



Strategic Asset Management

Follow Up Report

Issue Date: 5 December 2018

Working in Partnership to Deliver Audit Excellence

Executive Summary

Audit Objective	Progress Summary				
		Complete	In Progress	Not Started	Total
To provide assurance that agreed actions to mitigate against risk exposure identified within the 2017/18 Partial opinion report have been implemented.	Priority 5	0	0	0	0
	Priority 4	1	2	0	3
	Priority 3	3	2	1	6
	Total	4	4	1	9

Audit Conclusion

This is a follow up of the Strategic Asset Management audit which was performed in March 2018 and where an overall assessment of Partial Assurance was awarded. The audit focussed on three risk areas:

1. Asset management strategies are not aligned to the Council's priorities, preventing the Council's priorities from being fully achieved – rated high risk in the audit.
2. Governance arrangements for the ongoing work on Asset Rationalisation and review of the Corporate Asset Management Plan are inadequate, so this work is not fully completed and implemented, and benefits are not realised – rated high risk in the audit.
3. Asset management controls lapse during the introduction of the Corporate Landlord approach – rated medium risk in the audit.

In the audit, two areas were specifically identified as high risk and three high-priority recommendations were made. The weaknesses identified were:

- There may be insufficient staff resource in the Corporate Property Group to deliver the new Asset Rationalisation programme and the new Asset Management Plan.
- The current arrangements for the Asset Strategy Group and the Asset Management Group may not ensure effective monitoring of the above initiatives.

It is acknowledged that the period following the issue of the audit report in May was one of considerable change at the Council with the Financial Imperative Programme, put in place to address the Council's financial pressures, being the main corporate priority. As part of this, the priority for the Corporate Property Group was to ensure capital receipts targets were achieved. Also, during this period the membership of the Asset Strategy Group changed significantly.

The implementation of the recommendations made in the original audit was assessed and results are tabulated in the above section. Overall, four of the nine recommendations were found to be completed; four are in progress and one is not started. Within this, two of the three priority-4 recommendations are in progress, and the other completed.

The risk ratings made in the previous audit have been re-assessed following this review, and the two risks which were assessed as high are now assessed as medium. Details are as follows:

Risk one has been assessed as medium (was high). This reflects the progress made on the Asset Management Plan (AMP) which is due to be published early in 2019. An outline version is in place which contains links to the County Vision and Business Plan; and monitoring of the publication of the AMP is performed by the Asset Strategy Group (ASG) and also by the Strategic Commissioning Group. However, we did find that many Corporate Property Group policies were at draft stage and need to be submitted for approval by members, and the ASG standing agenda requires improvement to ensure that the Group's important core functions are all performed as required.

Risk two has been assessed as medium (was high). The issue of whether the Corporate Property Group is adequately resourced to implement the Asset Rationalisation Programme has not been assessed due to the changes at the Council outlined above, and it is important that this area is now examined. However, it is clear that progress has been made. Some elements of the programme of Place Based reviews have been delayed because of the Financial Imperative Programme – these need to be re-scheduled and progress monitored.

Risk three has been assessed as medium (was medium). Disposals have not been tested for compliance with the required procedure in this review. It is noted that there is now a checklist in use, and there is good-quality guidance to officers. However, as stated previously, many documents are at draft stage - this includes the Disposals Policy which has not been approved by members.

All recommendations made in the original report have been discussed with the Head of Corporate Property. Recommendations which have not been fully completed have been updated and new target dates assigned. It has been agreed that the completion of these updated recommendations will be monitored by the ASG.

Scope

All recommendations in the previous review have been re-visited. Testing and examination of evidence to support the implementation of the recommendations has focussed on the three priority-4 recommendations made. Standard practice for Swap follow-up audits is that the assessment of the implementation of the priority-three 3 recommendations is based on information provided by the responsible manager. However, this review has been carried out at the same time as the Healthy Organisation review of Asset Management and so some testing of the priority-3 recommendations has been performed.

Findings and Outcomes

Objective:

To achieve effective and efficient management of the Council's assets which supports the delivery of the Council's priorities. As part of this, ensure that the programme of asset rationalisation, the new approach to estate optimisation and the review of the Corporate Asset Management Plan is fully delivered in a timely fashion.

1. Risk 1 - Asset management strategies are not aligned to the Council's priorities, preventing the Council's priorities from being fully achieved.

1.1 Finding and Action

Issue – Service Planning

Service plans are agreed annually at the Council and a comprehensive service plan template is used for this. The template directs service plan authors to state any linked strategies, plans and policies – in the template thirteen are named and can be selected. The addition of the new Asset Management Plan to this section would help ensure that this plan is considered by services and reduce the risk that service activities are not aligned with the Plan objectives.

