



GA.23 14/15
Governance and Audit Committee
Date 25th September 2014

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Subject: Progress Report on Implementing the Asset Management Audit Action Plan

Report by:	Commercial Director
Contact Officer:	Penny Sharp Commercial Director Telephone Email
Purpose / Summary:	This report updates members on the progress made in addressing the recommendations of the Asset Management Internal Audit.

RECOMMENDATION(S):

(1) Members consider the progress that has been made in implementing the agreed actions arising from the Internal Audit of Asset Management, and the further work still required.

IMPLICATIONS

Legal: The Council has a responsibility to manage appropriately its land and property assets. This includes establishing the strategic policy framework; managing and maintaining assets; and acquisition and disposal in line with corporate objectives.

Financial (FIN/54/15): The Council has a corporate objective to maximise the income generated from its assets and to provide effective value for money by maintaining assets in optimal condition in order to minimise costs of unplanned maintenance.

Additional resources were identified in order to procure the Computer Aided Asset Management system (CAAMS) to support the effective management of the Council's resources. The assets team has also benefitted from the support of a RICS qualified consultant. Additional resources may be required to support the implementation of the CAAMS system and the further development of the strategic policy framework. These costs will be the subject of further consideration by Corporate Management Team under delegated powers.

Staffing : As above, additional staffing resources may be required to implement the asset management database and develop the revised strategic policy framework.

Equality and Diversity including Human Rights :

This report has no direct impact on equality and diversity issues. The Council has a duty to comply with applicable legislation, regulatory and statutory requirements in the management and maintenance of its assets.

Risk Assessment :

The internal audit of the asset management approach provided limited assurance that the Council would meet its corporate aims and objectives and maximise the use of its assets.

Significant progress has been made to address the findings of the audit report and implement the actions detailed in the audit action plan. Internal audit are scheduled to review asset management during quarter 4 of this financial year (Jan – Mar 2015). There is a risk that Internal Audit's opinion does not change despite the progress that has been made.

Climate Related Risks and Opportunities:

Work has been commissioned, and the contract awarded, to provide enhanced Energy Performance Certificates (EPC) for each of the Council's properties. This will provide details on the current energy efficiency of the Council's properties and actions required to improve their rating. This management information will be used to develop a planned programme of improvement and informal leasing and disposal decisions.

Title and Location of any Background Papers used in the preparation of this report:

Internal Audit Report - WLDC Asset Management 2013/14

<http://minerva.wldc.private/CGH/Audit%20Reports/Asset%20Management%202014.doc>

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

X

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

X

1 Introduction

1.1 Internal Audit undertook a review of the Council's approach to asset management which was completed in January 2014. The review resulted in an audit opinion of "Limited Assurance".

1.2 In agreement with the Corporate Management Team, the Internal Audit Review focused on three specific areas for assurance:

- The Council has a full understanding of all assets held;
- The Council maximises assets to their full potential;
- There is process to manage asset acquisition and disposal.

1.3 The key findings of the review, which resulted in the conclusion of "Limited Assurance", were as follows:

Asset strategy and policy:

- The strategy is primarily a copy of another Council's strategy and this does not provide assurance that it is tailored to this district's needs,
- The strategy contains gaps in information and detail which risk undermining the aims and objectives of the strategy.
- To assist the Council in successful delivery the strategy should be supported by an implementation or service plan, at the time of the audit there was no plan.
- A key part of the asset strategy is to "Ensure that the Council retains only property essential to its service delivery" and "Ensure that non-essential assets are disposed of for the optimum capital or community benefit or commercially marketed." To support these aims the Council should have in place detailed performance information and an approved disposal and acquisition policy.

The Asset Section:

- There is no effective system in place to report performance, staff one to one meetings had not all been recorded on the Council template. The sections management should focus on creating and monitoring progress and performance reporting, which aligns to service delivery and strategic aims.
- Specifically there was a lack of awareness on yields, voids, rent reviews and maintenance costs, which are not fully documented.
- The asset section has been subject to some key changes including a reduction in staff capacity. Requests for the purchase of asset specific software have been ongoing but are now resolved, these factors may have contributed to the above issues within the service.
- There is no action or service plan to document and manage issues within the section.

1.4 A prioritised management action plan was agreed with Internal Audit at the conclusion of the review earlier this year.

