Local risk based reviews: Asset management and Information Management and Technology – **Caerphilly County Borough Council**

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Summary report

The Council has a good understanding of its assets and current IT arrangements but lacks a strategic approach to direct their use

1   During April and May 2017, as part of our 2016-17 local risk based work at Caerphilly County Borough Council (the Council), we undertook work in the following areas:

- Information management and technology (IM&T)
    - We carried out an initial digital risk diagnostic to understand the Council's digital services and identify potential digital risks and issues at the Council. This diagnostic was not designed to provide information that could be relied upon for auditing the Council's financial statements. We also used the findings from the risk diagnostic to identity areas where further, more specific IM&T performance work might be needed.

- Asset management
    - Our asset management review considered the extent to which the Council's asset management arrangements support strategic and effective decision-making and improvement. This review also looked at the Council's progress in addressing the proposals for improvement we made in our asset management review undertaken in 2013.

2   The effective development and innovative use of IM&T provides the enabling and supporting foundation for the digital transformation of public sector services in Wales. It is important that councils have proper digital governance arrangements in place and make the best possible use of their available resources, to modernise and transform digital services. This will include, in the future, contributing to the delivery of the Council's well-being objectives.

3   In 2013, we reviewed the Council's asset management arrangements and concluded that:

- Due to a lack of prioritisation and appropriate governance arrangements for managing assets, the Council did not have an appropriate and agreed Asset Management Strategy which clearly set out how its assets would be used to deliver its priorities and support service improvements.

4   In 2013, we made the following proposals for improvement that the Council should:

- Develop a robust Asset Management Strategy for its property and associated infrastructure. The strategy should:
    - set out a vision for each type of asset that shows how it contributes to the delivery of the Council's priorities;
    - set targets for assessing progress, including the condition and suitability of each asset;

- describe an overall plan for implementing the Strategy; and
- be approved by members.
- Ensure that the individual service asset management plans are developed as soon as possible and are used to inform the Council's financial planning process.
- Finalise its current review of property performance data and agree which data should be monitored and reported at an officer and member level.
- Develop and implement arrangements to monitor the delivery of the strategy.
- Formalise the role of the Asset Management Group to improve governance and accountability. This should include:
  - reviewing the membership of the group;
  - developing terms of reference to include responsibility for: leading on all corporate asset management issues; and leading on decisions around individual assets; and
  - ensuring that meetings are recorded appropriately.

5   Since our asset management review in 2013, the Council updated its Asset Management Strategy, which was approved by Council in November 2016.

6   Following our reviews in April and May 2017, we concluded that **the Council has a good understanding of its assets and current IT arrangements but lacks a strategic approach to direct their use.** We came to this conclusion because:

- the Council has a range of information management and technology (IM&T) related policies, plans and processes but lacks an overarching digital strategy to drive its activities; and
- the Council recognises the key role its assets have in helping to deliver its priorities but weaknesses in its new Corporate Asset Management Strategy and its delivery undermines its ability to shape the future of its assets.

7   We have previously stressed to the Council the benefits of having a robust and strategic approach to managing its assets. This included at the Council's Audit Committee in December 2015. We met with the Council's officers in January 2016 together with Grant Thornton to discuss this. We reinforced our view that a robust asset management plan supported by service asset management plans is more vital in a period of austerity to ensure the Council is using its resources efficiently and to help inform its decisions about savings. Therefore, it is disappointing that the Council has not fully addressed our previous asset management related proposals for improvement.

8   This is not the first time we have been critical of the Council's lack of a strategic approach to plan and manage its services. In June 2016, we were critical about the Council's review of its leisure services, which had not been underpinned by a clear vision or an integrated sports and leisure strategy that set a clear direction for future leisure provision. In addition, our recent Welsh Housing Quality Standard (WHQS) review has concluded that the majority of tenants' homes remain below

the WHQS due to longstanding inefficient and ineffective programme management and the Council is unlikely to achieve the WHQS by 2020.

