



Strategic Asset Management


Final Report




Issue Date: 02 May 2018

Working in Partnership to Deliver Audit Excellence




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

As part of the 2017-18 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for Strategic Asset Management at Somerset County Council.

The Council's Corporate Property Group is part of the Business Development Service and is headed by Claire Lovett. The Group provides the lead on strategic property issues relating to the County Council. Its activities are overseen by the Asset Strategy Group (ASG) with the support of the Asset Management Group (AMG). The current structure has only been in place since April 2017, and during this time undergone more restructure.

A new version of the Corporate Asset Management Plan is currently being written with publication planned for August 2018. This will reflect the Asset Rationalisation programme, a key element of the Corporate Property Group's activities. This reflects a much-changed approach and focus - the programme includes a review of all property assets, which will inform a proposed programme of disposals over the period 2018-19 to 2019-20.

As part of Asset Rationalisation, a Corporate Landlord approach will be introduced; the key principle is that Council assets are treated as a corporate resource, and decisions on their use are based on an organisation-wide view. This will include centralisation of property budgets so these are all managed by the Corporate Property Group – this is planned for April 2019. A project will be used to oversee the Asset Rationalisation programme and the publication of the new Asset Management Plan.

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.

Significant Findings

Finding:	Risk:
<ul style="list-style-type: none">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.	The Asset Rationalisation programme and the new Asset Management Plan may not be completed, and planned revenue savings and capital receipts may not be achieved.

Audit Opinion:**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.

Successful completion of the Asset Rationalisation programme, including embedding Corporate Landlord principles, is essential to achieve planned revenue savings and capital receipts. The updated Corporate Asset Management Plan is also key and will underpin these initiatives and also support the other activities in the Corporate Property Group.

These new approaches were instigated by Corporate Property Group managers, who recognised the potential corporate benefits of these. Formal approval by members was given in November 2017, resulting in a challenging timescale for delivery for the Group.

Three priority-four recommendations have been made on this which are summarised in the significant findings section of the report. We judge that there is a high risk that the new initiatives will not be fully completed on time unless there is a robust review to examine the resilience of the Corporate Property Group to achieve the required milestones, with action being taken to correct any deficiencies identified. Adequate time must also be made available for effective governance of the project to help ensure project objectives are achieved.

Six further priority-three recommendations have been made to help strengthen controls and improve processes. This includes a recommendation on improving the processes for the disposal of assets – we found policies overdue for updating to be at draft stage, and limited testing on disposals found that records were not readily available. An internal review of disposal transactions performed in 2016 made eighteen recommendations and nine of these are not fully complete or have lapsed. This will be revisited in the next audit of this area which is planned for quarter three.

The four asset management weaknesses reported in the Healthy Organisation asset management review in 2016-17 have been revisited in this current audit. Progress has been made in all the areas.

We have assessed the three Corporate Property Group risks which were identified at the start of the audit as high, high, medium – these are set out in the table below. This assessment is based on the audit findings and is in line with the manager’s assessment agreed at the start of the audit. The high-risk ratings reflect the strategic importance of the successful completion of the Asset Rationalisation programme.

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager’s Initial Assessment	Auditor’s Assessment
1. Asset management strategies are not aligned to the Council’s priorities, preventing the Council’s priorities from being fully achieved.	High	High	High
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.	High	High	High

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

High

Medium

Medium

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk-based approach. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

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

As previously stated, a new version of the Corporate Asset Management Plan is currently being written by the Head of Corporate Property with publication planned for August 2018. This will reflect the new Corporate Landlord approach to asset management using a CIPFA model. The Plan will state the 'golden thread' connections to higher level Council strategies and will have a five-year time horizon with annual reviews. Approval will be by ASG before approval and sign off by members, and a project will be used to oversee the Plan's progress and publication.

1.1 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.

1.1a	Proposed Outcome:	Priority 3
------	-------------------	------------

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.

Action Plan:

Person Responsible:	Manager, Systems and Performance, Corporate Property	Target Date:	30 th June 2018
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.		

1.2 Asset Strategy Group and Asset Management Group

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.

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.

We examined the minutes for these groups and found that not all actions had been recorded and followed up at the next meeting.

1.2a Proposed Outcome: Priority 3

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.

Action Plan:

Person Responsible:	Head of Corporate Property	Target Date:	14 th May 2018
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.		

1.3 Corporate Property Group Documentation

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.

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.

1.3a Proposed Outcome: Priority 3

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.

Action Plan:

Person Responsible:	Manager, Systems and Performance, Corporate Property	Target Date:	31 st May 2018
Management Response:	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.		

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.	High
----------	--	-------------

It is intended to use a project to ensure that the new Asset Management Plan, the Asset Rationalisation programme and the Corporate Landlord approach are all implemented / achieved as intended. The project will be managed by the Corporate Property Group and governed by the Asset Strategy and the Asset Management groups. A project outline is being written by the current Programme Manager for Asset Rationalisation who is in the Business Change team.

2.1 Resilience of the Corporate Property Group

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.

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.

2.1a Proposed Outcome:

Priority 4

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.

Action Plan:

Person Responsible:	Head of Corporate Property	Target Date:	25 th July 2018
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.		