Recommendation

We recommend that the Head of Corporate Property ensures that the Asset Management Plan is added to the list of linked plans in the Service Planning template.

Management Response

We have raised this matter with the Planning and Performance Team and will meet with them shortly to discuss how this might be incorporated into Service and Commissioning Plans in future.

Priority Score

Priority 3

Follow Up Action

The Head of Corporate Property advised that this recommendation is now complete, and the 2019-20 service planning template will include the Asset Management Plan. The Asset Management Plan is also referred to in the County Vision and Business Plan.

Follow Up Status

Complete

Revised implementation date

Not applicable

Revised responsible officer

Not applicable

1.2 Finding and Action								
Issue – Asset Strategy Group and Asset Management Group		Recommendation						
<p>These groups oversee the Corporate Property Group activities and will also provide the governance for the project for new Asset Management Plan, the Asset Rationalisation programme and the Corporate Landlord approach. Each group has terms of reference in place.</p> <p>The groups have a range of responsibilities. To ensure that these are fully completed, a standing agenda/forward plan should be used for the meeting for both groups.</p> <p>We examined the minutes for these groups and found that not all actions had been recorded and followed up at the next meeting.</p>		<p>We recommend that the Head of Corporate Property ensures that a standing agenda/forward plan is introduced for each group which includes all the items in the groups' terms of references. Any agreed actions should be fully recorded, with follow up of actions included in the standing agenda.</p>						
Management Response								
This has been arranged and will be in place for the next meeting of the Asset Management Group on 14 th May 2018.		<table border="1"> <tr> <td>Priority Score</td> <td>Priority 3</td> </tr> </table>	Priority Score	Priority 3				
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Follow Up Action		<table border="1"> <tr> <td>Follow Up Status</td> <td>In progress</td> </tr> <tr> <td>Revised implementation date</td> <td>31 January 2019</td> </tr> <tr> <td>Revised responsible officer</td> <td>Manager, Systems and Performance, Corporate Property</td> </tr> </table>	Follow Up Status	In progress	Revised implementation date	31 January 2019	Revised responsible officer	Manager, Systems and Performance, Corporate Property
Follow Up Status	In progress							
Revised implementation date	31 January 2019							
Revised responsible officer	Manager, Systems and Performance, Corporate Property							
<p>We found that there is a standing agenda in place for the Asset Management Group (AMG) which includes all required items and with standing agenda items clearly denoted. This has not been fully completed for the Asset Strategy Group (ASG).</p> <p>Actions are clearly recorded and assigned to the officer responsible for completion, and review of actions is ensured by the inclusion in the standing agenda of the item <i>Notes from previous meeting</i>.</p>								

1.3 Finding and Action	
Issue – Corporate Property Group Documentation	
<p>A schedule has been drawn up by the Corporate Property Group of all plans, policies, strategies, standards and procedures to summarise the status of each. Many documents are at draft stage or are still to be written. The list includes an activation target date for each document if required of either Spring or Summer 2018.</p>	<p>We recommend that the Head of Corporate Property ensures the schedule is updated with realistic, prioritised target dates, and ensures that completion of these is monitored by ASG / AMG as appropriate.</p>

<p>We were advised that not all the dates will be achieved because of lack of officer time and the need to focus on higher-priority work. If authorised policies are not available there is a risk that required procedure may not be observed, and financial loss / reputational damage may result.</p>		
<p>Management Response</p>		
<p>This action was delayed due to a restructure in the Corporate Property Group last year and a necessary re-prioritisation of work to cope with reduced resource but is now being dealt with.</p>	<p>Priority Score</p>	<p>Priority 3</p>
<p>Follow Up Action</p>		<p>Follow Up Status</p>
<p>The schedule of Corporate Property Group documents has been updated, but monitoring is not included in the ASG standing agenda. Corporate Property officers do monitor progress on the documents and a project plan is to be written which can be used by the ASG to monitor, and to schedule approval of documents in the Cabinet forward plan.</p>		<p>Revised implementation date</p>
		<p>Revised responsible officer</p>
		<p>In progress</p>
		<p>31 January 2019</p>
		<p>Manager, Systems and Performance, Corporate Property</p>

2. Risk 2: Governance arrangements for the ongoing work on Asset Rationalisation and review of the Corporate Asset Management Plan are inadequate, so this work is not fully completed and implemented, and benefits are not realised.