9   As a result of the findings from our reviews in the past 12-18 months, we are increasingly concerned about the Council's ability to manage large projects and take a strategic and coordinated approach to its services. We have raised similar concerns about the Council's oversight of major programmes previously. The Council introduced its Business Improvement Board in June 2016 to provide strategic overview and direction for its key business improvement projects; leadership and management development; and communication and engagement across the Council to help address this concern. Therefore, as part of our 2017-18 performance audit work, we will carry out a detailed review of the effectiveness of Council's Business Improvement Board in providing strategic overview and direction for the Council's key business improvement projects.

Detailed report

The Council has a good understanding of its assets and current IT arrangements but lacks a strategic approach to direct their use

The Council has a range of information management and technology (IM&T) related policies, plans and processes but lacks an overarching digital strategy to drive its activities

10   The Council's strategic vision relating to digital and IM&T is unclear, as it does not have an up to date digital strategy. The Council has a range of IM&T related policies, plans and processes at an operational level. However, because of the lack of an overarching digital/IT strategy, it cannot easily be known if these meet the Council's needs.

11   The Council is developing an outline business case to consider whether to join the regional Shared Resource Service (SRS)[1], and is due to consider the business case in the autumn with a decision expected in December. The Council currently has an interim Head of IT, and has put the development of a strategic IT/digital plan on hold pending the decision on joining the SRS. As part of its business case, we would expect the Council to consider its future IM&T/digital needs as this would influence its decision whether to join the SRS or not. If the Council does join the SRS, it will still retain the ultimate responsibility for ensuring any IM&T/digital arrangements it has in place meets the Council's needs.

12   The Council takes part in IT benchmarking comparisons. At the moment, the Council feels well placed in terms of its IM&T resource but acknowledges this may not be sufficient should it advance in digital transformation.

13   The Council is taking steps to ensure it can meet the new General Data Protection Regulation (GDPR) in 2018 and Council staff have reported no specific concerns around IM&T resilience or cyber-security. The Council is ISO27001 Information Security Management accredited and retained its Public Services Network (PSN) connection compliance certificate. These accreditations would suggest that the Council has appropriate incident plans and policies in place. However, we have not looked at these in detail.

14   The 2017 quarter two 'Sitemorse'[2] (website auditing service) index ranked the Council website 37th in the UK, and the best in Wales. The 'Sitemorse' review also highlighted that not all service users have the means to access the website, and

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[1] The Shared Resource Service (SRS) is a collaborative ICT provision in South Wales that provides ICT services to a number of public sector organisations.

[2] Sitemorse is an independent company which undertakes website auditing.
Findings from the Sitemorse INDEX for the Council

accessibility did not score highly, but the performance improved compared to quarter one 2017 and previous years' performance. The Council's website allows for a variety of key online transactions and enquiries.

15   We will consider carrying out more specific work, focussing on one or more of the following areas as part of our 2017-18 performance audit programme:

- to explore more fully the Council's approach to digital and IT after it has made a decision about joining the SRS in the autumn;

- IM&T resilience (IT business continuity, disaster recovery and backups); and

- Information and cyber security.

The Council recognises the key role its assets have in helping to deliver its priorities but weaknesses in its new Corporate Asset Management Strategy and its delivery undermines its ability to shape the future of its assets

16   As set out in paragraph 4, in our review in 2013, we made a proposal for improvement that the Council should develop a robust Asset Management Strategy for its property and associated infrastructure. The Council agreed its Corporate Asset Management Strategy 2016-2026 (the Strategy) in November 2016.

17   The Strategy recognises the key role the Council's assets have in delivering the Council's priorities and sets out a series of principles which will influence the individual strategies and activities that underpin the Strategy. These principles include working with other public bodies to deliver joint asset management solutions. The Strategy also outlines a number of outcomes which will be applied to the management of the Council's assets (compliance, condition, suitability, sufficiency, accessibility and sustainability).

18   The Strategy states that it is looking at the long-term (10 years) but Section Two only describes activities for the period from 2013 to 2017. The coverage of these activities is also limited. For example, in setting out the activities under Outcomes 3 (Suitability) and 4 (Sufficiency), the Strategy does not include some of the Council's key services such as leisure, waste and social services. These services are not listed in the Strategy as those where they are existing asset strategies in place. The Strategy refers to ongoing work to develop a strategy for its sports and leisure services but this is not yet in place.