2 Progress to Date (up to August 2014)

2.1 Considerable work has already been undertaken to address the findings and recommendations of the audit action plan (Appendix 1). In particular:

- The asset team are delivering to an agreed service plan
- An acquisition and disposal policy has been drafted and is scheduled to be considered for approval by Policy & Resources Committee in November 2014.
- A Lease Management policy and Sustainable Investment policy should be drafted by October 2014, supporting the Council's strategic approach to asset management.
- Operational procedures have been reviewed and revised, including the Council's constitution.
- The Computer Aided Asset Management System (CAAMS) is in place, the team have been trained in its use, and it is currently being populated with information relating to individual properties and assets. This will provide rich performance data and enable regular reporting against key performance indicators.
- Regular one-to-ones are established and recorded.

3 Work Still to be Completed

3.1 Some elements of the agreed audit action plan still require some further work in order to provide robust management of the Council's assets. The key areas for future work include:

- (a) Review and update of the Council's asset management strategy and development of an implementation plan. This is a substantial piece of work that will require some additional resources. Given the strong links with the Commercial Strategy it is intended that a revised Asset Management Strategy and Plan should flow from a revised Commercial Strategy. The framework for a revised Commercial Strategy is scheduled to be considered by Members in November 2014.
- (b) Development of robust performance reporting in relation to the Council's assets (rather than the asset team). Key performance measures will be agreed as part of the revised Commercial Strategy and Asset Management Plan.
- (c) Transfer of property and asset deeds onto CAAMS. Options are currently being developed for how best to resource this work given the technical skills required to review the legal content of the deed packets.
- (d) Staff resource issues within the assets team are currently being reviewed and will also be considered as part of the wider Heads of Service restructure.

4 Conclusions

Reasonable progress has been made in addressing the concerns raised earlier this year through the Internal Audit of Asset Management, albeit some timescales have slipped. Whilst some work still needs to be done to ensure the robust and effective management of the

council's land and property assets, plans are in place to progress with this in a timely manner.

Appendix 1 - Progress of Findings, Recommendations and Agreed Actions

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale	Progress To Date (August 2014)
1	<p>The WLDC Corporate Asset management plan 2012-15 is primarily based on a copy of Northampton Council's asset plan and it was not clear that it had been fully updated and tailored to WLDC assets needs.</p> <p>It contains some gaps in key information and makes reference to what still needs to be done to be a complete detailed document. This does not provide assurance that the strategy can fulfil its aim of detailing the Councils approach to asset management.</p> <p>The possible impact on the Council is that this can undermine the processes, governance and Council ambition to maximise asset use.</p>	<p>The Council reviews the Asset Strategy to gain assurance that the document is fit for purpose, reflects district needs and contains sufficient detail to support the section and Council's asset aims.</p>	<p>The Asset strategy is to be reviewed</p> <p>This review links to updating and populating the new asset software.</p> <p>Work is ongoing to do this and includes valuation surveys, stock condition surveys and energy performance certificate work which need to be completed.</p>	High	<p>John Rice, Interim Commercial Director</p> <p>31.06.2014</p>	<p>Valuations have been undertaken for all known Council assets, with the exception of community assets that were valued 2 years ago.</p> <p>A 5year valuation programme has also been commissioned and is currently out to tender.</p> <p>Energy Performance Certificate (EPC) work has been commissioned and should be completed by October 2014.</p> <p>Tender documents have been drafted for the stock condition survey/CAD drawings. The most appropriate procurement process is currently being</p>

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						<p>explored.</p> <p>Draft lease management policies and sustainable investment strategy will be completed by October 2014. Project plan for refreshing the Asset Management Strategy and aligning with the revised Commercial Strategy to be produced by end Sept 2014.</p>
2	<p>The Asset strategy makes reference to a service plan, which should provide the link between day to day staff duties and high level strategies.</p> <p>We found there is no implementation or service plan by which the service can implement the strategy and measure success.</p> <p>The lack of a service or</p>	<p>To support the service in achieving its objectives a detailed service plan should be in place. Management could consider how this will address current issues in the section by linking targets and day to day section tasks with strategic outcomes defined in the strategy.</p>	<p>Service plans are being introduced and all services will complete a plan as part of the new approved codes of practice. The Service Plan will incorporate a clear improvement plan and performance management systems to ensure the more effective management of the Council's assets.</p>	High	<p>Mark Sturgess Chief Operating Officer 31.Mar.2014 31.03.2014</p>	<p>A service plan has been produced for the Property and Asset Team. This will be updated annually in line with the Council's business planning process.</p>

