

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 November 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Internal Audit Report AC2313 – Corporate Asset Management
REPORT NUMBER	IA/AC2313
DIRECTOR	N/A
REPORT AUTHOR	Jamie Dale
TERMS OF REFERENCE	2.2

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the planned Internal Audit report on Corporate Asset Management.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee review, discuss and comment on the issues raised within this report and the attached appendix.

3. CURRENT SITUATION

- 3.1 Internal Audit has completed the attached report which relates to an audit of Corporate Asset Management.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are detailed in the resultant Internal Audit reports. Recommendations, consistent with the Council’s Risk Appetite Statement, are made to address the identified risks and Internal Audit follows up progress with implementing those that are agreed with management. Those not implemented by their agreed due date are detailed in the attached appendices.

8. OUTCOMES

8.1 There are no direct impacts, as a result of this report, in relation to the Council Delivery Plan, or the Local Outcome Improvement Plan Themes of Prosperous Economy, People or Place.

8.2 However, Internal Audit plays a key role in providing assurance over, and helping to improve, the Council’s framework of governance, risk management and control. These arrangements, put in place by the Council, help ensure that the Council achieves its strategic objectives in a well-managed and controlled environment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	An assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. As a result, there will be no differential impact, as a result of the proposals in this report, on people with protected characteristics.
Privacy Impact Assessment	Not required

10. BACKGROUND PAPERS

10.1 There are no relevant background papers related directly to this report.

11. APPENDICES

11.1 Internal Audit report AC2313 – Corporate Asset Management

12. REPORT AUTHOR CONTACT DETAILS

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Internal Audit

Assurance Review of Corporate Asset Management

Status: Final

Date: 13 September 2023

Risk Level: Corporate

Report No: AC2313

Assurance Year: 2022/23

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

Report Tracking	Planned Date	Actual Date
Scope issued	09-Mar-23	08-Mar-23
Scope agreed	17-Mar-23	13-Mar-23
Fieldwork commenced	17-Mar-23	20-Mar-23
Fieldwork completed	31-Mar-23	05-May-23
Draft report issued	14-Apr-23	25-May-23
Process owner response	05-May-23	25-Aug-23
Director response	12-May-23	13-Sep-23
Final report issued	19-May-23	13-Sep-23
Audit Committee	23-Nov-23	

Distribution	
Document type	Assurance Report
Director	Steven Whyte, Director of Resources
Process Owner	Stephen Booth, Chief Officer – Corporate Landlord
Stakeholder	Mark Reilly, Chief Officer – Operations and Protective Services
	Alistair Reid, Team Leader – Asset Management
	Jonathan Belford, Chief Officer - Finance*
Final only	External Audit
Lead auditor	Debbie Steele, Auditor

1 Introduction

1.1 Area subject to review

The Council has a hugely diverse asset portfolio. In the Audited Accounts for 2021/2022, the Balance Sheet showed the Net Assets as having a value of £1,435m as at 31 March 2022 (Long term assets valued at £2,923m). This includes around 1200 Non-housing assets (2016 – 2018 data) and an existing stock of more than 22,000 properties managed by the Housing Revenue Account (March 2023). In addition to land and buildings (£1,206m), and infrastructure assets including roads and structures (£260m), the Council utilises a variety of vehicles, plant, and equipment (£31m), and maintains heritage and community assets (£227m). As custodians of the assets, and public money, the Council has an obligation to protect the value of these assets through Asset Management¹.

The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out that:

“Asset Management is about supporting the delivery of the strategic goals and objectives through the use of property assets”.

The Royal Institute of Chartered Surveyors (RICS) defines Strategic Asset Management as:

“The activity of aligning property assets with the strategic aims and direction of the organisation and adding both financial and non-financial value to the organisation as a result.”

These principles apply equally to all of the different asset groups in which the Council has invested, and continues to invest in through its Capital Programme and maintenance programmes, to deliver its services – though the assets and the way in which they are managed may vary.

Aberdeen City Council has established a vision: *“A place where all people can prosper”* and has mapped out strategic plans in the Council Delivery Plan 2022/2023 to deliver this vision. It describes the journey of change required, key achievements delivered in 2021/22 and the priorities for 2022/2023. The Council Delivery Plan identified that there was a requirement to meet the challenges posed by a changing world by continuing to embrace new ways of doing business whilst meeting the needs of customers and communities.

In the current period of austerity and uncertainty it has become a priority to ensure that resources are allocated appropriately and efficiently following a suitable Asset Management Plan. The effective use of capital resources is fundamental to the Council achieving its medium- and long-term strategic objectives. The Prudential Code details that Councils have a responsibility to apply an affordable, prudent, and sustainable approach to investment – supported by (inter alia) stewardship of assets e.g. asset management planning.

With any planning and long-term forecasting there is a level of risk due to uncertainty. The benefit of having an Asset Management Plan in place is that assets are identified as to their purpose; life cycle stage: acquisition, construction, maintenance, or disposal; condition; suitability and long-term plan. Having this overall view of the asset portfolio allows the organisation to respond to today’s political, economic, and environmental challenges. The pandemic was evidence of this whereby the function of many assets changed from their original function to that of a Vaccination Centre. Sustainability and climate change are also key factors requiring adaptability in service delivery, and therefore use of assets.

1.2 Rationale for the review

The audit objective is to ensure resources are allocated appropriately and efficiently following a suitable Asset Management Plan.

¹ Figures are based on Net Book Value.

Asset Management should align with the strategic aims and directions of the organisation so that value is added in a financial and non-financial capacity.

To develop an effective Asset Management Plan there are many considerations to be made: the corporate vision and strategies; available resources; governance arrangements; the integration of other financial and business plans with asset plans; asset life cycle; foresight into the changing purpose of the assets; repair and maintenance expenditure; purchasing and disposals; service standards; performance indicators; socio-economic value; procedures and best practices to name a few. The Asset Management Plan requires to have purpose; support the corporate objective and identify how this will be achieved and how success will be measured. This audit will review these areas.

In a previous audit on Commercial Investment Property in February 2021 (AC2017) it was found that the "Property Asset Management Framework and Strategy" had not been updated since 2016. The Service agreed on the recommendation, graded as significant, that the Property Estates Strategy should be updated. This was started but then aborted due to market changes created by the pandemic. It was proposed that a review would be undertaken when there was greater stability in the market. This was due on 28 February 2023.

1.3 How to use this report

This report has several sections and is designed for different stakeholders. The executive summary (section 2) is designed for senior staff and is cross referenced to the more detailed narrative in later sections (3 onwards) of the report should the reader require it. Section 3 contains the detailed narrative for risks and issues we identified in our work.

2 Executive Summary

2.1 Overall opinion

The full chart of net risk and assurance assessment definitions can be found in Appendix 1 – Assurance Scope and Terms. We have assessed the net risk (risk arising after controls and risk mitigation actions have been applied) as:

Net Risk Rating	Description	Assurance Assessment
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited

The organisational risk level at which this risk assessment applies is:

Risk Level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.