19   In October 2016, officers presented the Strategy to Cabinet and the Policy and Resources Scrutiny Committee. The Strategy and the related covering committee reports emphasise that the Strategy provides an overview of planned actions to produce the Council's strategic outcomes and that service delivery strategies should identify the assets required over time. The covering committee reports and Strategy also state that these plans will be reviewed to ensure that they accord with the strategic outcomes. However, in March 2017, officers informed us that the Council has not developed service asset management plans due to the ongoing

period of austerity. This is despite us making a proposal for improvement in our 2013 asset management report that the Council should ensure that the individual service asset management plans are developed as soon as possible and are used to inform the Council's financial planning. The Council did not provide us with any completed service asset management plans as part of our review in 2017.

20   We also found that there were some key errors in the Strategy which the Council had not picked up. These included dates for actions which pre-dated the development of the Strategy. The Strategy primarily provides a 'look back' at what had taken place rather than providing a clear, strategic direction for the use of the Council's assets.

21   It is difficult to see how in its current form, the Council will usefully use the Strategy to shape the way it manages its assets. For example for each of the Council's asset categories, the Strategy does not set out the gap between its existing asset base and where the Council needs to be and the implications for its assets. Neither does the Strategy include information about the Council's capital and revenue expenditure on its main asset categories or forecast future expenditure. Including this additional information and analysis would help provide a more comprehensive and holistic consideration of the Council's assets. We understand the the Council intended that this information would be included in individual asset management plans, but these are not yet in place.

22   The former Head of Property provided a helpful position statement of the Council's assets in his first State of the Estate report in July 2016 to the Council's Cabinet. The report set out the overall performance in relation to the Council's assets and included performance relating to energy efficiency and disability access. In the report, it stated that such a report would be provided annually. At the time of our fieldwork in March/April 2017 the Council had not yet prepared an updated State of the Estate report but the Council has informed us that it is scheduled to be tabled as a 'for information' item for the Policy and Resources Scrutiny Committee meeting on 14 November 2017.

23   We understand that the Council feels that it has an effective approach to asset management even though there are weaknesses in its recently agreed Strategy. In recent years, the Council has made changes to its asset base and taken steps to rationalise its assets in order to achieve savings. For example, it has closed the Civic Centre in Pontllanfraith and made changes to its stores at its Tir-y-Birth site. The Council has appointed a preferred bidder for the sale of the Pontllanfaith House site and has continued with its 21st century schools programme. During 2016-17, the Council completed the last Phase of the Y Gwindy Welsh Medium campus and Islwyn High School and work is underway at the Abertysswg and Pontlottyn Primary School.

24   As outlined in our governance of significant change report, the Council is aware that it has not yet had to make some of the relatively significant or controversial decisions on service changes that other councils have made because it has had a prudent approach to its finances in the past. Overall, the Council has managed to

protect most front line services only making small changes to services, such as reducing library and customer centre opening hours.

25   However, the Council acknowledges that as a result of the level of savings it now has to achieve, it will have to make some difficult decisions about the level and nature of its services. This will include decisions which relate to some of its major assets, such as its leisure services and schools. We are also aware that the Council is in the process of carrying out a number of other reviews, which could impact upon the Council's assets. These include libraries, waste, and community centres. As set out in paragraph 11, the Council is also in the process of developing an outline business case to consider whether to join the regional Shared Resource Service for its IT services. We understand the Council is of the view that as a result of these ongoing reviews, it would not be helpful to have a corporate asset management plan and service asset management plans covering those services currently under review. As these reviews are completed, the Council will need to consider if its corporate asset management strategy should be updated to accommodate any asset related issues.

26   However, many of these reviews have been ongoing for a while. There is a risk that the Council is considering these reviews and assets in isolation rather than taking a strategic overview of the current and future use of its assets and how these relate to the current and future needs of its services in accordance with the Well-being of Future Generations (Wales) Act 2015 (the Act). Part 1 of the Shared Purpose: Shared Future statutory guidance on the Act outlines that applying the requirements of the Act to a core sets of activities, such as asset management, is likely to most effectively secure the type of change required.