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# Review of Asset Management – **Monmouthshire County Council**

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# Summary report

## The Council has a good understanding of its assets, however, it lacks a strategic approach and effective information technology to support the management of assets

- 1 Asset management seeks to align the asset portfolio with the needs of the organisation. Corporate objectives express the needs and wishes of the organisation at a high level; the asset requirements to deliver these objectives should be expressed in a medium/long-term plan (five to ten years), variously known in different organisations as an asset strategy, an asset management strategy or a corporate property strategy<sup>1</sup>.
- 2 Good asset management is an essential component of a Council's governance and management arrangements, and is an integral part of its wider service and financial planning processes.
- 3 In March 2015, we undertook a corporate assessment at Monmouthshire County Council (the Council). As part of our corporate assessment, we reviewed the Council's asset management arrangements in supporting robust and effective decision-making and improvement. Our review of asset management at that time concluded that 'the Council had a clear strategic policy around the management of assets, but in practice, assets could be managed more effectively to support delivery of strategic priorities'.
- 4 In April 2017, we sought to assess the progress the Council had made on its arrangements to manage its assets since our corporate assessment in 2015.
- 5 We conclude that the Council has a good understanding of its assets, however, it lacks a strategic approach and effective information technology to support the management of assets. We came to this conclusion because:
  - the Council has an Asset Management Plan but this is not time bound and focuses on the short term;
  - the Council can show improved use of some assets but asset management arrangements are not well co-ordinated or supported by effective IT systems; and
  - the Council reviews its ongoing use of assets but the Asset Management Plan remains unchanged since 2014.

<sup>1</sup> Chartered Institute of Public Finance and Accountancy (CIPFA)

# Proposals for improvement

## Exhibit 1: proposals for improvement

### Proposals for improvement

#### **The Council's asset management arrangements could be strengthened by:**

- P1** Developing and delivering a long-term sustainable strategy for its assets based on a thorough assessment of needs, costs and benefits supported by:
- short, medium and long-term performance indicators;
  - embedded governance arrangements to support the strategic management of assets;
  - IT asset management systems which integrate more effectively with other systems to facilitate better information capture and use; and
  - utilising information arising from stakeholder consultation and engagement including what the Council has learnt about its experience of its community asset transfers to better inform its decision-making.

# Detailed report

## The Council has an Asset Management Plan but this is not time bound and focuses on the short term

- 6 At the time of our review in April 2017, the Council set out its policies for managing its land and buildings in a range of documents that formed a framework in which it operates. These included the Asset Management Plan (AMP), the Community Asset Transfer Policy, Property Acquisitions Strategy, the Council's Disposal of Land & Property Assets Policy, and Concessionary Rental Policy. Estates Services and Property Services also had annual service plans that supported asset management.
- 7 In November 2014, the Cabinet approved its current Asset Management Plan (AMP). The AMP was not time-bound, therefore it is not clear what period of time the AMP covers. The AMP included an asset management action plan for one year (2015-16).
- 8 The AMP stated the Council's aims and objectives for asset management as:
  - property transformation to support enterprise, local communities and generate income;
  - greening the estate through the ongoing implementation of renewable technologies and application of energy reducing technologies; and
  - compliance with legislative and statutory duties to ensure that its portfolio is safe, accessible and fit for purpose.
- 9 We found that the Council understood its property asset base. All property assets were located, valued and listed. The Council had maintenance schedules for each of its key assets. It maintained a list of assets it had disposed of and a list of assets it had acquired together with their values and further planned disposals in the coming year. The AMP contains an explanation of external and internal service pressures at the time the AMP was produced in 2014. The AMP, however, did not describe the longer-term service pressures that would affect the performance and suitability of its assets.
- 10 The Council made efforts to more strategically manage its assets by establishing an Asset Management Working Group in December 2014, which met four times. This Group has not met since February 2016. The Council's review of its AMP stated that the Asset Management Working Group failed to make meaningful progress and as a result it failed. The Place Board which was attended and chaired by Members similarly failed as this had no delegated authority requiring all decisions to be fed into Cabinet or Council. The County Farms working group established in 2014 was still operating during our review. The Senior Leadership Team established a Property Rationalisation Working Group to help manage property rationalisation in 2016.
- 11 The Council's financial targets for its assets were set out and cross-referenced in its property rationalisation programme, the Council's Investment Strategy dated February 2016, and the short-term investment assumptions in the medium term

financial plan (MTFP). The Council's property rationalisation programme considered the options of sale and disposal, re-use, development, or community asset transfer.

