

REPORT TITLE: CORPORATE RISK UPDATE – ASSET MANAGEMENT

AUDIT COMMITTEE

17 JANUARY 2017

PORTFOLIO HOLDER: CLLR STEVE MILLER (PORTFOLIO HOLDER FOR ECONOMY & ESTATES)

REPORT OF ASSISTANT DIRECTOR (ESTATES AND REGENERATION)

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WARDS: GENERAL

PURPOSE:

As part of the regular review of the Council's Corporate Risks, this Committee at its meeting on 29 September agreed that a report on Asset Management be brought to a future meeting for consideration.

Asset Management has been assessed as the Council's most significant corporate risk largely focussed on the responsibility the council has in maintaining and investing in its property portfolio.

Appendix 1 to the report includes a table of the Asset Management risks and has been extracted from the Council's Corporate Risk Register.

The Council's updated Asset Management Plan which was adopted by Cabinet on 7 December aims to address a number of these risks and is attached as Appendix 2.

RECOMMENDATION:

That the Committee considers the extent to which the updated Asset Management Plan responds to the risks included in the Corporate Risk Register any issues arising from be raised with the Portfolio Holder and consideration is given to whether any items of significance need to be drawn to the attention of Cabinet.

IMPLICATIONS:1. COMMUNITY STRATEGY OUTCOME

- 1.1 Effective use of risk management supports good governance arrangements at the Council and helps the Council manage threats and opportunities when delivering the objectives included in Portfolio Plans.
- 1.2 The Asset Management Plan is fundamental to the delivery of the Community Strategy and the efficient and effective Council outcome.

2. FINANCIAL IMPLICATIONS

- 2.1 There are significant financial implications and these are detailed in the Asset Management Plan attached as Appendix 2.

3. LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None.

4. WORKFORCE IMPLICATIONS

- 4.1 None.

5. PROPERTY AND ASSEST IMPLICATIONS

- 5.1 There are very significant property implications included in the Plan involving the acquisition, development and maintenance of property. More detail is given in the Asset Management Plan.

6. CONSULTATION AND EQUALITY IMPACT ASSESSMENT

- 6.1 The Portfolio Holder for Economy and Estates has been consulted on the contents of this Report.

7. RISK MANAGEMENT

Risk	Mitigation	Opportunities
<u>Property</u> 1. There is a risk that if insufficient funds are employed in maintaining and updating the operational estate on a regular basis, the value of the assets will be impaired as the cost of the backlog maintenance rises. 2. There is the risk that if decisions are not made on a timely commercial basis the opportunity to take	The works are quantified in detail in the Plan and prioritised against the available resources. Improve delegation to allow works identified in the Plan to proceed. Seek a consensus on	N/A

Risk	Mitigation	Opportunities
<p>advantage of low interest rates to improve public assets will be lost.</p> <p>3. There is a significant risk that if decisions relating to the development of new offices at the Carfax site are not made in the timescale required by potential tenants, they may be forced to move their businesses out of the City with a commensurate impact on the local economy.</p> <p>4. There is a risk that if the Council does not promote the redevelopment of Central Winchester/Silver Hill itself, the condition of the property will continue to decline with a significant impact on public services.</p> <p>5. There is a risk that the Council will not be able to deliver its commitment to reducing carbon emissions by 20% by 2020.</p> <p>6. There is risk that the NHS will not provide sufficient funding to enable the new surgery for Winchester to be developed.</p> <p>7. There is a risk that if the quality of the Council offices is not improved, public and staff dis-satisfaction will increase</p>	<p>how to proceed with development and minimise bureaucracy.</p> <p>Continue to undertake maintenance work to the property to maintain its appearance and economic usefulness, proportionate to the remaining life.</p> <p>Deliver the works identified in the plan and explore other means of reducing the total carbon emissions.</p> <p>Work with the practice to ensure that a viable financial model for the development is in place.</p>	
<p><u>Community Support</u> There is the risk that the community will not support the developments proposed in the Plan.</p>	<p>It is possible to mitigate the risk by appropriate and widespread consultation with residents across the District when major developments are proposed.</p>	
<p><u>Timescales</u> The Council has limited staff and financial resources and</p>	<p>The risk can be mitigated by careful</p>	

Risk	Mitigation	Opportunities
this could impact on its ability to deliver projects within proposed timescales.	project planning and a focus on delivering the desired outcomes. The Council should identify the projects it aims to complete and resource them accordingly.	
<u>Project capacity</u> There is a risk that the Council does not have sufficient staff able to deal with significant numbers of major projects	The risk can be mitigated by filling currently vacant posts in the Estates Team and resourcing the projects the Council wishes to see completed.	
<u>Financial / VfM</u> There is a risk that the cost of individual projects exceeds the budgets.	The risk can be mitigated by taking appropriate advice, reducing costs during the design phase and exercising tight control over expenditure. Cost engineering should be undertaken to ensure that the projects remain on track to completion.	
<u>Legal</u> There is a risk of legal challenge to major projects.	The risk can be minimised by appropriate risk management during the course of a project. Careful consideration should be given to all project related risks.	
<u>Innovation</u> There is a risk that non-traditional construction technologies develop faults through incorrect implementation or material failure.	Carefully consider the choice of technology, review with Building Surveyors and ensure construction is monitored for quality.	
<u>Reputation</u> 1. Commercial property development is a high risk, high reward venture. Failure to deliver will result in varying degrees of	1. The risks can be mitigated by adopting an entrepreneurial approach whereby the benefits of a	