2.2 Assurance assessment

The level of net risk is assessed as **MAJOR** with the control framework considered to provide **LIMITED** assurance over the Council's approach to asset management.

As custodians of a diverse portfolio of assets, Aberdeen City Council has an obligation to protect the value of these investments of public money in the utmost cost-effective manner. Having a robust, effective, and efficient Asset Management framework in place provides a steer for practice that can be adapted as challenges and opportunities present themselves and resources allocated appropriately and efficiently. Both the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Royal Institute of Chartered Surveyors (RICS) acknowledge the scope for variation in organisational and governance structures and asset portfolios, but each sets out that the foundations of sound asset management practice are a Policy, a Strategy and Asset Management plans. Without a clear, well documented and understood corporate approach to asset management, for all of the Council's assets, there is a risk of divergence of practice both from achieving corporate objectives and between competing internal priorities.

Arrangements in respect of three of the Council's main asset groups: Corporate Property, Roads, and Fleet were reviewed in detail. Other parts of the Council's asset portfolio including Housing, Environment, Digital and Heritage assets were not reviewed in detail, but Officers were asked to describe their asset management practice and contribute to the review overall. None had a complete Policy, Strategy and Action Plan to drive asset management practice, balance competing interests, priorities and demands, and ensure a targeted approach to delivering against corporate objectives. Whilst the majority of the assets are land and property (in various formats) and are managed by the Corporate Landlord, the findings in this report apply equally to other parts of the portfolio. Whilst there were components of the structure that would make up an asset management framework, these were either out of date; lacked detail or were embedded as sections within various separate Council key documents. There was no one document or series of documents that provided a clear concise direction for the assets, how objectives would be implemented and the plan to accomplish these.

There is an apparent lack of joined up strategic planning for assets, leading to various short-term decisions being made to address immediate operational demands, within the confines of annual historically determined individual service budgets, and sets of service standards devised on the basis of achievability rather than to deliver agreed policy intentions. If there is insufficient planning, maintenance and investment as a result, there will be a risk of failure, which could impact on service delivery, reputation, and asset values.

For example: A Roads Asset Management Plan was last updated in 2016. A School Estate Plan, published in 2022, set out more detail in respect of education establishments, however it did not fully reflect timescales, costs and balancing resources over asset lifecycles, and this level of rigour has not

been applied to other asset groups. A Property and Estates Strategy has been developed in 2023, but it does not clearly set out how it will support achievement of the Council's transformational objectives. Fleet replacement plans are provided to Committee annually, but there is no policy or strategic context.

A variety of performance data is recorded across multiple operational asset recording systems, supporting annual budgeting and short-term prioritisation. To an extent, strategic direction can be implied through the selection of performance data and targets, but it is not currently documented or explicitly evidencable. Variations were also identified between data held for financial and operational purposes, reducing assurance over the completeness and accuracy of asset management records.

A Capital Board was set up in 2019, with Terms of Reference including governance arrangements that in addition to identifying and monitoring the resources available to fund the capital programme, would provide strategic direction, make decisions, and provide stewardship to the delivery of a Corporate Asset Management framework and Asset Management Plans. Membership of this Board was composed of the Director of Resources and ten Chief Officers. However, no further records, agendas or minutes were available for review, limiting assurance over the consistent application of asset management governance controls in this area.

Procedures covering asset acquisitions; maintenance; data collection, collation & reporting; review breakpoints; funding; option appraisals and business cases (financial & non-financial), were not available. There is therefore a risk of inconsistent approaches to these critical asset management activities.

Recommendations have been made to address the above points, including, formalising the framework, action plans and performance indicators and reporting. Where this review did look at Corporate Asset Management on the whole, the focus of the scope has been on the underlying governance to support delivery overall and thus the recommendations have been focused on strengthening the control framework rather than actual projects or operations.

2.3 Severe or major issues / risks

Issues and risks identified are categorised according to their impact on the Council. The following are summaries of higher rated issues / risks that have been identified as part of this review:

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
1.1	Asset Management Framework – Aberdeen City Council has no clear Asset Management approach in place from which the Asset management plans could be reviewed. Whilst there were components of the structure that would make up an Asset management framework, these were either out of date; lacked detail or were embedded as sections within various Council key documents. There was no one document or series of documents that provided a clear, concise, direction for the assets, how objectives would be implemented and the plan to accomplish these. The impact of having no Asset Management framework in place carries the risk of not planning for the assets over their whole life cycle. Following acquisition there is a requirement for continued investment into the asset to maintain its value. Lack of asset maintenance planning and future resource allocation carries the risk of asset	Y	Major	11

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>deterioration, Health and Safety risks, and damage to the Council's reputation.</p> <p><u>Policy</u></p> <p>Each of the three Clusters reviewed referred to a different key document for their direction. Fleet took direction from the 2021 Council Climate Plan; Roads referred to the Council Delivery Plan; and Corporate Landlord referred to the T.O.M 1.2. There was no one over-arching policy document that guided the Services on the corporate priorities and objectives or what the vision for the assets was in delivering these objectives. In the TOM and Climate Change Plan the asset management intentions were implied rather than being specifically set out. The asset related intentions did not account for all asset types in the asset portfolio. The absence of clear policy creates the risk of there being no document to map out the direction Services are to take to support the Council vision and deliver key objectives to ensure effective asset management and achieving the best value from the assets. There is a reputational risk that in the absence of asset policies the Council are not fulfilling their stewardship and custodian role to protect asset value.</p> <p><u>Strategy</u></p> <p>At the time of the review there were no up to date Asset Management strategies for any of the asset groups reviewed. The Council's overall plans, operating model, and context have changed substantially since previous strategies were documented. There is a lack of clarity over how asset strategies will deliver the transformation required as part of the TOM and MTFs, and how they will remain agile to meet changing requirements. Until asset strategies have been developed and agreed, clearly linked to corporate objectives, there is an increased risk of short-term service-specific operational factors influencing asset management decisions with long-term corporate implications.</p>			
1.2	<p>Action Plans – Asset Management Plans are not up to date. In their absence, condition data is used to inform short-term planning within annual resource constraints.</p>	Y	Major	16

Ref	Severe or Major Issues / Risks	Risk Agreed	Risk Rating	Page No.
	<p>In the absence of clear principles and priorities set out in asset management policy and strategy it will be difficult to balance competing priorities to deliver the Council's vision over the longer term. In the absence of clearly articulated and communicated plans there is the risk that Services will create their own plans which do not align with the Strategy and the Council objectives, creating the risk of inappropriate resource allocation. Assets are at risk of deterioration and mismanagement if there are no lifetime plans in place which define how the assets will be maintained and managed over their whole life cycle.</p> <p><u>Backlog Maintenance</u></p> <p>All Clusters acknowledged that asset maintenance is generally more reactive than planned – though the ratios are not regularly calculated and reviewed. Clusters referenced cost minimisation approaches, with priority given to meeting legislative and safety requirements. Whilst these are currently being met, in the absence of longer term plans for addressing maintenance risks and investing in improvements, assets could be run down to a level where the risks escalate beyond acceptable levels, or the cost of meeting standards exceeds available resources.</p>			
1.3	<p>Performance Indicators and Reporting – Service standards are subject to annual review, as part of development of the MTFs and Council Delivery Plan. These generally relate to service delivery rather than the assets which support it. Where the standards change, these may be highlighted in appendices to the delivery plan. However, this is not the case for every asset, and progress against this target is not regularly reported. With the exception of Statutory PI's there is no core published record of asset management targets and outcomes. Data requirements have not been determined, and benchmarking varies across Clusters.</p>	N	Major	18

2.4 Management response

Management welcomes Internal Audit's review of the Council's approach to Asset Management. We are fully aware that the guidance from CIPFA and RICS around asset management, including policy and strategy development is not being followed; this is a deliberate decision to apply alternative

approaches based on the resource to prepare and maintain these documents in a period where the council has to consider significant savings around its asset base and other areas.

