



Committee and Date	Item
Audit Committee 06 December 2018	

MANAGEMENT REPORT – ESTATES UPDATE

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1. Summary

- 1.1. This is a further update following the report provided in June 2018 for Committee members which set out the management action undertaken to address the recommendations in the internal audit report dated 21st April 2017.
- 1.2. The audit report contained 19 recommendations. 1 fundamental, 8 significant and 10 requiring attention.
- 1.3. The managers of the Assets and Estates Team have continued to execute the internal audit endorsed action plan (attached at Appendix 3) to implement the recommendations in the audit report.
- 1.4. All 19 of the recommendations have been addressed and processes put in place to help mitigate the risks identified in the audit report.
- 1.5. The audit has highlighted the complexity and scale of implementing the Corporate Landlord model. Further to the recommendations of the audit, processes which were previously undertaken by other departments are now being handled by Corporate Landlord Finance Officers. This has added to complexity of the task and has fundamentally changed the way some of the recommendations have been implemented. The Estates Team continue to refine and improve the system.

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.
- 2.2 That Committee members note that the further improvements and implementation of the action plan associated with the audit have been progressed in line with the corporate landlord model.

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 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.

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.
- 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. The principle of incorporating these resources into the permanent structure has now been agreed and this will be implemented through a pending restructure of the Assets and Estates area, see 4.3.
- 4.3 A review of assets and estates 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. Consultation with regard the restructure is due to commence shortly.

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 has been taken and a further audit is awaited to test the new systems in place. Appendix 2 sets out the latest position in terms of implemented audit actions dated December 2018.

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 – Review of implemented audit actions Dec 2018

Appendix 2 – TF Cloud Project Plan