues on the TF asset management system. Data quality issues can impact on business continuity and the periodic review of rents, resulting in opportunities to maximise income being missed. For farm rents, a professional judgement has been made in recent years by the Rural Estates Manager and the Head of Service to not review farm rents, due to economic factors influencing the farming industry. However, these decisions have not been formally recorded and consulted with the current Finance Manager. Additionally, we were told staff resource pressures have limited availability to conduct rent reviews, particularly for lower value leases.

There is no inspection schedule in place for routine surveys to identify any issues and confirm tenants are meeting their obligations to maintain property and land. However, assurances have been given that the authority does aim to carry out 5 yearly condition surveys on its properties, where resource allows. The Corporate Property and Rural Estates team have acknowledged the need for more regular inspection schedules and verbal assurance has been provided that one is being developed, although limited staff availability is slowing this process. This has contributed high costs to refurbish properties when they have become vacant. The authority has strengthened the team to now include two building surveyors, whose current core focus is working on income generating projects, which takes priority. The authority recognises the knock-on effect this has on the inspection process.

## OVERALL CONCLUSIONS

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

## 1 Rent review dates

**Significant**

### Control weakness

Tenancy summaries on the TF asset management system suggest some rents have not been reviewed in line with lease agreements. This may be a result of possible data quality issues on the system.

### What is the risk?

Inaccurate data in the rent review process could result in opportunities to maximise rental income being missed, leading to increased financial pressures.

### Findings

Our review of the TF asset management system information was unable to confirm that rent has been periodically reviewed as stated in the respective lease agreements. The last income reviewed dates on the TF asset management system suggest some rents have not been reviewed for the duration of the lease. However there are some data quality issues with the TF tenancy summaries and we cannot confirm on the reliability of this information. Despite being unable to evidence some rent reviews on the TF system, we have been assured that most reviews will have either taken place, or management have made a decision not to review.

One notable example was a tenant with two leases collectively generating £8000 a year in rental income. The TF asset management system suggests they have not been reviewed since they began in 1986 despite having 5 and 20-year review periods respectively. However, copies of the contracts show the values have increased from the original agreed amount of £2150 a year, which demonstrates there are data quality issues on the asset management system relating to review dates. We discussed other examples with officers and also provided supporting information to enable for further review as required.

Additionally, discussions indicated staff resource pressures have limited the authority's ability to conduct rent reviews, particularly on lower value rents.

### Agreed action

A new asset management system has been acquired which provides an opportunity to cleanse tenancy data, however, it's been agreed there is no value add to fully auditing the system retrospectively. Data will be cleansed on an ongoing basis to ensure the system reflects the latest dates and financial information. The TF system does not link with the Finance

system, therefore there is no risk to inaccurate billing. A report will be produced highlighting the last review dates for all properties to determine which leases need to be looked at. As rents are reviewed the new system will be updated accordingly.

**Responsible officer:** Head of Assets & Enterprise

**Timescale:** 31 December 2025

## 2 Property maintenance monitoring

**Significant**

### Control weakness

No fixed annual schedule in place for the inspection and maintenance of leased properties. There is a rolling condition survey programme in place, however, this is limited to available resource and the team is small.

### What is the risk?

Properties fall into a state of disrepair resulting in increased costs for extensive repairs.

### Findings

Unless stated otherwise in the tenancy agreements, landlords have a responsibility to ensure their property, land or space is maintained. As a landlord, the authority should be ensuring that the tenants are fulfilling their obligations. The primary purpose of an inspection is to assess the overall condition of both the interior and exterior of the property and record any repairs or maintenance that may be required and is therefore a key control for the authority to safeguard its assets.

However, the authority does not currently have formal mechanisms in place to routinely schedule inspections on properties and land that has been leased, aside from the condition survey programme. Verbal assurances have also been given, assuring that properties are visited on an ad-hoc basis and issues may be identified then. Prolonged periods without inspection could lead to neglect and as a result the authority will have to pay more to put properties right.

Verbal assurance has been given that the need for an inspection schedule has been recognised and is being developed, however, staff availability and resource pressures are delaying this. Income generating projects are priority in the current climate.

### Agreed action

The 5 yearly condition surveys should take place in line with the scheduled programme. Thereafter, an annual inspection schedule will be developed, indicating when inspections are to take place and what checks need to be made, arising from the condition survey. This will also be an opportunity to check the tenant lease requirements are being adhered to. The new asset management system will be used to record outcomes of visits and remedial action to problems identified.

**Responsible officer:** Head of Assets & Enterprise

**Timescale:** 31 December 2025

### 3 Decisions not to review rent

**Moderate****Control weakness**

Decisions not to review rent have not been formally documented and discussed with the Finance Manager.

**What is the risk?**

There is an increased risk that the wider financial implications for the authority are not considered when deciding not to review rents.

**Findings**

It was explained that a professional judgement was taken by the Rural Estates Manager and the Head of Service to not review rent for farm properties since 2019. Factors raised included the challenging economic climate farmers are currently in such as the reduction of basic payment scheme following Brexit and more recently the changes to inheritance tax. With this context, it was explained to us that increases in rent for farms might not be in the best interest for the authority as it could result in tenants ending leases and the authority struggling to re-let, resulting in a loss of income.

However, no evidence has been provided to demonstrate this decision has been formally recorded, prior to 2024. The authority now hold copies of correspondence of rent review notices, that evidences all tenants were formally communicated to about formal rent reviews actionable in 2025. Twelve months' notice is required to action a rent review. Additionally, the Finance Manager has not been consulted on the decision, either since the initial decision or in the years after. As per standing orders 7 D-1, the Rural Estates Manager and the Head of Assets & Enterprise are appropriate officers to provide this technical and professional judgement, however, it would also be appropriate to consult with the Finance Manager so that consideration to the wider authority budget can be provided.

**Agreed action**

A form will be created to be completed for when decisions are taken not to review rent to document the rationale for the decision. This form will include a sign-off from the Finance Manager. Consideration will be given whether to continue rent reviews on farms as part of the 2025/26 budget cycle.

**Responsible officer:** Head of Assets & Enterprise**Timescale:** 31 December 2025



## 4 Policies and procedures

### Opportunity

#### Area for potential improvement

There are no dedicated procedure documents in place for the management of rent reviews and property maintenance.

#### What is the opportunity?

Improvements and changes to the authority's processes for managing rent and properties provide an opportunity to document them to set out expectations and consistency.

#### Findings

The overarching policy covering leases is set out in the financial regulations and the standing orders, which includes schemes of delegations and tendering processes. However, although well-structured processes are in place, particularly for the letting out of property, dedicated procedure notes for the management of rent reviews and property maintenance were not available at the time of the audit.

As the findings above have identified, there are currently areas for improvement in the management of leases and properties. As changes are implemented, there is an opportunity to document these in dedicated procedure notes. This will support consistency by providing a step-by-step process and setting out the expectations of the authority for carrying out rent reviews, accurate recording on the systems and monitoring the condition of properties.

#### Agreed action

Due to staff pressures it is important in the first instance changes are implemented. Thereafter, it would be an opportunity to put a set of formal process notes in place, covering the end-to-end process.

**Responsible officer:** Head of Assets & Enterprise

**Timescale:** 31 December 2025

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Finding ratings

Critical	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Significant	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Moderate	The system objectives are not exposed to significant risk, but the issue merits attention by management.
Opportunity	There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk.

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