There is a range of asset management activities in place across the council. Whilst accepting that there are gaps and areas that require to be improved there is also good practice in place, and this needs to be balanced against the resources that are available to deliver a more comprehensive asset management approach.

There are processes and procedures in place to aid in directing available resource and facilitate decision making, including: condition surveys, cyclical/statutory maintenance programmes, functional hierarchies and maintenance criteria, the process for developing business cases, data collection timetables, quality of asset data held, decisions to restrict repair and maintenance works to essential repairs and health and safety works only, decision/prioritisation processes around the use of condition and suitability budget, the work of the capital board, the annual budgeting process and asset challenge around this or the council approach to strategy development. Asset business cases are delivering savings from the portfolio.

Performance targets were reviewed as part of the Estates Strategy and are in line with available budgets. Information held suggests that a number of properties are at the lower end of the scale. Due to issues highlighted within the report around proactive planned maintenance it is likely that standards will fall. This is reflected in both the Corporate Landlord service standards and SPI reporting. Current levels of repairs are noted within service standards for Corporate Landlord with wider SPI's reported to committee for visibility. There is general compliance across areas of statutory compliance, albeit repairs are restricted to essential wind and watertight and health and safety works in accordance with wider council policy in recent years.

The Property Estates Strategy is now in place as an enabling strategy to support the council key governance and policy documents not least the TOM, TOM 1.2, Council Delivery plan and medium-term financial plan. Significant work has been done in recent years to consolidate the range of strategy, policy, and procedure documents within the council. The estates Strategy forms part of this.

Two significant transformation projects are currently being progressed. An asset transformation programme and a transformation programme to review repair and maintenance of properties.

It is acknowledged that further work is required to document the process around asset management, and enhance the governance around the development of implementation plans, and this will be reviewed as part of the asset transformation programme. We will also review the terms of reference of the Capital Board to include standing agenda items around asset management performance and create clearer visibility.

3 Issues / Risks, Recommendations, and Management Response

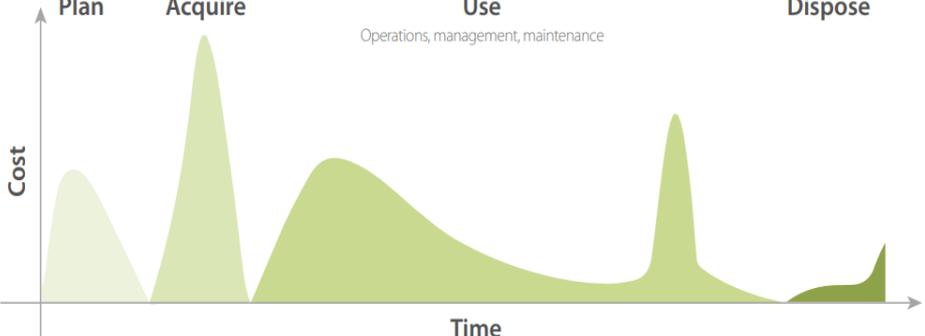
3.1 Issues / Risks, recommendations, and management response

Ref	Description	Risk Rating	Major
1.1	<p>Asset Management Framework – As custodians of a diverse portfolio of assets, Aberdeen City Council has an obligation to protect the value of these investments of public money in the utmost cost-effective manner. Having a robust, effective, and efficient approach to Asset Management would provide a steer to practice that can be adapted as challenges and opportunities present themselves, to which resources can be allocated appropriately and efficiently.</p> <p>CIPFA (Chartered Institute of Public Finance and Accountancy) (November 2020)² acknowledges that documentation may become complex and confusing but a <i>"simple and disciplined structure with the three key elements of policy, strategy and action plan"</i> should be adopted.</p> <p>Although RICS practice guidelines (October 2022)³ do not recommend a specific organisational structure to deliver effective asset management, they do set out attributes of one that includes having a policy, a strategy and subsequent asset management plans in place. In the case of an external "health check" on the strength of the Asset Management System these would be reviewed.</p> <p>CIPFA undertakes reviews of public sector asset management. They have identified that often the asset management focus is on the day-to-day operations of the assets due to the reactive responses that are required. This creates <i>"some very real risks of a disconnect between asset management activity and the corporate objectives and priorities of the organisation"</i>. The disconnect has a knock-on effect leading <i>"to a lack of awareness and appreciation by the senior officer and political leadership of the organisation"</i>. Cascading down this can then affect: <i>"the resources required to keep public sector assets maintained and safe"</i>.</p> <p>The objective of the audit was to review the Asset Management Plan and ensure the resources were being allocated appropriately and efficiently. However, Aberdeen City Council has no documented Asset Management approach in place from which the Asset Management plans could be reviewed.</p> <p>Whilst there were components of the structure that would make up an Asset Management framework, these were either out of date; lacked detail; or were embedded as sections within various Council key documents. There was no one document or series of documents that provided a clear, concise direction for the assets, how objectives would be implemented and the plan to accomplish these. More information of these components is detailed in the following descriptions and recommendations.</p> <p>The impact of having no Asset Management framework in place carries the risk of not planning for the assets over their whole life cycle. The graph⁴ below illustrates the associated cost with typical assets over their whole life cycle. Whilst this may vary for different types of assets (e.g. the Council is responsible for some assets it cannot dispose of), following acquisition there is a requirement for continued investment into the asset to maintain its value and support its continued use. Lack of asset maintenance planning and future resource</p>		

² CIPFA A Guide to Local Authority and Public Sector Asset Management November 2020.

³ RICS Strategic public sector property asset management October 2022.

⁴ United Nations, Managing Infrastructure Assets for Sustainable Development: A handbook for local and national governments (New York, United Nations, 2021).