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	<p>implementation plan undermines the effectiveness and objective of the asset strategy. It also does not provide assurance that section day to day issues are being managed.</p>					
3	<p>We found for the Asset section there is no robust performance and reporting system in place for management to monitor performance and issues.</p> <p>Over the last 12 – 18 months the Asset section has been subject to significant changes, including a 50% reduction in staff. Inevitably this has impacted on the delivery of some key tasks.</p> <p>Issues identified include,</p> <ul style="list-style-type: none"> • A lack of performance indicators and internal reporting on performance, • Regular minuted 	<p>The Council carries out a review of how the asset service can be supported and managed. To provide assurance on performance, issues and that capacity and workloads match Council ambitions and requirements on asset management and commercial aims.</p> <p>Issues that could be considered include,</p> <ol style="list-style-type: none"> 1. Performance reporting requirements to provide assurance that services are managing day 	<p>The introduction of the service plan together with the approved codes of practice will address workload and responsibilities.</p> <p>Performance details and reporting will be addressed through the update and management of the new data base for assets.</p> <p>The Director will undertake a thorough review of performance management, work prioritisation, workloads and leadership in the strategic growth service</p>	High	<p>Mark Sturgess Chief Operating Officer 31.Mar.2014</p> <p>M.Sturgess Director 31.July.2014</p> <p>Mark Sturgess Chief Operating Officer 31.Mar.2014</p>	<p>Service Plan and operational procedures are now in place.</p> <p>The assets management database is being populated and will support performance reporting and management of assets.</p> <p>Regular, recorded one to ones are being undertaken to help provide support, review workloads and performance.</p> <p>Temporary management arrangements are in place pending the</p>

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	<p>one to ones not maintained.</p> <ul style="list-style-type: none"> • No service or implementation plan to support the asset strategy and document how issues in the section will be addressed, • No regular reporting of voids or yields, • Maintenance costs not fully recorded and documented. • A decision on an asset specific IT system has taken over twelve months to resolve. 	<p>to day demands,</p> <ol style="list-style-type: none"> 2. Assessing workloads and staff structures, 3. Documented hand over of duties when staff move. 	<p>areas and agree revised arrangements as required for effective performance management.</p>			<p>implementation of the Heads of Service restructure. The Property & Assets Team Manager is currently reporting to the Commercial Director.</p>
4	<p>We found that officers were not clear on the governance, roles and responsibilities and reporting lines for asset work. The links and inter dependencies of the Asset section, Land and Property Group, Special Projects Group and</p>	<p>Roles, responsibilities and reporting lines should now be documented and agreed for all asset work. Including clarity on the role and reporting requirements of the Land and Property</p>	<p>The adoption of the new codes of practice will address roles, responsibilities and reporting lines.</p>	Medium	<p>J.Rice Interim Commercial Director / Mark Sturgess Chief Operating Officer 31.March.2014</p>	<p>Operational procedures have been reviewed and revised. These will be available in a dedicated assets section on Minerva, enabling shared access and understanding across all relevant teams and staff – by</p>

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	<p>Business Improvement section were not fully understood by all staff.</p> <p>It is important for staff and for clear decisions making that governance and roles and responsibilities are understood. Where this is not clear it risks undermining Council ambitions and aims on asset utilisation and asset commercial decisions.</p>	<p>Group, Business Improvement, the Asset section and the Special Projects Group.</p> <p>Management should ensure that they consider how these all align to the Asset strategy and the Commercial strategy for a clear link between services, actions and strategic aims.</p>				<p>end Sept 2014.</p> <p>A Land and Property Officer Forum has been established and meets regularly to ensure co-ordination and a shared understanding of progress and activity across Land and Property, Assets, Housing, Growth and Finance.</p>
5	<p>The Council is investigating and acquiring new assets without an approved acquisitions and disposal policy in place.</p> <p>It is important that an approved strategy is in place before new assets are purchased. To ensure that decisions are made and supported in line with Council approved policy.</p>	<p>The Council should complete and approve an asset acquisition and disposal strategy. This should reflect the Councils overall asset plan and asset utilisation strategy and ensure that newly acquired assets support agreed Council aims and approved policies.</p>	<p>Agreed, the policy will be approved through the P&R committee and will be used to inform the asset strategy review.</p>	High	<p>J.Rice Interim Commercial Director 31.May.2014</p>	<p>An Acquisitions and Disposal Policy has been drafted and will be considered by Policy & Resources Committee at its meeting in November 2014.</p>
6	<p>In November 2012 a number of assets were</p>	<p>The Council could revisit the list and</p>	<p>The identified assets have been reviewed</p>	Medium	<p>J.Rice Interim</p>	<p>Policy & Resources has agreed to the</p>