<p>2.1 Finding and Action</p>	
<p>Issue – Resilience of the Corporate Property Group</p>	<p>Recommendation</p>
<p>It is possible that there are inadequate staff resources to implement the project on time – this concern was expressed by Corporate Property Group managers and during the audit we were advised that some tasks have not been completed due to officers being too busy – this is reported further in paragraph 1.3.</p> <p>During the project initiation a realistic assessment of the required timing for project milestones and whether there is adequate officer resource available to achieve these should be performed. The outcome should be reported to ASG / AMG and corrective actions agreed and taken – this should be on a priority basis. Otherwise there is a risk that the project will overrun, and the required revenue savings and capital receipts are not achieved.</p>	<p>We recommend that the Head of Corporate Property ensures that a review of project milestones and staff resources is performed, the outcome taken to ASG / AMG; and any corrective actions are taken.</p>

Management Response		
This is being worked on in discussion with the Programme Manager for the Asset Rationalisation/Estate Optimisation Programme. There has been a need to hold off on any formalised plan as funding for additional resource to support the programme is still unclear. However, the intention is to take a report to the next ASG meeting in July.	Priority Score	Priority 4
	Follow Up Action	Follow Up Status
An actual formal review of review of project milestones and staff resources as set out in the recommendation has not been performed. The membership of the ASG changed significantly in July; and with the Financial Imperative work the main corporate priority, the Head of Corporate Property determined the review should be delayed. It is now planned to take the review to the next ASG meeting in 2019.	Revised implementation date	31 January 2019
	Revised responsible officer	Head of Corporate, Property

2.2 Finding and Action	
Issue – Project Governance	Recommendation
<p>Project Governance will be performed by the Asset Strategy and the Asset Management groups. These Groups have key roles in ensuring that the project is successful.</p> <p>How the groups will monitor the project should be determined and included in the project outline. Whether the current meeting timetable will allow the project to be given adequate attention should be assessed - these groups already have a busy role. The possibility of sub-groups and more frequent meetings could be considered.</p> <p>The monitoring roles should be added to the terms of reference for each group and monitoring of the project be a standing agenda item (see paragraph 1.2). Monitoring should include milestones (with intermediate target dates if the action is long-term), budgets, project objectives and actions agreed at previous meetings.</p> <p>Resulting actions determined by the Groups should be fully recorded, including a named officer, in the meeting minutes and the project documentation should be updated accordingly.</p>	<p>We recommend that the Head of Corporate Property ensures that an assessment of the Group meeting time available for project governance is performed, and if required, proposes remedial action for consideration by the ASG / AMG. The Head of Corporate Property should also ensure:</p> <ul style="list-style-type: none"> • Governance details are included in the project outline. • The ASG and AMG terms of reference are updated to include the project monitoring role. • Milestones for long-term actions should include intermediate target dates. • Project monitoring is included as a standing item in the ASG and AMG agendas. • Resulting actions are fully recorded in the meeting minutes and the project documentation, assigned to a named officer, and monitored. • Quarterly position statements are submitted to the Core Council Board.

The project is not monitored by the Core Council Board, but the provision of a quarterly position statement to the Board would ensure additional monitoring independent from the two groups.

Management Response

There has recently been discussion of the appropriate governance route for this activity. Impending changes in the way SOB and Commissioning Board operate mean that we are currently taking decisions about governance on a case by case basis, but we understand that this is likely to be resolved during May. This will provide a clearer gateway process for projects, but decisions will of course need to be taken under the standard scheme of delegation dependent upon the nature and value of each project. This can of course be recorded as part of the Programme paperwork. All other suggested actions are either now in place or in train.

Priority Score

Priority 4

Follow Up Action

Follow Up Status

In Progress

The project governance has changed since the issue of the audit report. It is still overseen by the ASG, but the Council's Strategic Commissioning Group also performs high-level monitoring of the project. A formal report on the Group meeting time available has been delayed for the same reasons stated in paragraph 2.1. Progress on the project was discussed at the July ASG, and it was agreed that Project Monitoring would be added to the ASG standing agenda. This has not been completed yet and the project was not included in the ASG November agenda.

Revised implementation date

31 January 2019

Revised responsible officer

Head of Corporate Property

We found that there is good reporting to the ASG on the individual elements of the project, this is ensured by these items being included in the standing agenda. There is also monthly reporting to the Strategic Commissioning Group. The Head of Property advised that there is no project/programme management support available to assist in project monitoring.

