

# Springing Forward – Strategic Asset Management – Merthyr Tydfil County Borough Council

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# Contents

The Council can demonstrate that it is applying the sustainable development principle in some of its asset plans, but needs to ensure that this approach underpins its strategic asset management more broadly, and is supported by robust review and monitoring arrangements.

## Summary report

What we reviewed and why	4
What we found	5
Recommendations	6

## Detailed report

The Council can demonstrate that it is applying the sustainable development principle in some of its asset plans, but needs to ensure that this approach underpins its strategic asset management more broadly, and is supported by robust review and monitoring arrangements	7
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There are some positive examples of the Council applying the sustainable development principle in some of its asset plans, but the Council needs to strengthen its long-term planning and ensure its approach to its assets is fully integrated with other strategies	7
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The Council is adapting and rationalising its estate, but recognises that it needs to improve its knowledge of its assets and their condition	9
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The Council needs to ensure it has robust processes in place to review and monitor its approach to its assets	11
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# Summary report

## What we reviewed and why

- 1 We reviewed the Council's arrangements for managing its assets with a primary focus on office accommodation and buildings from which the Council delivers services to its residents. We looked at how the Council strategically plans the use of its assets, how it monitors the use of its assets and how it reviews and evaluates the effectiveness of its arrangements.
- 2 We delivered this review as the world moves forward, using the experiences from the global COVID-19 pandemic, to look at how councils are strengthening their ability to transform, adapt and maintain the delivery of services, including those delivered in partnership with key stakeholders and communities.
- 3 We have done this project at all councils as part of our 2021 audit plans to help discharge the Auditor General's duties under section 17 of the Public Audit (Wales) Act 2004 (the 2004 Act) and section 15 of the Well-being of Future Generations (Wales) Act 2015. The review sought to:
  - gain assurance that councils are putting in place arrangements to transform, adapt and maintain the delivery of services;
  - explain the actions that councils are taking both individually and collectively to strengthen their arrangements; and
  - inspire councils and other organisations to further strengthen their arrangements through capturing and sharing notable practice examples and learning and making appropriate recommendations

### Exhibit 1: asset base

The table below sets out key aspects of the Council's asset base in 2021.

Asset type	Number
Core Corporate Offices	– 2
Schools	– 29 <sup>1</sup>
Leisure centres	– 1

<sup>1</sup> There are 22 primary schools and four secondary schools, plus one special school and two pupil referral units. Plus there are two vacant former schools.

Asset type	Number
Libraries	– 3
Community Centres	– 4
Residential homes	– 4 <sup>2</sup>
Recycling centres	– 2

Source: Merthyr Tydfil County Borough Council

- 4 The Council's draft Corporate Asset Management Plan sets out that the Council has a total asset value of around £167.6 million.
- 5 We undertook the review during the period October 2021 to January 2022.

## What we found

- 6 Our review sought to answer the question: Is the Council's strategic approach to its assets strengthening its ability to transform, adapt and maintain the delivery of its services in the short and longer term?
- 7 Overall, we found that the Council can demonstrate that it is applying the sustainable development principle in some of its asset plans, but needs to ensure that this approach underpins its strategic asset management more broadly, and is supported by robust review and monitoring arrangements. We reached this conclusion because:
  - there are some positive examples of the Council applying the sustainable development principle in some of its asset plans, but the Council needs to strengthen its long-term planning and ensure its approach to its assets is fully integrated with other strategies;
  - the Council is adapting and rationalising its estate, but recognises that it needs to improve its knowledge of its assets and their condition; and
  - the Council needs to ensure it has robust processes in place to review and monitor its approach to its assets.

<sup>2</sup> Plus a currently vacant former respite centre.

# Recommendations

## Exhibit 2: recommendation

The table below sets out the recommendations that we have identified following this review.

Recommendations	
R1	<p>The Council needs to ensure the sustainable development principle is driving its approach to all its assets. For example:</p> <ul style="list-style-type: none"><li>• the Council should develop a longer-term approach to its assets;</li><li>• the Council will need to fully integrate its workforce and digital strategies with its longer-term plans for its assets; and</li><li>• the Council needs to involve service users in its plans where those plans impact upon them.</li></ul>
R2	<p>The Council needs to update its asset management related policies.</p>
R3	<p>The Council should improve corporate oversight of assets, their condition and statutory buildings compliance.</p>
R4	<p>The Council should develop terms of reference for the Asset Management Board and ensure actions of the Board are recorded appropriately.</p>

# Detailed report

The Council can demonstrate that it is applying the sustainable development principle in some of its asset plans, but needs to ensure that this approach underpins the strategic planning of its assets more broadly, and is supported by robust review and monitoring arrangements