Risk	Mitigation	Opportunities
<p>reputational damage.</p> <p>2. Public buildings have to be maintained to a high standard. Failure to maintain buildings can result in danger or injury to the public. Significant reputational risk would follow from an injury to a user of a public building which stemmed from a failure to adequately maintain it.</p>	<p>public development (i.e. low interest rates) can help deliver a scheme in tune with wider public aspirations.</p> <p>2. The risk can be mitigated by a regime of inspection to highlight problems and to address them as part of a planned programme of work</p>	

8. SUPPORTING INFORMATION

- 8.1 Included within the Council's Risk Management Policy are the Corporate Risks which are reviewed and agreed by Performance Management Team and consist of the risks that are of greatest significance to the Council.
- 8.2 This Committee receives regular reports that provide an update on any changes to the risk scores and highlight the progress achieved in mitigating or managing the risks.
- 8.3 At this Committee's meeting on 29 September, Members agreed that it would be beneficial for a more detailed report on Asset Management, which has been calculated as being the Council's highest Corporate Risk, be brought to this meeting.
- 8.4 Appendix 1 shows the risk register entries for Asset Management which includes a brief summary of the risks or 'things that can go wrong' associated with Asset Management.
- 8.5 The Council's Asset Management Plan, attached as Appendix 2 identifies the extent of work that needs to be done to maintain the existing estate and prioritises it against set criteria. The Plan responds to the issues and risks facing the Council.
- 8.6 With regard to the outstanding Internal Audit actions. The terms for the Market licence have been reviewed and the contract will be tendered during 2017. Due to two members of the team being off sick there may be a delay in the implementation of the renewal.
- 8.7 With regard to Asset Management: The AMP has been reviewed and was approved at Cabinet in December. The Plan includes a detailed inspection regime for Council owned property. In CAB 2785 Cabinet approved a report seeking authority to demolish the Friarsgate Car Park and carry out works to a number of properties in the Silver Hill area. The demolition of the car park is at an advanced stage and this has identified significant defects in its original

construction. Repairs and redecoration works have been carried out to the Kings Walk and Middle Brook St property. A significant amount of repair and redecoration works have been undertaken to the Chesil MSCP including replacement lighting, floor decoration on two floors and the replacement of structural elements. Cabinet approved at CAB 2848 significant maintenance works to the City Offices.

- 8.8 The Uniform system is being developed to provide a detailed information system for each GF property including surveys and property maintenance. Staff training will be completed by the 18 January and its use will gradually be implemented this year.

9. OTHER OPTIONS CONSIDERED AND REJECTED

- 9.1 None.

BACKGROUND DOCUMENTS:

Previous Committee Reports

- AUD156 Risk Management Policy 2016, 28 June 2016
AUD167 Corporate Risk Update, 24 September 2016
CAB2870 Asset Management Plan 2016-2021, 7 December 2016

APPENDICES:

- Appendix 1 – Asset Management Risk Register
Appendix 2 – Asset Management Plan

Risk Ref: CR2	Risk Score June 2016: Likelihood= Likely Impact = Significant	Previous Score March 2016: Likelihood = Likely Impact = Significant	Risk Owner: Assistant Director (Estates & Regeneration)							
Risk Title: Asset Management										
What might go wrong?	What will happen?	Existing Controls and Measures	Current Risk Score		Risk Proximity	Financial Impact	Further Actions Planned	Target Date	Residual Risk Score	
			Likelihood	Impact					Likelihood	Impact
Failure to invest Insufficient budget	Unable to make best choices	<ul style="list-style-type: none"> Budget set aside and available for asset management 	Unlikely	Major	2	£££	Update Asset Management Plan Continue to work with leadership team	Ongoing	Unlikely	Major
Lack of long term planning Unwillingness to take long-term decisions Prioritisation of maintenance and repairs	Financial waste Loss of income – e.g. as a result of closure Out of date decisions/ proposals No sense of delay costs Unnecessary spend Assets repaired to minimum degree	<ul style="list-style-type: none"> 5 year planning through Asset Management Plan Decisions made in a timely fashion Better informed decision making Improved business cases following staff training in this area 	Likely	Major	2	£££	Update Asset Management Plan Continue to progress the programme of condition surveys Implement a new IT system in Estates to improve record keeping and support the maintenance and repairs programme. Develop maintenance and inspection procedures	Ongoing	Unlikely	Major
Lack of market intelligence Expanding inflexible asset portfolio	Unable to make best choices Poor decisions made	<ul style="list-style-type: none"> Strong Estates Team Asset Management Plan in place 	Unlikely	Moderate	3	££	Ensure Estates Team keep up with local market trends through networking with local businesses.	Ongoing	Unlikely	Moderate
Incorrect valuation of property assets	The Council may pay too much for assets, not receive enough rental or fail to record the asset values correctly in the accounts	<ul style="list-style-type: none"> Strong Estates Team Compliance with RICS Red Book, CIPFA and IFRS accounting standards where appropriate. Tenants right to review RTB valuations via DV 	Unlikely	Moderate	3	££	AD (Estates & Regeneration) is RICS Registered Valuer. Regular use of external valuers to undertake a proportion of Valuation work	Ongoing	Unlikely	Moderate