Findings for the recommendation individual bullet points are as follows:

- *Governance details are included in the project outline* – this has not been done – the Head of Corporate Property advised that this is a resource issue, and there is no project/programme management support available.
- *The ASG and AMG terms of reference are updated to include the project monitoring role* – there is no specific mention of the project monitoring role in the ASG's updated terms of reference, although the role is captured in the description of the Group's Purpose/Function.
- *Milestones for long-term actions should include intermediate target dates* – this has not been completed due to resource issues.
- *Project monitoring is included as a standing item in the ASG and AMG agendas* – The ASG standing agenda

<p>requires updating as previously stated.</p> <ul style="list-style-type: none"> • <i>Resulting actions are fully recorded in the meeting minutes and the project documentation, assigned to a named officer, and monitored</i> – this is now done and the standing agenda item on the notes from the previous meeting ensures actions are monitored. • <i>Quarterly position statements are submitted to the Core Council Board</i> – no longer applicable, monitoring is now performed by the ASG. <p>The recommendation has been updated as follows: The Asset Strategy Group standing agenda item for the Asset Management Plan will be expanded to clarify that this item includes the monitoring of CPG activities.</p>		
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2.3 Finding and Action		
Issue – The Asset Management Plan	Recommendation	
The new Asset Management Plan will replace the 2014 version which is out of date. It will set out the new Corporate Landlord approach and provide clarity on the Asset Rationalisation programme. It is intended that this is published in August 2018. This is a key document and its progress up to publication should be monitored closely as part of the project.	We recommend that the Head of Corporate Property ensures that the project includes the publication of the Asset Management Plan, and its progress is monitored by ASG / AMG.	
Management Response		
This is agreed and matches with the intentions of the programme but has yet to be formally documented.	Priority Score	Priority 4
Follow Up Action	Follow Up Status	Complete
The progress of the Asset Management plan is overseen by the ASG. This function is included in the Group's terms of reference and is a standing agenda item for the Group.	Revised implementation date	Not applicable
	Revised responsible officer	Not applicable

2.4 Finding and Action	
Issue – Communication	Recommendation
It is intended to include a section on communications in the project. This will be used to detail how information is provided about the new Asset Management Plan, the Asset Rationalisation programme and the Corporate Landlord approach, and should help ensure that staff and members understand the rationale and benefits of the new approach, reducing the risk of this not being fully complied with.	We recommend that the Head of Corporate Property ensures that the Communications section of the project is fully populated with detailed actions, responsible officers, milestones and monitoring.

Management Response		
A communications plan for the programme is currently being developed with the support of the Business Change/Programme Team. Unfortunately, this resource may not be available to us for very long and this may delay completion.	Priority Score	Priority 3
Follow Up Action	Follow Up Status	Not implemented
The Head of Corporate Property advised that this recommendation has not been implemented due to there being no project resource available, although there will be communication as required. In view of this, and the priority-three rating of the recommendation, it will not be progressed any further.	Revised implementation date	Not applicable
	Revised responsible officer	Not applicable

2.5 Finding and Action		
Issue – Corporate Landlord Steering Group	Recommendation	
A Corporate Landlord Steering Group has been recently set up and has met twice. How this group will assist in the delivery of the project should be determined, and its role included in the project.	We recommend that the Head of Corporate Property reviews the role of the Corporate Landlord Steering Group to ensure it assists the project delivery. The Group should be included in the project, and terms of reference for the group written.	
Management Response		
This is agreed and underway.	Priority Score	Priority 3
Follow Up Action	Follow Up Status	Complete
The Head of Corporate Property advised that this recommendation is complete; the Steering Group serves a useful purpose - it meets on a monthly basis; there is freeform discussion and brainstorming; with minutes recorded and actions assigned to individuals. Currently there is no plan to set a formal term of reference although this might change in the future if deemed necessary.	Revised implementation date	Not applicable
	Revised responsible officer	Not applicable

3. Risk 3 - Asset management controls lapse during the introduction of the Corporate Landlord approach.

3.1 Finding and Action

Issue –Disposal of Assets	Recommendation	
<p>There are several documents on the disposal of assets, we found these to be comprehensive but still at draft stage and not approved. These documents reflect the new Corporate Landlord approach. Completion and approval of these documents will be covered by the recommendation on updating the Corporate Property Group documentation in paragraph 1.3a.</p> <p>We also performed testing on a sample of disposals and found that evidence to support the valuation and authorisation of some of these was not available.</p> <p>An internal review of disposal transactions performed in 2016 made eighteen recommendations and we found that nine of these are not fully complete or have lapsed.</p>	<p>We recommend that the Head of Corporate property ensures that evidence to demonstrate that disposals have been processed in line with requirements is retained and available. The recommendations in the 2016 internal review should be revisited and implemented as required.</p>	
Management Response		
A checklist and guidance have been prepared and implementation now needs to be brought forward.	Priority Score	Priority 3
Follow Up Action		
The Head of Corporate Property advised that this recommendation is complete. There is a checklist and guidance in place to ensure the correct process is undertaken. Reports on disposals are regularly taken to the ASG and the Senior Leadership Team and the Strategic Commissioning Group.	Revised implementation date	Not applicable
	Revised responsible officer	Not applicable

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally, risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Authors and Distribution

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

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