Ref	Description	Risk Rating	Major
	<p>allocation carries the risk of asset deterioration, Health and Safety risks, and damage to the Council's reputation.</p> <p style="text-align: center;">The life cycle of a physical asset</p>  <p><u>Policy</u></p> <p>An organisation typically sets out its visions and objectives in a Policy with the strategic direction that is to be taken having been agreed with leaders, stakeholders, and elected members.</p> <p>RICS recommends: <i>“a clear set of asset management policies should be established before embarking on the preparation of the [Asset Management Strategy]”</i>.</p> <p>CIFPA states: <i>“the development of the asset management policy document should be part of the early stages of a strategic asset management approach”</i>.</p> <p>The Policy may cover several services, so negating the need for multiple policies. When allocating resources to assets the policy is a reference to ensure that the resources are being allocated appropriately in line with the corporate objectives and priorities that have been set out.</p> <p>Aberdeen City Council (ACC) has no Asset Management policies in place.</p> <p>Each of three Clusters reviewed referred to a different key document for their direction. For example: Fleet took direction from the 2021 Council Climate Plan; Roads referred to the Council Delivery Plan, and Corporate Landlord referred to the T.O.M 1.2. There was no one over-arching policy document that guided the Services on the corporate priorities and objectives or what the vision for the assets was in delivering these objectives.</p> <p>Key ACC corporate documents were therefore reviewed in detail:</p> <ol style="list-style-type: none"> 1. Target Operating Model (TOM) 1.2 2. Medium Term Financial Strategy 2022 Final (MTFS) 3. Local Outcome Improvement Plan 2016-26, refreshed edition 2021 (LOIP) 4. Council Delivery Plan 2022-23 5. Council Delivery Plan 2023-24 6. Council Climate Change Plan 2021-25 Towards a Net Zero and Climate Resilient Council 7. 2021-2022 Audited Accounts <p>In the TOM and Climate Change Plan the asset management intentions were implied rather than being specifically set out. The asset related intentions did not account for all asset types in the asset portfolio.</p> <p>To determine the objectives and direction for each asset it would be preferable to have an Asset Management policy in place as reviewing the goals through a suite of documents is</p>		

Ref	Description	Risk Rating	Major
	<p>laborious and at risk of misinterpretation as not being relevant to assets or particular groups thereof.</p> <p>The absence of clear policy creates the risk of there being no document to map out the direction Services are to take to support the Council vision and deliver key objectives to ensure effective asset management and achieving the best value from the assets. There is a reputational risk that in the absence of asset policies the Council are not fulfilling their stewardship and custodian role to protect asset value.</p> <p><u>Strategy</u></p> <p>Strategies normally determine how policies will be implemented. Asset management strategy should align and reiterate the policy objectives and outline how these intentions will be delivered including the current position the assets are in; governance arrangements; future challenges and opportunities the assets may face; risks; maintenance and the backlog of maintenance; which performance indicators to set and their targets to measure the progress of the Policy goals and objectives. However, at the start of the audit there were no up to date Asset Management strategies for any of the asset groups reviewed:</p> <p><u>Property assets</u></p> <p>On 21 November 2019 the Strategic Commissioning Committee approved the commissioning of various strategies, including the "Estates & Assets Strategy". Its contribution was also referenced in the LOIP (2016-26). The 2023 Property & Estates Strategy (PES) was provided to Internal Audit at the end of March 2023, towards the end of the planned fieldwork stage. It had not been published or reported to Committee. There remains no Asset Management Policy that precedes this Strategy to outline the principles of managing the asset portfolio.</p> <p>In February 2021 Internal Audit highlighted that the 2016 – 2018 Property Asset Management Framework and Strategy had not been updated and it was not clear if the objectives in the strategy section remained relevant (Report AC2017). The objectives set out in the 2023 PES have not changed since the 2016 document, which itself had not changed substantially since a Corporate Asset Management Plan was last set in 2013. In contrast, the Council's overall plans, operating model, and context have changed substantially in the last ten years.</p> <p>Although the PES aligns with the Councils Strategic priority of Energy Transition and Net Zero and the MTFs there are no references to the Councils collective vision "a place where all people can prosper". It details that the assets will "make the maximum possible contribution to achieving the goals & objectives of an organisation" but does not clarify what the goals and objectives are. There is a lack of clarity over how the Strategy will deliver the transformation required as part of the TOM and MTFs, and how it will remain agile to meet changing requirements as these are developed as a result.</p> <p>The School Estate Plan 2022 was published prior to the PES. This plan contains more components of a strategy, and a greater level of detail. However, it referred to the PES, which did not exist at the time of its publication. The plan should align to the strategy, which should in turn align to the policy, so that corporate objectives are clearly reflected from the start.</p> <p>The Corporate Landlord also recently reported to the Communities, Housing and Public Protection Committee reflecting on a need to consolidate and refresh all asset management strategies for the HRA estate – which will not be reported back to Committee until late 2024.</p> <p><u>Roads and Fleet assets</u></p> <p>Roads and Fleet use the key ACC corporate documents to determine the objectives set for their asset groups. Each Service used a different key document to the others as their guide. Due to this scattering of objective information, there is no clear and focused path on how assets will meet Service provision; a clear outline of objective outcome expectations; no information on preferred / reserved projects and associated risks. The Services are at risk of</p>		

Ref	Description	Risk Rating	Major
	<p>becoming disjointed from the corporate objectives and developing their own objectives. This presents a risk to decisions made regarding resource allocation and funds being allocated inappropriately. The lack of a robust strategy that defines the current asset status, performance / contribution, and the forecast for the future places service provision at risk.</p> <p><u>All Services</u></p> <p>Until asset strategies have been developed and agreed, clearly linked to corporate objectives, there is an increased risk of short-term service-specific operational factors influencing asset management decisions with long-term corporate implications.</p>		
	IA Recommended Mitigating Actions		
	<p>The Council should develop a clear Asset Management approach with a hierarchy of documents (i.e. policy and strategies) covering the entire Council asset portfolio (including non-Property assets). These should set out the guiding principles for asset management in alignment with the Council's strategic direction and the contribution of assets to delivery of corporate objectives and priorities. This should be developed with the input of senior officers; the services that the assets serve and key organisational decision makers and stakeholders.</p>		
	Management Actions to Address Issues/Risks		
	<p><u>Property Management</u></p> <p><i>Management do not propose to create a new Asset Management Policy and Strategy as aligned with the CIPFA guidance. Historically this has created an extensive suite of documents, with significant staff resource required to develop and implement. Officers are comfortable with the enabling property and estates strategy but accept further work will be required to develop an action and implementation plan and communicate this.</i></p> <p><i>It is however agreed that further work is required to document the process around asset management and this will be reviewed as part of the asset transformation programme.</i></p> <p><u>Roads and Fleet</u></p> <p><i>As with Property Management, Management do not propose to create a new Asset Management Policy and Strategy as aligned with the CIPFA guidance, for the same reasons. Officers are comfortable with reviewing and updating the Roads Asset Management Plan 2016 - 2021 and Fleet developing a simple Fleet Asset Management Plan but accept further work will be required to develop an action and implementation plan and communicate this. However due to current workloads and current capacity this work will need to be planned into current service demands.</i></p> <p><i>It is however agreed that further work is required to document the process around asset management and this will be reviewed as part of the Fleet and Roads (asset) transformation programme.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Corporate Landlord	April 2024
	Yes	Chief Officer – Operations & Protective Services	August 2024

