

## MANAGEMENT REPORT – ESTATES UPDATE

**Responsible Officer** Tim Smith, Head of Business Enterprise and Commercial Services

e-mail: [tim.smith@shropshire.gov.uk](mailto:tim.smith@shropshire.gov.uk)

Tel: (01743) 258676

### 1. Summary

- 1.1. This is an interim update following the report provided in November 2017 for Committee members which sets out the management action undertaken to address the recommendations set out in the internal audit report dated 21<sup>st</sup> April 2017.
- 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 been addressing 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. The additional staffing resources that have been secured in respect of a Finance Support Officer, Finance Assistant and Property ICT officer have now been in post since January 2018 and have been effective to support the improvements required on Technology Forge system and to increase the financial resilience in managing the estate.
- 1.4. Thirteen of the nineteen improvements have now been implemented with an internal audit endorsed programme (attached at Appendix 3) in place to ensure the remaining recommendations are addressed.
- 1.5. A pilot exercise to migrate property data into TF Cloud has been undertaken on one of the Council's larger multi tenanted assets. This was completed successfully demonstrating compliance with the significant and fundamental recommendations on a test bed basis. This is now being rolled out across the corporate landlord estate.

### 2. Recommendations

- 2.1 That Committee members note the progress that has been made to address the recommendations in the 21<sup>st</sup> April 2017 Audit Report to

ensure that all improvements are effectively implemented and monitored via the action plan for estate management.

- 2.2 That Committee members note the desktop review undertaken by internal audit in March, which acknowledged the comprehensive interim response and Project Plan and the extension of the implementation date to the end of September 2018, due to the size and complexity of the project.
- 2.3 That Committee members note that the improvements and implementation of the action plan associated with the audit are being progressed in line with continued implementation of the corporate landlord model and the changes required to reflect the overall change in direction of the Council in respect of its planned future new asset management strategy.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 1.1. System control weaknesses identified in the audit report 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 ensuring the data is accurate and robust for future migration to the ERP system
- 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 The consultant review of assets and estates has been concluded and has identified the need for additional resource, resilience and expertise in certain areas of the service. The review also recognised the need to restructure the service to reflect the significant ambition and change of direction of the authority reflecting the strong emphasis on economic development, commercial improvements and income generation.

## **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 due to frailties and deficiencies existing prior to the implementation of the corporate landlord model.
- 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 In accordance with the key actions set out in 5.4, 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 March 2018.

|   |
|---|
| <b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>                                     |
| <b>Cabinet Member (Portfolio Holder)</b><br>Councillor Steve Charmley - Portfolio Holder for Corporate Support  |
| <b>Local Member</b>   |
| <b>Appendices</b><br>Appendix 1 – Internal audit report: Estate management 2016/17<br>Appendix 2 – Review of implemented audit actions March 2018<br>Appendix 3 – TF Cloud Project Plan |