We recognise that there is good-quality project methodology and documentation in place at the Council, and the Business Change team will be available in the early stages of the project to assist in the use and adaptation of these as necessary. Both these factors should benefit the project, and the additional audit findings and recommendations, which are set out below, are intended to complement what is already in place and/or planned.

2.2 Project Governance

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.

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.

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.

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.

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.

2.2a Proposed Outcome:

Priority 4

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:

- 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.

Action Plan:

Person Responsible:	Head of Corporate Property	Target Date:	31 st May 2018
---------------------	----------------------------	--------------	---------------------------

Management Response:	<p>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.</p> <p>All other suggested actions are either now in place or in train.</p>
----------------------	--

2.3 The Asset Management Plan

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.

2.3a	Proposed Outcome:	Priority 4
------	-------------------	-------------------

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.

Action Plan:

Person Responsible:	Head of Corporate Property	Target Date:	31 st August 2018
---------------------	----------------------------	--------------	------------------------------

Management Response:	This is agreed and matches with the intentions of the programme, but has yet to be formally documented.
----------------------	---

2.4 Communication

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.

2.4a	Proposed Outcome:	Priority 3
------	-------------------	-------------------

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.

Action Plan:

Person Responsible:	Manager, Systems and Performance Team, Corporate Property Group	Target Date:	30 th June 2018
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.		

2.5 Corporate Landlord Steering Group

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.

2.5a Proposed Outcome: Priority 3

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.

Action Plan:

Person Responsible:	Manager, Systems and Performance Team, Corporate Property Group	Target Date:	31 st May 2018
Management Response:	This is agreed and underway.		

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

3.1 Disposal of Assets

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.

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.

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.

3.1a Proposed Outcome: Priority 3

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.

Action Plan:

Person Responsible:	Head of Corporate Property	Target Date:	30 th June 2018
Management Response:	A checklist and guidance have been prepared and implementation now needs to be brought forward.		

4 Healthy Organisation Asset Management Review 2016-17 Follow Up

The weaknesses identified in the Healthy Organisation asset management review in 2016-17 have been revisited in this current audit. In the 'summary assessment' section of the 2016-17 report, four weaknesses were identified and reported. These are stated below, with an assessment of the current position.

4.1 The Asset Management Plan

The previous review found:

The Corporate Asset Management Plan is in the process of being updated. Until this is complete there is a risk that strategic direction in relation to assets will not be fully aligned with corporate priorities.

Findings in this review:

The Asset Management Plan update remains incomplete, although progress has been made, and a target date is set for August 2018. This will be included in the project monitoring to help ensure it is published on time.

4.2 Maintenance Strategy

The previous review found:

There isn't currently a developed maintenance strategy, and this will be a priority area of work now that the Southwest One contract has come to an end.

Findings in this review:

The Maintenance Strategy has not been fully completed, although a draft version is available. It is intended that this strategy will form part of the Asset Management Plan, so will be subject to the same monitoring to help ensure completed by August 2018.

4.3 Benefit Realisation

The previous review found:

It is recognised that work is required to demonstrate benefit realisation in relation to assets. This is needed to ensure that value is achieved through investment, deployment and effective utilisation of assets.

Findings in this review:

There are some processes in place now, examples include the Occupancy Studies Programme; work in the One Public Estate (OPE) Programme to ensure any MTFP savings are captured and tracked; and the Corporate Property Group monthly balanced scorecard is used to monitor a range of performance indicators.

The new central accounting system for properties which is part of the new Corporate Landlord approach is planned for April 2019 - as part of this, how budgets can be allocated to individual properties is being examined. This approach will help quantify the value achieved through the investment, deployment and effective utilisation of assets.

4.4 Disposals

The previous review found:

There have been legacy weaknesses with the retention of evidence to support the decisions made regarding disposals. This has been investigated internally and recommendations have been made to improve the audit trail going forwards.

Findings in this review:

As reported in paragraph 3.1, new good-quality policy documents on the disposal of assets are in place but are not approved. Testing on a sample of disposals found that evidence to support the valuation and authorisation of some of these was not available. Nine of the eighteen recommendations made in the internal review referred to in the previous findings have been implemented, but work is required to implement the outstanding items, and an audit recommendation has been made in paragraph 3.1a which includes this issue.

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.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

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.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Report Authors

This report was produced and issued by:

Lisa Fryer - Assistant Director
Alison Winn – Senior Auditor

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

Claire Lovett – Head of Corporate Property
Steve Gale - Manager - Systems and Performance Team
Jon Marks – Programme Manager – Asset Rationalisation
David Price – Estates and Valuation Advisor
Travis Williams – Systems and Finance Officer
Neil Punter – Senior Records Officer – Corporate Property
Lizzie Watkin – Service Manager - Chief Accountant

Distribution List

This report has been distributed to the following individuals:

Claire Lovett – Head of Corporate Property
Steve Gale - Manager - Systems and Performance Team

Working in Partnership with

Cheltenham Borough Council	Sedgemoor District Council
Cotswold District Council	Somerset County Council
Devon & Cornwall Police & OPCC	South Somerset District Council
Dorset County Council	Taunton Deane Borough Council
Dorset Police & OPCC	West Dorset District Council
East Devon District Council	West Oxfordshire District Council
Forest of Dean District Council	West Somerset Council
Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Council
North Dorset District Council	Wiltshire Council
Powys County Council	Wiltshire Police & OPCC

Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

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.