Ref	Description	Risk Rating	Major
1.2	<p>Action Plans – An Asset Management Plan is normally developed with the view of managing the assets through their entire life cycle starting with asset planning options right through to disposal at the end of the life cycle with the organisation's goals and objectives through Policy and Strategy setting out the route map. An Asset Management Plan sets out the projects / actions; which objective the project/ action serves; the decision-making criteria; key milestones; accountability and the resources required.</p> <p>Planning for the whole life cycle of an asset ensures capital and revenue funding is allocated and there is sufficient budget in place for each life cycle stage; governance requirements are met; maintenance is funded; performance indicators have achievable targets; forecasting is realistic; operational teams and services are informed on the assets future to enable efficient management. The use of accurate data; software; artificial intelligence and modelling all help in creating various scenarios that may arise and the long-term planning for the assets.</p> <p>For the three Services reviewed there were two asset management plans (AMP). One was for the School Estate and the other for Fleet Services, both of which have been approved by Committee. There was no up to date AMP for Roads or non-school Property assets.</p> <p>The School Estate Plan is a comprehensive document capturing the majority of components of an Asset Management Plan. However, further information on resource allocation to deal with maintenance backlogs and the costs over the asset life cycle are required to maintain the value of the estate. Some of the project timelines are also vague e.g. "ongoing" with no defined expected end date. "Resource requirements " are detailed as "budget requirement" but there are no indicative figures of what this required amount is. The Committee has requested annual updates.</p> <p>Fleet use the fleet management system to identify vehicles due for replacement. This is presented annually to Committee as the Fleet Asset Management Plan. However, this is more akin to a register of assets and is weak in comparison to the School Estate Plan.</p> <p>Phase 2 of the Fleet Asset Management Plan was supported by Committee in November 2021, in which authority was delegated to chief officers to consider and approve procurement business cases for vehicle and plant purposes. Alternative option studies mitigate the risk of not achieving best value for the desired outcome. Fleet Services confirmed that business cases, researching of available options and the decision making on the best value option had taken place in consultation with Procurement Services.</p> <p>The Corporate Landlord has no Asset Management plan in place for non-school assets – though the need to develop an action plan is identified in the 2023 PES. Previously this was covered by the 2016 Asset Management Framework but this is no longer being used. There are regular condition surveys, and a property scoring matrix was provided as an indication of how demands are prioritised, but it is not explicitly Policy-led, and is subject to other constraints e.g. budget / resource availability, and competing pressures (political, social, financial). The TOM Transformation Plan is now viewed as the plan for non-school properties. Minutes of the Transformation Board and Performance Board meetings were not made available for review to determine whether decision-making regarding asset resources was considered and documented consistently.</p> <p>Roads have an out-of-date Asset Management plan from 2016 that was to cover a 4-year period. Assessment of road conditions has now become more advanced as technology has developed and is now digital. A lot of the planning for Roads services is derived from surveys completed, identifying potential schemes that are scored and ranked in order of priority. With the addition of information, stored in a Geographic Information System, the Programme of Works is updated.</p> <p>Whilst each of the above supports short-term planning, in the absence of clear principles and priorities set out in asset management policy and strategy it will be difficult to balance competing priorities to deliver the Council's vision over the longer term.</p>		

Ref	Description	Risk Rating	Major
	<p>With any planning and long -term forecasting there is a level of risk due to uncertainty e.g. political; economic; environmental; financial; supply chain and changes in social values and priorities. In the absence of clearly articulated and communicated plans there is the risk that Services will create their own plans which do not align with the Strategy and the Council objectives, creating the risk of inappropriate resource allocation.</p> <p>Assets are at risk of deterioration and mismanagement if there are no lifetime plans in place which define how the assets will be maintained and managed over their whole life cycle.</p> <p><u>Backlog Maintenance</u></p> <p>CIPFA set out that a 70/30 split between planned and reactive maintenance is reasonable, with higher levels of planned maintenance being more optimal. All Clusters acknowledged that asset maintenance is generally more reactive than planned – though the ratios are not regularly calculated and reviewed.</p> <p>Clusters referenced cost minimisation approaches, with priority given to meeting legislative and safety requirements. For example:</p> <p>The Corporate Landlord confirmed that minimum standards of maintenance could be delivered within available resource. The PES states that there is more than a £50m maintenance backlog for the asset portfolio which continues to grow. It also notes that: <i>“the balance between planned and reactive maintenance requires to change for the estate to be sustainable”</i> but the current and intended ratios, and timescales for resolving this balance, have not been set out in either the strategy or an action plan. Priority is given to statutory compliance works and essential repairs.</p> <p>The School Estate Plan states it <i>“cost £1.93m to maintain the estate in 21/22. There is a need to make decisions on the size of the estate aging estate, most costly building, and backlog.”</i> These decisions have yet to be made, pending consultation and feasibility work which is ongoing and will be reported to Committee.</p> <p>Roads confirmed that maintenance plans are prepared year on year, based on resource availability. At City Growth and Resources Committee on 21 June 2022 (report OPE/22/098) para 3.9, Roads estimated £4.75m per annum would be required to maintain the roads in a <i>“current average network condition”</i> which was £2.47m greater than the budget allocated.</p> <p>Fleet confirmed maintenance plans, to ensure continued compliance with licence and traffic legislation, are reflected on the fleet management system. As a cost saving measure Fleet planned on reviewing each vehicle’s performance and extending the vehicle’s service life.</p> <p>Whilst minimum requirements are currently being met, in the absence of longer term plans for addressing maintenance risks and investing in improvements, assets could be run down to a level where the risks escalate beyond acceptable levels, or the cost of meeting standards exceeds available resources.</p>		
	<p>IA Recommended Mitigating Actions</p>		
	<p>The Service should develop asset management plans, linked to the Council’s asset management policy and strategic objectives, for all categories of assets.</p>		
	<p>The Service should develop a strategy and plan to address the backlog of maintenance issues to mitigate the risk of asset deterioration, and the associated financial and reputation risks.</p>		
	<p><u>Property Management</u></p>		
	<p><i>As noted previously producing plans for all asset types is not desirable given current focus and resource availability.</i></p>		