- 12 During our review, managers and Members articulated relevant linkages between the Council's Estates Service and Property Services annual service plans, and between capital and revenue assumptions in its MTFP. They were able to clearly articulate the balance needed between disposing of assets and retaining assets to generate rental income. This suggests the Council had a good understanding of immediate budgetary pressures in relation to asset management.
- 13 In December 2016, Cabinet approved the capital budget for 2017-18 and the indicative capital budgets for the three years to 2020-21. It agreed that the Council's 21st Century Schools programme was the top priority for its asset management investment. The Cabinet, at its meeting in December 2016, also considered capital MTFP pressures, the annual review of property maintenance backlog pressures, and the proposed review of the County Farms Strategy.
- 14 Council managers completed budget savings proposal mandates to provide Members with information to help them make decisions. Not all budget savings proposals have implications for the use of assets, but where they did in 2016-17, we found the savings proposals clearly linked to the MTFP. For example, the savings proposal for 2016-17 to reduce costs by using sustainable energy set out the implications for the Council's asset management by identifying locations in the county considered suitable for solar farms.
- 15 At the time of our review, while the Council was integrating the Well-being of Future Generations Act five ways of working<sup>2</sup> into its service planning, it did not clearly assess user needs for Council buildings, or assets in general, nor had it assessed future demand for its buildings.
- 16 A variety of property related engagement and consultation events had taken place with citizens, service users and stakeholders. Examples included discussions and consultation days about planning applications such as the solar farm at Oak Grove Farm in November 2014, and engagement with the community in Abergavenny, in July and November 2014 that assisted with improving the infrastructure to the Mardy Park resource centre. Other examples included wider consultation on the Local Development Plan and community hubs such as Usk, which involved representatives from Save Usk Library, the Town Council and service users.
- 17 Whilst the Council has engaged widely with its partners and with community groups, it has not always been clear how the Council uses the results of this engagement during the decision making process.

Neither the Council's AMP nor its 'Asset Management Plan Review of actions from 2015-17' referred to results of public, occupant, tenant, or stakeholder consultation. The AMP mentions the Community Hub Model, but not the intended benefits for the public and what they might need in the future. The Council's committee reports

<sup>2</sup> Well-being Future Generations (Wales) Act 2015: Five ways of working – Involvement, Integration, Prevention, Collaboration and Long-term

and policy guidance for its Community Asset Transfers did not show what it had learnt from the relevant engagement exercises and previous experiences. As a result, the Council could not be certain whether it is engaging its communities effectively in agreeing the best way forward.

## The Council can show improved use of some assets but asset management arrangements are not well co-ordinated or supported by effective IT systems

- 18 At the time of our review, the Council was utilising some of its assets more effectively than we had seen during our Corporate Assessment. For example, the highways depots had been rationalised and hosted other services such as waste collection and meals on wheels services. The Council was continuing with its property rationalisation to release unwanted assets for disposal to support its 21st Century Schools projects. Its property rationalisation and centralisation of services included the redesign of its County Hall in Usk to release space in its Magor offices and Abergavenny Town Hall. At the time of our review, work was ongoing to reconfigure two buildings on the County Hall site to accommodate staff relocating from its Magor office and Abergavenny Town Hall.
- 19 The AMP referred to the Council's People Strategy. The People Strategy identifies six key themes, the first of which is 'Our Work Environment'. This articulates the necessity for accessible, open shared space, which is technology enabled and supports agile working. The Council planned to develop office accommodation in blocks E and J at County Hall in Usk to accommodate staff relocating from its office in Magor. The Council advised that a programme plan and budget profile for this development were in place and that its digital projects team was part of the Property Rationalisation Working Group planning for this move and taking account of technology interdependencies.
- 20 We found that the Council's action plans to support the development of these two venues were underdeveloped; its Refurbishment Action List for Blocks E and J was only a task list with sequential dates and responsibilities. Furthermore, notes of the Council's Property Rationalisation Working Group meeting of 15 February 2017 showed that discussions focussed on where staff would be located, what staff needed, and how furniture and paperwork could be moved. Interdependencies such as technology and floor space requirements were not made clear in the information we examined.
- 21 The minutes of the Property Rationalisation Working Group did not demonstrate a project management approach or planned order of action identifying key steps, budget positions, milestones, and dependencies such as IT cabling, and longer-term staff accommodation needs. As a result, actions can be short term rather than integrated and strategic, and the Property Rationalisation Working Group may not be maximising its strategic potential.



