

**Report to:****AUDIT COMMITTEE****Relevant Officers:**

Steve Thompson, Director of Resources

Paul Jones, Head of Property Services

Anne Thornton, Property Services Business Manager

**Date of Meeting:**

30 July 2018

## ESTATES MANAGEMENT AND INVESTMENT PORTFOLIO

**1.0 Purpose of the report:**

- 1.1 To consider a progress report on the recommendations made in the internal audit report of Estates Management and Investment Portfolio issued on 6 February 2018.

**2.0 Recommendation(s):**

- 2.1 To consider the actions being implemented to address the audit recommendations relating to Estates Management and the Investment Portfolio.

**3.0 Reasons for recommendation(s):**

- 3.1 To enable Audit Committee to consider an update and progress report on the audit recommendations.

- 3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

- 3.2b Is the recommendation in accordance with the Council's approved budget? Yes

- 3.3 Other alternative options to be considered:

- 3.4 None.

**4.0 Council Priority:**

- 4.1 The relevant Council priority is organisational resilience.

**5.0 Background Information**

- 5.1 At its meeting in June 2018, the Audit Committee agreed to invite Heads of Service to the meeting to provide an update in relation to internal audit recommendation implementation.

The report being considered at this meeting relates to Estates Management and Investment Portfolio with the scope and assurance statement as follows:

**Scope**

The scope of our audit was to review:

- Income collection and other financial administration arrangements;
- Effectiveness of arrangements for supporting Council acquisitions and disposals;
- Valuation processes; and
- Action taken to address the key priority recommendations included in the 2012 and 2010 internal audit reviews of Estates.

**Overall Opinion and Assurance Statement**

It is accepted that significant progress has been made in a number of areas to develop the approach to income collection arrangements. However, further work is required to tackle the remaining backlog of rent reviews. An Investment Portfolio Strategy should be developed and a review of investment portfolio assets undertaken.

Therefore it is considered that the controls in place in relation to estate management and the property investment portfolio are currently inadequate, but it is recognised that steps are being taken to reduce the risks.

The recommendations and agreed actions which were included in the internal audit plan are included in Appendix 5(a).

Does the information submitted include any exempt information? No

**List of Appendices:**

Appendix 5(a): Internal Audit Recommendations and Agreed Actions.

**6.0 Legal considerations:**

6.1 Risks need to be effectively managed in order to comply with relevant legislation.

**7.0 Human Resources considerations:**

7.1 The controls being implemented will be undertaken by current employees.

**8.0 Equalities considerations:**

8.1 None.

**9.0 Financial considerations:**

9.1 The controls being implemented will be done so within current budget constraints.

**10.0 Risk management considerations:**

10.1 To enable the Audit Committee to gain assurance that strategic risks are being effectively managed.

**11.0 Internal/ External Consultation undertaken:**

11.1 The progress report has been prepared in conjunction with the relevant Heads of Service and Chief Officers.

**12.0 Background papers:**

12.1 None.

## Appendix 6(a) - Agreed Action Plan

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Progress</i>	<i>Responsible officer</i>	<i>Target Date</i>
<b>R1</b>	As a matter of priority all outstanding rent reviews should be completed as soon as is possible and rental income due to the Council identified and collected.	<b>1</b>	Agreed. Additional resource is being identified.	Additional surveyor is being recruited for a 12 month period. Expected to start by beginning of August 18.	Property Services Business Manager.	<b>31<sup>st</sup> March 2019.</b>
<b>R2</b>	Capacity should be identified and a plan developed and achievement monitored to ensure that all rent reviews take place when they become due.	<b>1</b>	Agreed.	As above plus full time surveyor started beginning of June 18.	Property Services Business Manager.	<b>31<sup>st</sup> March 2019.</b>
<b>R3</b>	The data cleansing exercise on rent review data in p2.net should be completed as soon as is possible and controls should be established to ensure that correct rent review data is contained within P2.net in future.	<b>2</b>	Agreed.	Complete. Monthly rent review reports are now checked as correct (amended in P2 if necessary) before cases allocated to surveyor.	Property Services Business Manager.	<b>31<sup>st</sup> March 2019.</b>

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Progress</i>	<i>Responsible officer</i>	<i>Target Date</i>
<b>R4</b>	Expired property investment portfolio recurring billing on the Cedar system should be reviewed to identify if there are any instances where billing should be extended.	2	Agreed.	Complete. Monthly reports now sent to Property Services and actioned appropriately.	Property Services Business Manager.	30 <sup>th</sup> June 2018.
<b>R5</b>	The list of all current Cedar masters should be reconciled to a list of all property investment portfolio holdings to ensure that all properties where billing should be taking place are being billed.	2	Agreed.	Complete.	Property Services Business Manager.	30 <sup>th</sup> June 2018.
<b>R6</b>	An Investment Portfolio Strategy should be developed, documented and approved taking account of a strategic review of the current investment portfolio and its performance.	1	Agreed. To link with Growth and Prosperity. The Head of Property Services to take to the Growth and Prosperity Group.	Investment, Disposal and Acquisition strategy has been developed jointly between Property Services & G&P. Being submitted to CAMG September 18 for ratification.	Head of Property Services.	30 <sup>th</sup> June 2018.

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Progress</i>	<i>Responsible officer</i>	<i>Target Date</i>
<b>R7</b>	<b>Specific and clear measures should be identified to determine why individual investment portfolio properties and property types are held and when investment portfolio property holdings are to be retained, disposed of or acquired.</b>	<b>2</b>	<b>Agreed. Have started to allocate costs to different cost centres.</b>	<b>As above.  Will be working with the new P2 admin and Concerto to create effective reporting on property performance.  A pro-active approach to empty properties, reviewing reason for retention and investing in them to market where deemed appropriate.</b>	<b>Property Services Business Manager.</b>	<b>31<sup>st</sup> July 2018.</b>
<b>R8</b>	<b>A programme and timetable for the review of property investment portfolio assets should be established and a disposal strategy developed for under-performing and unwanted property assets.</b>	<b>1</b>	<b>Agreed. To link to office accommodation strategy and disposal strategy.</b>	<b>See above.</b>	<b>Head of Property Services.</b>	<b>31<sup>st</sup> July 2018.</b>
<b>R9</b>	<b>A policy on re-investing capital receipts from disposal of investment portfolio capital assets should be defined and agreed.</b>	<b>2</b>	<b>Agreed. Policy to be developed for the Asset Management Group to agree.</b>	<b>Complete. Reviewed on a case by case basis as to the most prudent financial management.</b>	<b>Head of Property Services.</b>	<b>31<sup>st</sup> May 2018.</b>

<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Progress</i>	<i>Responsible officer</i>	<i>Target Date</i>
<b>R10</b>	The strategic review of the investment portfolio should take account of work being undertaken under the Growth and Prosperity initiative and consider what fits best where and whether current arrangements for information sharing are optimal.	2	Agreed. To link with Growth and Prosperity. The Head of Property Services to take to the Growth and Prosperity Group.	Complete. Weekly G&P meetings and Estates WIP meeting jointly held with representatives from both teams attending each meeting.	Head of Property Services.	30 <sup>th</sup> June 2018.
<b>R11</b>	The proposed Assets, Estates and Business Management Team procedure manual should be developed to incorporate documented estates income collection and debt collection procedures.	2	Agreed.	Complete.	Property Services Business Manager.	31 <sup>st</sup> January 2019.