Ref	Description	Risk Rating	Major
	<p><i>It is recognised that there are gaps in planned maintenance driven by resource available to plan and deliver. For example for corporate landlord to introduce a planned maintenance programme, ignoring backlog maintenance, would require an increase in the budget to a level in excess of £10m per annum to meet the proposed split. This is considered unaffordable in the current budget process. Resource priority is being given to reducing the estate to a more affordable position. A maintenance strategy is not a priority given the available budget and instruction for essential spend. Management do not propose progressing with this recommendation.</i></p> <p><i>There is an annual review of asset use as part of budget 'playbook process' considered by all chief officers on an annual basis.</i></p> <p><i>It is however agreed to strengthen the governance around the development of implementation plans. This will be developed through the works being done on the Asset Transformation programme and will be reported through the capital and transformation boards.</i></p> <p><i>The project Charter identifies the following:</i></p> <ul style="list-style-type: none"> • <i>Agree baseline information and affordability levels as identified within the MTFS.</i> • <i>Agree programme of asset category reviews and complete reviews.</i> • <i>Identify opportunities for cross asset reviews across partner organisations.</i> • <i>Present opportunities for saving to Transformation board.</i> <p><u><i>Roads and Fleet</i></u></p> <p><i>Unlike Property Management, high level plans for all asset types is possible subject to current workloads and resource availability.</i></p> <p><i>It is recognised that there are gaps in planned maintenance driven by resource available to plan and deliver in Roads services. However, Roads Services maintain the roads infrastructure to a national indicator of "satisfactory". Fleet services have a statutory requirement to maintain vehicles in a road worthy condition. Fleet Services would need to review current revenue budget to the planned and reactive maintenance programme to ensure that the service is adequately funded and to inform the MTFS.</i></p> <p><i>Resource priority is being given to effective management of both Roads and Fleet assets to ensure value for money. Maintenance strategies are in place for both services and would form a part of an Asset Management Plan.</i></p> <p><i>Management do not propose progressing with this recommendation.</i></p> <p><i>There is an annual review of asset use as part of budget 'playbook process' considered by all chief officers on an annual basis.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Corporate Landlord	April 2024
	Yes	Chief Officer – Operations and Protective Services	August 2024

Ref	Description	Risk Rating	Major
1.3	<p>Performance Indicators and Reporting – Councils have a statutory obligation to provide key performance information on public assets. The setting of Service Standards ensures that there are defined performance targets to aim for.</p> <p>The gathered performance data should have a defined purpose and targets that may include e.g. fulfilling statutory requirements; corporate objectives; climate goals; service values and operational aims. CIPFA sets out <i>"a useful discipline when developing key performance indicators and setting targets is to apply the SMART criteria"</i> (Specific, Measurable, Assignable, Reasonable, Timely).</p> <p>CIPFA identifies the common performance indicators (PI) as: asset condition; suitability; maintenance priority; maintenance spend; climate change; accessibility; operating costs and utilisation indicators. Outwith this the Council can decide on its further performance measures to analyse and evaluate, for example; identify assets which are under- or over-performing, and costs over selected windows of time.</p> <p>Reporting on asset performance to stakeholders, management and other support services will ensure all interested parties are aware of efficiencies; gaps in performance and the opportunity to challenge the outcomes.</p> <p>Service standards are subject to annual review, as part of development of the MTFs and Council Delivery Plan. These generally relate to service delivery rather than the assets that support it. Where the standards change, these may be highlighted in appendices to the delivery plan – for example a commitment is noted to improve 40km of roads and pavements per year from 2023/24 with an aim to have 80% of roads in good condition by 2032. However, this is not the case for every asset, and progress against this target is not regularly reported. With the exception of Statutory PI's there is no core published record of asset management targets and outcomes.</p> <p>All three Services reviewed record Statutory PI data that is then reported annually. Few of the PI's relate to asset management. Roads reports to the Performance Board; Fleet reports to the Performance Board and presents SPI data to the Net Zero, Environment & Transport Committee; and Property report to the Finance & Resources Committee. Reports and minutes of the Performance Board were not available for review.</p> <p>The frequency of reporting is not consistent: ranging from monthly to annually depending on the relevant Board or Committee. Regular updates provide assurance to stakeholders and decision makers over the risks and impact faced by day-to-day operations, and how this impacts on the target achievement. Without them, review and mitigation may be delayed, increasing the risk of downtime and additional cost.</p> <p>A variety of other performance data is recorded across multiple operational asset recording systems, supporting annual budgeting and short-term prioritisation. However in the absence of a clear purpose for its collection and use – i.e. a policy direction and targeted outcomes - it may be of limited wider value.</p> <p>Data and process benchmarking against other Councils can help identify underperformance; provide information on target setting and comparisons of the outcomes achieved. CIPFA states that benchmarking <i>"will help identify best practice whereby cost efficiencies are not at the expense of quality"</i>.</p> <p>Roads refers to Association for Public Service Excellence (APSE) data for benchmarking purposes. Roads are in the process of gathering data on carriageways to establish what would be the ideal PI's to measure for their performance. Reported PI's generally relate to response rather than planned maintenance,</p> <p>Fleet do not benchmark performance against other Councils. Fleet record additional PI's to monitor compliance with the Operator's licence, which is independently assessed by the Traffic Commissioner.. Fleet are striving to set additional PI's so they can gain information</p>		

Ref	Description	Risk Rating	Major
	<p>on which vehicles to extend the life of most effectively considering budget constraints. A new vehicle asset management system (Key 2) was installed in 2022. The system has the potential to extract numerous PI data to increase efficiencies but there are few staff fully trained on the system.</p> <p>Corporate Landlord benchmarks asset Statutory Performance Indicators (SPI) data against other Scottish Councils. The SPI targets are set with targets being to keep the "assets at a maintainable level".</p> <p>When comparing ACC to other Councils on the Local Government Benchmarking Framework, ACC fall below the National average of 85% for building suitability (eighth of nine Councils in the same category) at 75.9%. This is a 0.8% increase on the previous year (2020/21). A target of 76% has been set for 2023/24. In contrast, the Council recorded 97% of buildings in satisfactory condition, (the top performing Council) well above the Scottish average of 80%. A target of 97% has been set again for 2023/24.</p> <p>In the PES the outcome targets have been set as 76% reducing to 70% (suitability) and 97% reducing to 90% (condition). If the 70% target for Suitability is achieved, it will set ACC 15% below the Scottish average and at the lower end of the scale in comparison to other similar Councils.</p> <p>Whilst this should ensure targets are realistic and achievable, there is no Policy imperative for reducing condition and suitability ratings. There is a risk if this impacts on the value of the Estate or on service delivery due to the asset failing and extended downtime.</p>		
	IA Recommended Mitigating Actions		
	<p>The Council should have clear asset management performance targets covering all asset portfolios. Outcomes should be reviewed to ensure they are aligned with and promote delivery of the Council's strategic and policy objectives over the longer term. Performance should be reported regularly.</p>		
	Management Actions to Address Issues/Risks		
	<p><u>Property Management</u></p> <p><i>Performance targets were reviewed as part of the Estates Strategy and are in line with available budgets.</i></p> <p><i>Property SPI's generally change over a long period of time and as such are reported on an annual basis. There is various commentary on targets for these SPI's and performance thereof. Data in this area refers to ABC categories averaged out over a range of component parts. As such the information is not particularly subtle. Information held suggests that a number of properties are at the lower end of the scale. Due to issues highlighted within the report around proactive planned maintenance it is likely that standard will fall. This is reflected in both the corporate landlord service standards and SPI reporting.</i></p> <p><i>Current levels of repairs are noted within service standards for corporate landlord with wider SPI's reported to committee for visibility.</i></p> <p><i>There is general compliance across areas of statutory compliance, albeit repairs are restricted to essential wind and watertight and health and safety works in accordance with wider council policy in recent years.</i></p> <p><i>No further action is proposed at this time.</i></p> <p><u>Roads and Fleet</u></p> <p><i>Roads Condition Performance Indicators and Fleet performance Indicators are reported to the Net Zero , Environment and Transport committee as part of the Roads & Fleet performance report.</i></p>		