- 22 An aim of the AMP is to support enterprise, local communities and generate income through its properties. At the time of our review, the Council held 40 industrial units ranging in size. It rented the majority of these units to start up or local small businesses and the nature of its tenancies is designed to provide flexibility of occupation in the first year and support business growth.
- 23 Supporting the AMP was the Council's Community Asset Transfer (CAT) policy. In 2016-17, CAT had taken place or was in progress at Caerwent, Undy Athletic, Raglan Village Hall, Mellville and the Drill Hall Chepstow. Officers stated that the Council was planning to produce better guidance to help communities maximise the opportunities and manage the risks associated with CATs. This could help support community groups in the early stages of considering managing a council building, help them develop new and better services, and ensure they avoid unnecessary costs or problems.
- 24 We found in our review that the Council's staff capacity was potentially inhibiting future improvement of asset management. The Estates Service Plan for 2017-18 identifies the lack of human resources as a risk to achieving income targets. The Council had engaged external consultants to support its officers and provide specialist legal and property advice from legal advisors and valuation surveyors. The Council had also commissioned consultants to review County Farms, and for detailed planning, housing and other LDP work.
- 25 At the time of our review, a further risk to improving the management of the Council's assets was the potential for silo working. Estates Services dealt with commercial and policy issues, and Property Services dealt with valuations, surveys, tendering and maintenance services. Additionally, the 21st Century Future Schools programme had its own Property Team. There were risks of broken lines of communication and accountability and duplication of effort such as with budget planning.
- 26 At the time of our review, managers and Members were considering a Corporate Landlord model as an opportunity to address potential duplication of efforts and capacity pressures caused by separate Property and Estates Services. The Council anticipate that the creation of a Corporate Landlord could facilitate the further integration of plans and activities and reduce any potential for silo working.
- 27 We found that Information Technology (IT) systems used to manage assets was poorly integrated and not fit for purpose. The current Tribals K2 system integrated poorly with other council systems and was not user friendly. Other neighbouring councils and partners did not use the same system, mobile application was weak and interoperability poor. Members of the Council's Senior Management Team (SMT) were investigating the suitability of new IT and operating models of neighbouring councils. SMT had identified good information management systems as being necessary if the Council is to improve its reporting of performance, collection of 'live' data, and benchmarking. The ability to use a wider range of more accurate information and timely financial data would further support the Council's Investment Strategy.

## The Council reviews its on-going use of assets but the Asset Management Plan remains unchanged since 2014

- 28 The AMP specified that it should be reviewed annually. There was no formal review at the end of 2015-16. At the time of our review, there had been just one review of the AMP, however, it was unclear when this review was undertaken and where the outcome of this review was reported. The AMP had not changed following this review.
- 29 The review of the AMP focussed on progress in delivering the 11 actions contained within the 2015-16 action plan within the AMP, and progress in meeting the AMP performance indicators set for 2015-16. Three actions were judged as complete. These were, creation of Usk community hub, implementing community hub models and options appraisals to identify the location of Abergavenny hub. Actions pertaining to property rationalisation, development of individual asset management plans, solar farm development, developing investment strategy, receiving the concessionary rental policy, reviewing the County Farms Strategy and developing Local Development Plan (LDP) sites were judged to be 'on-going'.
- 30 Due to the absence of an up-to-date Asset Management Plan containing current internal and external pressures, the Council's approach to managing its assets and reviewing the AMP was unclear and reactive.
- 31 The Estates Service annual service plan and Property Services annual service plan contained asset related actions, performance indicators and risks. Monitoring of these annual service plans is through the corporate service planning management and monitoring arrangements. Although the Council monitors and reports its asset management performance against actions and indicators, this is based on an annual planning cycle with quarterly reporting and is therefore short-term.
- 32 We found that Members received asset management information such as, asset valuations, maintenance backlogs, tenders, energy use, and data on asset usage and utility. However, performance monitoring continued to focus on short-term financial savings targets rather than benefits such as higher productivity, economic and social outcomes.
- 33 We also found that all Council properties were risk assessed for suitability of purpose, value, financial sustainability, access, condition, and development potential. Strategic issues and common themes were consolidated into annual Estates Service Plans and Property Services Plans. The Estates and Property Service Plans highlighted risks, however, mitigating action was weak. For example, the 2016-17 Estates Service Plan's action to manage the loss of income from disposing of an asset is: 'Continue to review market and amend disposals programme accordingly to minimise loss in value.' Activity to maximise income from other assets, and other options was not included.

- 34 In considering the effectiveness of the Council's management of asset, we compared actual performance against its targets as stated in the Estates Service Plan 2016-17 and found the performance of some aspects of the Council's estate was variable. In 2016-17, there was a shortfall in capital receipts of £2,609,480 and shortfall (deficit) in income of £252,145. Vacancy rates for industrial and retail units is 5%, partly due to the complexity of legal processes and the volatility of flexible tenancies. Void rates – relating to empty property let but not occupied – were high and were 11% on average across the Council's portfolio. County Farms rent arrears was 13% against the Council's target of 0%. This indicated that the Council was not managing the assets it rents out as efficiently as possible and not realising the full income planned.
- 35 The Council's ongoing review of the County Farms Strategy was resulting in clearer priorities for investment or disposal, based on farms' suitability and development potential. The Council aimed to complete this review in July 2017. Between November 2014 and our review, the Council had sold two farms and a barn realising capital receipts of £1,752,000. This income has helped fund the construction of new schools.

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