



<u>Committee and Date</u>
Audit Committee 30 th November 2017

<u>Item</u>

MANAGEMENT REPORT – ESTATES UPDATE

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1. Summary

- 1.1. This report sets out for Committee members the management action that has been undertaken to address the recommendations set out in the internal audit report dated 21st April 2017 in respect of the corporate landlord function and estate management at the Council.
- 1.2. There were 19 recommendations set out in the internal audit report of which 1 was fundamental, 8 were significant and 10 required attention. The managers of the estates team have addressed the recommendations that they are responsible for and continue to report progress of implemented audit recommendations on a quarterly basis ensuring that the recommendations deemed to have most significance are prioritised.
- 1.3. Additional staffing resources have been secured in respect of a Finance Support Officer, Finance Assistant and Property ICT officer to support the improvements required on Technology Forge system and to increase the financial resilience in managing the estate. These are fixed term posts. Furthermore with the new appointment of the Enterprise Resource Planning (ERP) provider officers can consider the opportunity to move the asset management data onto the new system from Technology Forge. This can yield very significant benefits as all of the finance, human resource and property data may be held on the same system. This allows controls to be tightened, more efficient transaction processing and better reporting procedures to manage and collect tenant income.

2. Recommendations

- 2.1 That Committee members note the progress that has been made to address the recommendations in the 21st April 2017 Audit Report to ensure that all improvements are effectively implemented and monitored via the action plan for estate management.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 1.1. The internal audit report identified that the system of control in the corporate landlord model is weak and there is evidence of non compliance with the controls that do exist. These are being addressed with quarterly updates being reported to senior managers and internal audit.
- 1.2. Additional staff resources have been appointed in key areas to deal with the improvements required. More effective controls and processes that have been implemented with the opportunity to make these even more efficient and effective by moving and managing all aspects of property and financial data onto one system as part of the ERP implementation project.
- 1.3. A wholesale review of the assets and estates function is being undertaken along with a whole systems review of how the Council can improve the economic growth eco system.

2. Financial Implications

- 4.1 The improvements outlined above and the management action that has taken place to date will ensure that rent associated with leased out property is identified, invoiced and collected in a timely manner. The ability to do this via one system rather than using two independent systems being SAMIS and Technology Forge will have significant benefits for the Council.
- 4.2 Three new posts have been appointed for two years costing £160,000 to address the areas of significant weakness identified in financial and IT processes and procedures.
- 4.3 Officers have also commissioned a company called Ameo to conduct an estates, property and departmental review. This will be a short, focused review which explores the current state of the function, engaging with a range of internal customers (officer & Members). This will identify areas for improvement and potential alternative delivery options for the function. The cost of using these consultants is £25,000 which is considered good value considering the opportunity to improve the roles and function of the assets and estates team which in turn will lead to more effective property and financial management. The review started in November and will be completed by mid January 2018.

5 Background

- 5.1 Shropshire Council's Cabinet made a decision to implement a Corporate Landlord model in 2015, with financial approval having been given at Full Council.
- 5.2 The process of implementation took place in financial year 2015/16 whereby budgets totalling £12,528,080 were reallocated from directorate

service areas to the Corporate Landlord. The full implementation of the model was envisaged to take between three and five years and the responsibility for budget management of income and expenditure moved across to the Assets and Estates team.

5.3 Among the key reasons for the implementation was consolidation and better management of estates related budgets. It was recognised that property related income was not being managed effectively in the service areas. The scale of the task and the issue of insufficient resources and inadequate systems and controls has led to an unsatisfactory assurance report detailed in Appendix 1.

5.4 The Portfolio Holder for Corporate Support and the Director of Place & Enterprise undertook the following actions:

- a) Instructed the Head of Business Enterprise and Commercial Services to take the necessary action to address all recommendations set out in the internal audit report.
- b) Directed the Head of Business Enterprise and Commercial Services to secure additional staffing resources for a fixed period of time to address the key areas of weakness in property and financial management including a thorough review of data held in the Technology Forge system relating to leased out property.
- c) Commissioned an independent review of the assets and estates function to identify where and how improvements can be made to assets and estate management.
- d) Commissioned an independent review of all systems and processes that are undertaken within the Council to support new and expanding businesses and sectors in accordance with the economic growth and commercial strategies.

5.5 Committee members can be reassured that management action is being taken and reviewed on a quarterly basis to address all audit recommendations. Appendix 2 sets out the latest position in terms of implemented audit actions dated October 2017.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Councillor Steve Charmley - Portfolio Holder for Corporate Support

Local Member

Appendices

Appendix 1 – Internal audit report: Estate management 2016/17

Appendix 2 – Review of implemented audit actions October 2017