Ref	Description	Risk Rating	Major
	<p>Roads utilise an annual whole of network condition survey to monitor the condition and deterioration of the network. This data is used as part of the process of capital scheme prioritisation for asset management of planned maintenance.</p> <p>Fleet Services have a number of performance indicators which align with and promote delivery of the Council's strategic and policy objectives over the longer term. In regard to maintenance, these are required so that the Councils maintains it "O Licence" with the Office of the Traffic Commissioner.</p>		
	Risk Agreed	Person(s)	Due Date
	No	Chief Officer – Corporate Landlord	N/A
	No	Chief Officer – Operations and Protective Services.	N/A

Ref	Description	Risk Rating	Moderate
1.4	<p>Asset Registers – An accurate and up to date asset register is required to be able to forecast asset requirements to provide service delivery. It also serves a dual purpose in providing asset valuations for end of year financial accounting purposes.</p> <p>As asset management systems technology has advanced, all three Services reviewed have adopted the technology to manage the assets. Roads use the Confirm system, Corporate Landlord use the Uniform system, and Fleet Services use the JAAMA Key 2 system.</p> <p>Corporate Landlord and Fleet supplied comprehensive asset register system extracts for their respective Services.</p> <p>The registers are not easily comparable with the Finance asset register which uses alternative references and varying descriptive detail. These variations reduce assurance over the completeness and accuracy of the Finance asset register – in terms of the existence, ownership, location, condition, and valuation of assets. In the absence of a clear and up-to-date list of assets there is risk that asset plans will be inaccurate which may place the final outcomes at risk.</p>		
	IA Recommended Mitigating Actions		
	Finance should review and ensure the finance asset register reconciles with relevant Service records supporting asset descriptions and values.		
	Management Actions to Address Issues/Risks		
	<i>Agreed. Finance will work with the relevant services to discuss the reconciliation process. Updates will be made as necessary to make it as clear as possible within the confines of current operations and the current asset management system technology.</i>		
	Risk Agreed	Person(s)	Due Date
	Yes	Finance Operations Manager	March 2024

Ref	Description	Risk Rating	Moderate
1.5	<p>Governance – CIPFA sets out that following the development of a strategic asset framework its delivery will depend on the three elements of:</p> <ol style="list-style-type: none"> 1. Leadership and culture 2. Governance 3. Organisation <p>When building an Asset Management framework RICS consider the question: <i>"are all those engaged in asset management clear about their responsibilities and accountabilities (including those within service departments)?"</i></p> <p>An asset management governance structure has not been documented. Although PI's are reported to senior officers; boards and Committees, the reporting lines and frequencies have not been formalised. Strategies and action plans are on occasion being scheduled for future reporting, but not on a consistent basis.</p> <p>CIPFA recommends having a <i>"Corporate Asset Management group as the senior officer governance body that advises the organisation on its capital strategy and all property asset management issues"</i>.</p> <p>A Capital Board was set up in 2019, with terms of reference including governance arrangements that in addition to identifying and monitoring the resources available to fund the capital programme, would provide strategic direction, make decisions, and provide stewardship to the delivery of a Corporate Asset Management framework and Asset Management Plans. Membership of this Board was composed of the Director of Resources and ten Chief Officers. However, no further records, agendas or minutes were available for review, limiting assurance over the consistent application of governance controls in this area.</p> <p>Procedure – Procedures are the 'road-map' for employees. A clear, concise, and up to date procedure enables them to complete a task with confidence, knowledge and understanding. Empowered and trained staff are aware of their responsibilities and where their boundaries lie. Having procedure ensures tasks are completed effectively, efficiently, consistently and in line with current industry guidelines.</p> <p>Clarity over delegated authority to act is also essential. Without delegated authority, processes may be inefficient or assumptions may be made about resource allocation which do not align with service requirements, presenting a risk to funds being used appropriately.</p> <p>Procedures covering asset acquisitions; maintenance; data collection, collation & reporting; review breakpoints ; funding; option appraisals linking to business cases (financial & non-financial), were not available. There is therefore a risk of inconsistent approaches to these critical asset management activities.</p>		
IA Recommended Mitigating Actions			
Governance and reporting structures should be clarified, with procedures and their application documented in an accessible format.			
Management Actions to Address Issues/Risks			
<p><u>Property Management</u></p> <p><i>Management agree to review the terms of reference of the Capital Board (which is effectively a Corporate Asset Group) to include standing agenda items around asset management performance and create clearer visibility.</i></p> <p><i>Use of delegated authority is documented in the Committee Services pages on the Intranet which is available to all staff. Business cases are in place for all significant capital projects, including all acquisitions. The business case process has improved significantly in recent years covering all issues noted. Option appraisal are within business cases where</i></p>			

Ref	Description	Risk Rating	Moderate
	<p><i>appropriate, identifying options and revenue implications with new projects approved through the budget process on an annual basis.</i></p> <p><i>We have a simple spreadsheet tracker that identifies data collection requirements and timescales for doing so. We have a programme of condition surveys. We monitor the age of suitability returns and request updated versions on an ongoing basis.</i></p> <p><i>Officers will consider the points made regarding process in the review of the Capital Board.</i></p> <p><u>Roads and Fleet</u></p> <p><i>Roads Services are allocated revenue and capital budgets. These budgets are presented to committee for approval of the allocation of financial resources for roads infrastructure maintenance. Fleet Services are allocated revenue and capital budgets. The capital budgets are presented to committee for approval of the vehicle replacement programme. All budgets are considered and reviewed as part of the MTFS.</i></p> <p><i>As Property Maintenance above, Officers will consider the points made regarding process in the review of the Capital Board.</i></p>		
	Risk Agreed	Person(s)	Due Date
	Yes	Chief Officer – Corporate Landlord	April 2024
	Yes	Chief Officer – Operations and Protective Services	April 2024

4 Appendix 1 – Assurance Terms and Rating Scales

4.1 Overall report level and net risk rating definitions

The following levels and ratings will be used to assess the risk in this report:

Risk level	Definition
Corporate	This issue / risk level impacts the Council as a whole. Mitigating actions should be taken at the Senior Leadership level.
Function	This issue / risk level has implications at the functional level and the potential to impact across a range of services. They could be mitigated through the redeployment of resources or a change of policy within a given function.
Cluster	This issue / risk level impacts a particular Service or Cluster. Mitigating actions should be implemented by the responsible Chief Officer.
Programme and Project	This issue / risk level impacts the programme or project that has been reviewed. Mitigating actions should be taken at the level of the programme or project concerned.