**There are some positive examples of the Council applying the sustainable development principle in some of its asset plans, but the Council needs to strengthen its long-term planning and ensure its approach to its assets is fully integrated with other strategies**

## Why setting a clear vision is important

- 8 A clear asset management strategy and well-developed delivery plans are important to identify the intended usage of assets over the short and longer term; the funding available to maintain and develop assets, as well as the anticipated future level of demand for, and cost of, providing services. It is also important to identify how the asset management strategy aligns and is integrated with other relevant strategies including, agile working, workforce, digital and carbon reduction. Learning from the changes brought about by the global COVID-19 pandemic can help councils strengthen their ability to transform, adapt and maintain the delivery of services.

## Why the sustainable development principle is important

- 9 When we began our audit work under the Well-being of Future Generations (Wales) Act 2015 (the Act), we recognised that it would take time for public bodies to embed the sustainable development principle. However, we did also set out our expectation that over the medium term, we would expect public bodies to be able to demonstrate how the Act is shaping what they do. It is now approaching seven years since the Act was passed and we are now into the second reporting period for the Act. Therefore, we would now expect public bodies to be able to demonstrate that the Act is integral to their thinking and genuinely shaping what they do.
- 10 Under the Act, councils must carry out sustainable development in accordance with the sustainable development principle. To do something in accordance with the sustainable development principle means that the Council must act in a manner

which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. To act in that manner, the Council must take account of the five ways of working: Long-term, Integration, Involvement, Collaboration and Prevention. Statutory guidance on the Act<sup>3</sup> sets out that seven core organisational activities that it is essential that the sustainable development principle is applied to. Assets are one of those core organisational activities.

## What we found

- 11 The Council is drafting a Corporate Asset Management Plan (CAMP) for the period 2021-2026. It includes a vision statement that ‘the property portfolio is aligned to corporate priorities and service requirements, where appropriate investment is made in capital projects and where the portfolio is effectively maintained, is fit for purpose and meets health and safety requirements’.
- 12 However, some of the appendices to the draft CAMP, such as the maintenance strategy, are out of date and in need of refreshing. The Council’s service asset management plans are also out of date or being drafted.
- 13 The draft CAMP has a clear commitment to decarbonisation, and includes actions related to decarbonisation. The draft CAMP sets out that the Council is working with an energy specialist to help prepare a plan and road map that will enable the Council to play its role in the Welsh public sector becoming carbon neutral by 2030. The Council will need to fully integrate that plan and road map with its plans for its assets.
- 14 We found some positive examples of where the Council has meaningfully considered the sustainable development principle in some of its asset management planning. For example, the Council has reflected upon longer-term trends and focused on the economic, social and environmental benefits in its approach to developing its Cyfarthfa Plan 2020-2040 and Economic Vision 2020-2035. Overall, we did not find that the sustainable development principle was shaping the Council’s strategic planning of its assets more broadly. Whilst it is positive that the CAMP underlines the Council’s commitment to decarbonisation, and references the five ways of working and the Council’s well-being objectives, it is not explicit about how the sustainable development principle will inform the Council’s approach to its assets. Also, it is not clear how the CAMP will support the delivery of the Council’s Recovery, Transformation and Improvement (RTI) Plan. On balance, we found that the draft CAMP is more operational in focus than strategic.

<sup>3</sup> Welsh Government, [Shared Purpose: Shared Future, Statutory Guidance on the Well-being of Future Generations Act 2015](#)



- 15 The Council should take the opportunity to put the sustainable development principle at the heart of its asset considerations, plans and any supporting policies, such as its disposals policy and service asset management plans.
- 16 The Council needs to ensure that it takes account of the five ways of working in the development of its assets. For instance, it needs to:
- adopt a longer-term approach to the planning of its assets. The Act's statutory guidance states, 'it is ... expected that public bodies and public services boards will look at least 10 years ahead, although best practice would be to look 25 years ahead. In some contexts, it will be longer.' Therefore, the Council needs to take account of longer-term trends and future service demand that may affect service provision and the efficient use of its built assets.
  - ensure that its plans are integrated with other corporate plans and strategies as they are developed. The draft CAMP lists agile working as a priority area for the Council but is silent on what that may mean for the Council's assets. The Council does not have a strategic workforce plan and its digital strategy is being drafted. The Council will need to put the sustainable development at the heart of its strategic planning and use it to drive its plans, which would enable it to fully integrate its longer-term plans in those areas with its asset plans and ensure alignment across the organisation.
  - build on relationships with other organisations, including those forged during the pandemic and explore opportunities for collaboration in respect of its assets.
  - strengthen its approach to involving service users in its considerations of the future of its assets. For example, the Council shut its civic offices at the peak of the pandemic, so service users were not able to have face-to-face contact with reception staff and most contact has been online or via the telephone. The Council will need to take into account how its users want to contact the Council and access services both now and in the future in order to inform its plans for its estate.