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	<p>identified for potential sale. These were mostly small packets of land identified by the asset section. No follow through decision has been made about these assets.</p> <p>There is a risk that opportunities are missed to release assets and realise capital.</p> <p>It could also suggest that the Council should develop its decision making process and clarify its approach to asset disposals.</p>	<p>decide on the future approach of the identified assets and evaluate against the current strategy.</p> <p>Governance and communications need to be embedded to ensure that decisions are clear to all relevant sections and relate to Council strategy and policy.</p>	<p>and discussed with the Leader of the Council (the portfolio holder to agree an action plan with short, medium and long-term actions. The Leaders Group have also been briefed. First site subject to a report to P&R Committee on 20/02/14 to seek agreement to progress development of the site..</p>		<p>Commercial Director</p> <p>31.May.2014</p>	<p>development of the Corringham Road site for Housing Development (July 2014). Work is also underway to bring forwards a site in Nettleton for housing development.</p> <p>An Expression of Interest has been submitted to be a pilot authority under the Government's Custom Build programme. If approved, the small sites could be made available as part of this programme. If the Council is not selected as a pilot then approval will be sought to dispose of the sites appropriately.</p>
7	<p>The Council should consider a review of processes for asset acquisition. We found that current practices and records do not provide</p>	<p>Management are assured that processes and staff understanding are embedded for asset acquisition.</p>	<p>The Commercial Director has become the single point of contact for these decisions. All outstanding business</p>	High	<p>J.Rice Interim Commercial Director</p> <p>31.May.2014</p>	<p>Permanent Commercial Director is now in post and continues to provide a single point of contact for asset acquisition and</p>

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	<p>assurance that officers understand the process and are not clear on roles and responsibilities.</p> <p>Our review identified,</p> <ul style="list-style-type: none"> • There is no approved asset acquisition and disposal policy, • There is no minimum standard for record retention and audit trail of decisions, • Documented decisions made when business cases are presented to boards are not recorded. • We found no central records documenting challenge and scrutiny on presented business cases to boards, <p>Working papers and supporting information are</p>	<p>Review and quality assurance of purchases and document retention can provide assurance to management that systems are in place and complied with.</p>	<p>cases have been reviewed and action agreed. Future viable Business cases will be reviewed by the Director before they go to the Commercial board for decision.</p> <p>Providing a single point of contact for asset acquisitions and disposals will improve coordination and together with the APCOP (see action 4. above) will remove any future uncertainty.</p>			<p>disposal.</p> <p>The draft Acquisition and Disposal policy is going to Policy & Resources Committee in Nov 2014 for approval.</p> <p>Commercial Board has been strengthened with a decision log and centralised electronic filing system.</p>

No	Findings	Recommendations	Agreed Actions	Priority	Responsibility & Timescale	Progress To Date (August 2014)
	not centrally filed and retained.					
8	<p>Several properties had been investigated for purchase then put on hold to ensure that purchases align to strategic and commercial aims. The Council should develop its Commercial Strategy to ensure purchases fit into its overall vision and reduce the risk of assets being purchased which may not fit.</p> <p>Several services, boards and groups have been set up to manage asset projects and decision making. Some staff were not clear on the lines of governance or roles and responsibilities.</p>	The Council ensures it has an agreed strategic vision on asset management and commercial asset purchases. This should include the Commercial strategy and how cross section working in Economic Growth, Asset Section, Business Improvement and Land and Property Group work together.	<p>All outstanding business cases have been reviewed and a decision communicated through the Commercial Director.</p> <p>The Commercial Director will provide a single point of contact and review at the Commercial board will provide a corporate view.</p>	High	J.Rice Interim Commercial Director	<p>Business cases have been reviewed.</p> <p>A revised Commercial Strategy will be developed to provide the strategic vision and implementation plan.</p>
9	We found that the constitution makes reference to informing and gaining members' approval before asset purchases are made, if certain conditions are	Management ensure that the constitution is complied with member approval is sought where applicable and all relevant officers are	<p>The constitution has been amended and now states that all decisions will be reported to members.</p> <p>Codes of practice and</p>	High	J.Rice Interim Commercial Director	Completed

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	<p>applicable. This scrutiny provides assurance that decisions are appropriate and in line with Council objectives.</p> <p>This is a compliance issue rather than a material impact.</p> <p>Our audit identified a number of purchases that should have obtained member approval – for example a land purchase called Baltic Mill and a property purchase 5-7 Market Place.</p> <p>Consequently the constitution has not been complied with and the decisions have not been subject to committee member scrutiny. This applies for purchases made at below market value, as specified in the constitution.</p>	<p>clear on the process and that the correct part of the constitution is referenced in documents.</p>	<p>Commercial Director input will ensure the constitution is correctly referenced and complied with.</p>			