Net Risk Rating	Description	Assurance Assessment
Minor	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	Substantial
Moderate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified, which may put at risk the achievement of objectives in the area audited.	Reasonable
Major	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	Limited
Severe	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	Minimal

Individual Issue / Risk Rating	Definitions
Minor	Although the element of internal control is satisfactory there is scope for improvement. Addressing this issue is considered desirable and should result in enhanced control or better value for money. Action should be taken within a 12 month period.
Moderate	An element of control is missing or only partial in nature. The existence of the weakness identified has an impact on the audited area's adequacy and effectiveness. Action should be taken within a six month period.
Major	The absence of, or failure to comply with, an appropriate internal control, which could result in, for example, a material financial loss. Action should be taken within three months.
Severe	This is an issue / risk that could significantly affect the achievement of one or many of the Council's objectives or could impact the effectiveness or efficiency of the Council's activities or processes. Action is considered imperative to ensure that the Council is not exposed to severe risks and should be taken immediately.

5 Appendix 2 – Assurance Scope and Terms of Reference

5.1 Area subject to review

The Council has a hugely diverse asset portfolio. In the Audited Accounts for 2021/2022, the Balance Sheet showed the Net Assets as having a value of £1,435m as at 31 March 2022 (Long term assets valued at £2,923m). This includes around 1200 Non-housing assets (2016 – 2018 data) and an existing stock of more than 22,000 properties managed by the Housing Revenue Account (March 2023). In addition to land and buildings (£1,206m), and infrastructure assets including roads and structures (£260m), the Council utilises a variety of vehicles, plant and equipment (£31m), and maintains heritage and community assets (£227m). As custodians of the assets, and public money, the Council has an obligation to protect the value of these assets through Asset Management.

The Chartered Institute of Public Finance & Accountancy (CIPFA) sets out that:

“Asset Management is about supporting the delivery of the strategic goals and objectives through the use of property assets”.

The Royal Institute of Chartered Surveyors (RICS) defines Strategic Asset Management as:

“The activity of aligning property assets with the strategic aims and direction of the organisation and adding both financial and non-financial value to the organisation as a result.”

These principles apply equally to all of the different asset groups in which the Council has invested, and continues to invest in through its Capital Programme and maintenance programmes, to deliver its services – though the assets and the way in which they are managed may vary.

Aberdeen City Council has established a vision: “A place where all people can prosper” and has mapped out strategic plans in the Council Delivery Plan 2022-2023 to deliver this vision. It describes the journey of change required, key achievements delivered in 2021/22 and the priorities for 2022/2023. The Council Delivery Plan identified that there was a requirement to meet the challenges posed by a changing world by continuing to embrace new ways of doing business whilst meeting the needs of customers and communities.

In the current period of austerity and uncertainty it has become a priority to ensure that resources are allocated appropriately and efficiently following a suitable Asset Management Plan. The effective use of capital resources is fundamental to the Council achieving its medium- and long-term strategic objectives. The Prudential Code details that Councils have a responsibility to apply an affordable, prudent, and sustainable approach to investment – supported by (inter alia) stewardship of assets e.g. asset management planning.

With any planning and long-term forecasting there is a level of risk due to uncertainty. The benefit of having an Asset Management Plan in place is that assets are identified as to their purpose; life cycle stage: acquisition, construction, maintenance or disposal; condition; suitability and long-term plan. Having this overall view of the asset portfolio allows the organisation to respond to today’s political, economic, and environmental challenges. The pandemic was evidence of this whereby the function of many assets changed from their original function to that of a Vaccination Centre. Sustainability and climate change are also key factors requiring adaptability in service delivery, and therefore use of assets.

5.2 Rationale for review

The audit objective is to ensure resources are allocated appropriately and efficiently following a suitable Asset Management Plan.

Asset Management should align with the strategic aims and directions of the organisation so that value is added in a financial and non-financial capacity.

To develop an effective Asset Management Plan there are many considerations to be made: the corporate vision and strategies; available resources; governance arrangements; the integration of other financial and business plans with asset plans; asset life cycle; foresight into the changing purpose of the assets; repair and maintenance expenditure; purchasing and disposals; service standards; performance indicators; socio-economic value; procedures and best practices to name a few. The Asset Management Plan requires to have purpose; support the corporate objective and identify how this will be achieved and how success will be measured. This audit will review these areas.

In a previous audit on Commercial Investment Property in February 2021 (AC2017) it was found that the "Property Asset Management Framework and Strategy" had not been updated since 2016. The Service agreed on the recommendation, graded as significant, that the Property Estates Strategy should be updated. This was started but then aborted due to market changes created by the pandemic. It was proposed that a review would be undertaken when there was greater stability in the market. This was due on 28 February 2023.

5.3 Scope and risk level of review

This review will offer the following judgements:

- An overall **net risk** rating at the **Corporate** level.
- Individual **net risk** ratings for findings.

Please see

on page 26 for details of our risk level and net risk rating definitions.

5.3.1 Detailed scope areas

As a risk-based review this scope is not limited by the specific areas of activity listed below. Where related and other issues / risks are identified in the undertaking of this review these will be reported, as considered appropriate by IA, within the resulting report.

The specific areas to be covered by this review are:

- Asset management policy (or equivalent) and alignment with the Council's vision.
- Asset management strategies (or equivalent) and objectives.
- Governance and decision making for the corporate asset portfolio.
- Action plans.
- Progress and performance reporting.

The review will cover a variety of asset types / groups.

5.4 Methodology

This review will be undertaken through interviews with key staff involved in the process(es) under review and analysis and review of supporting data, documentation, and paperwork. To support our work, we will review relevant legislation, codes of practice, policies, procedures, guidance.

We remain flexible in the face of the changing risk environment. Where our resourcing or access to the client is impacted, we will adapt our audit methodology to balance the risks and assurance output and will work in co-operation with key contacts to understand the impact of the situation as it evolves.

5.5 IA outputs

The IA outputs from this review will be:

- A risk-based report with the results of the review, to be shared with the following:
 - Council Key Contacts (see 1.7 below)
 - Audit Committee (final only)
 - External Audit (final only)

5.6 IA staff

The IA staff assigned to this review are:

- Debbie Steele, **(audit lead)**
- Colin Harvey, Audit Team Manager
- Jamie Dale, Chief Internal Auditor **(oversight only)**

5.7 Council key contacts

The key contacts for this review across the Council are:

- Steven Whyte, Director of Resources
- Stephen Booth, Chief Officer – Corporate Landlord **(process owner)**
- Mark Reilly, Chief Officer – Operations and Protective Services
- Jonathan Belford, Chief Officer – Finance
- Alistair Reid, Team Leader – Asset Management

5.8 Delivery plan and milestones

The key delivery plan and milestones are:

Milestone	Planned date
Scope issued	9-Mar-23
Scope agreed	17-Mar-23
Fieldwork commences	17-Mar-23
Fieldwork completed	31-Mar-23
Draft report issued	14-Apr-23
Process owner response	5-May-23
Director response	12-May-23
Final report issued	19-May-23