## **The Council is adapting and rationalising its estate, but recognises that it needs to improve its knowledge of its assets and their condition**

### **Why effectively managing the delivery of planned changes to assets is important**

- 17 It is important that asset management plans deliver the intended outcomes efficiently and effectively so that actual expenditure is as close to the levels planned as possible and councils meet their statutory duties. Effective collaboration with other organisations and involving communities about their needs can improve

the services delivered to residents. Where councils do not have the range of skills, knowledge and expertise to effectively manage both ongoing asset management and deliver strategic changes, this may reduce the ability to deliver the intended outcomes.

### **What we found:**

- drawing on its experience of working through the pandemic, the Council has told us that it intends to implement a blended working model. This will be a mixture of home and office working.
- the Council anticipates that under its blended model, most staff will be able to be accommodated in the civic offices. This will free up office accommodation at the Council's other main site, Unit 5. The Council intends to rent out the space created at Unit 5, generating additional income for the Council. The Council has already let part of Unit 5 to the Coroner's office.
- the Council has a central assets register, which facilitates corporate understanding of its estate. The Council's backlog maintenance costs are set out in the CAMP, but the Council recognises it needs to improve its current knowledge of its assets and their condition to better inform its planning. In 2021 the Council commissioned a third party to carry out surveys of its buildings on a five-year rolling programme.
- as the Council's understanding of the condition of its estate and the costs involved improves, we would expect to see this reflected in the Council's financial planning and strategic plans going forward.
- there are some examples of the Council working with others in relation to its assets. The Council is part of the Cwm Taf Morgannwg asset management group that meets every six months, and the Council has also undertaken a number of community asset transfers.
- in addition, there was a critical Internal Audit report in December 2021 on the property maintenance inspection plans and regimes. Internal Audit gave an unsatisfactory opinion on the system of internal control. The assessment of compliance with established controls was graded poor and the overall conclusion of the internal control environment was poor. The Council has restructured its Estates and Property services functions so that they now sit within Economic Regeneration. However, the fact that a number of asset management related policies are out of date together with the adverse Internal Audit opinion suggests that the Council needs to assure itself that there is sufficient capacity and resource within the team to manage the Council's assets.

## The Council needs to ensure it has robust processes in place to review and monitor its approach to its assets

### Why effectively reviewing the delivery of planned changes to assets is important

- 18 Councils should use data to monitor whether they are achieving their intended outcomes effectively and efficiently over the short and longer term. Using benchmarking data can provide useful insight into councils' individual performance and can identify opportunities for learning from other organisations.

### What we found:

- the draft CAMP 2021-2026 includes an action plan and the owner(s) of each action is clear. The actions are colour coded according to priority with red being the highest priority, and they are a mix of strategic and specific issues. However, the action plan does not include timescales which would help monitor progress against the actions.
- one of the priority areas in the draft CAMP is agile working but it is not clear what specific actions will be required to move that forward.
- the Council has an Asset Management Board with senior officer representation, political representation and officers from across the Council. The role of the group is intended to be strategic, but as there are no terms of reference or notes of the meetings of this group, we have not been able to determine whether the Board is having an impact or fulfilling its role as intended.
- the intention is that the action plan associated with the draft CAMP 2021-2026 will be monitored by scrutiny, Cabinet and the Asset Management Board.
- the Council is not currently benchmarking its performance against that of other local authorities. As part of our examination of councils' performance assessments covering the 2020-21 financial year, we noted a reduced reference to comparative performance information, although we recognise that the pandemic led to the suspension of some national data collection. The ability to compare data and performance with other organisations will continue to be an important element of arrangements to secure value for money. This will be a challenge for councils to consider, particularly as they continue to implement the requirements relating to self-assessment set out in the Local Government and Elections (Wales) Act 2021.
- we requested the overall completion rates for statutory health-and-safety-related buildings compliance data, such as electric and gas testing, from the Council as part of our Assurance and Risk Assessment (ARA) work. This information was not as readily available as we would have expected,

although it was ultimately provided. The Council could not provide accurate figures before 2020-21, which was when it moved to an updated version of the Risk Assessment Management Information System (RAMIS). The Council does not routinely report or monitor the overall completion rates of its statutory buildings compliance data. The Council needs to ensure it has robust governance arrangements in place so that it is clear to what extent there are gaps in its buildings compliance adherence rates and what the overall direction of travel is for such compliance.





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