

Springing Forward – Assets – Caerphilly County Borough Council

Audit year: 2021-22

Date issued: July 2022

Document reference: 3086A2022

This document has been prepared for the internal use of Caerphilly County Borough Council as part of work performed/to be performed in accordance with Section 17 of the Public Audit (Wales) Act 2004, and Section 15 of the Well-being of Future Generations Act (Wales) 2015].

No responsibility is taken by the Auditor General or the staff of Audit Wales in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and Audit Wales are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to Audit Wales at info.officer@audit.wales.

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

Contents

In driving forward its intended significant changes to assets, informed by its experiences of the pandemic, the Council requires a longer-term approach.

Summa	ary	4
Part on	ne: detailed report	8
	ng forward its intended significant changes to assets, informed by its experiences pandemic, the Council requires a longer-term approach	s 8
	Although the Council is planning to make significant changes to services and office accommodation, it does not have a fully integrated longer-term asset strategy	ce 8
	The Council's understanding of longer-term trends and involvement of residents is shaping its strategic agenda is currently underdeveloped	n 11
h	The Council's arrangements support active consideration of its statutory duties, nowever, insufficient staff capacity may constrain the delivery of its intended changes	13
	To reflect its increasing ambition, the Council can strengthen its use of data to nform its understanding of performance	15
Part two	o: the Council's Response	17

Summary

What we reviewed and why

- 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.
- 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.
- When we began our audit work under the Well-being of Future Generations (Wales) Act 2015 we recognised that it would take time for public bodies to embed the sustainable development principle, but 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 Well-being of Future Generations 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.
- 4 This project had three main aims:
 - to gain assurance that councils are putting in place arrangements to transform, adapt and maintain the delivery of services;
 - to explain the actions that councils are taking both individually and collectively to strengthen their arrangements as well as further embed the sustainable development principle; and
 - to inspire councils and other organisations to further strengthen their arrangements through capturing and sharing notable practice examples and learning and making appropriate recommendations.
- The Council's asset base is one of the largest across the Welsh public sector and in 2021 had a valuation of £1.18 billion and comprised of the asset types set out in Exhibit 1.

Exhibit 1: asset base

The table below sets out the Council's asset base in 2019 and 2021.

Asset type	Number in 2019		Number in 2021	
Core Corporate Offices	-	11	_	12
Schools	-	87	_	87
Leisure centres	-	11	_	11
Other Operational Buildings and Sites ¹	-	223	_	235
Leased Out (buildings, part buildings, business units and ground leases where building owned by others) ²	-	423	-	435
Total number of buildings	-	755	-	780
Non-op/Surplus buildings	_	16	_	14

Source Audit Wales analysis

6 We undertook the review during the period October 2021 to February 2022.

What we found

Our review sought to answer the question: Is the Council's strategic approach to its assets effectively helping the Council to strengthen its ability to transform, adapt and maintain the delivery of its services in the short and longer-term?

¹ These include: civic amenity sites, community centres, community education centres, countryside service buildings, Flying Start buildings, libraries, museums and tourism venues, social services operational buildings and sports pavilions.

² These include 343 economic development units including industrial and business units, building leases to other organisations and ground leases where the buildings are owned by other organisations

- 8 Overall, we found that in driving forward its intended significant changes to assets, informed by its experiences of the pandemic, the Council requires a longer-term approach. We reached this conclusion because:
 - although the Council is planning to make significant changes to services and office accommodation, it does not have a fully integrated longer-term asset strategy;
 - the Council's understanding of longer term trends and involvement of residents in shaping its strategic agenda is currently underdeveloped;
 - the Council's arrangements support active consideration of its statutory duties, however, insufficient staff capacity may constrain the delivery of its intended changes; and
 - to reflect its increasing ambition the Council can strengthen its use of data to inform its understanding of performance.

Recommendations

Exhibit 2: recommendations

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

Recommendations

Develop a longer-term asset strategy

- R1 In developing its asset management strategy, the Council should ensure that it.
 - takes account of longer-term trends that may affect service provision and the efficient use of assets;
 - ensures alignment with the outcomes of other relevant strategic documents, including decarbonisation and digital strategies;
 - sets out the Council's intended outcomes over the short, medium and longer term;
 - sets out SMART performance measures that provide insight to decision makers; and
 - revises the Service Area Management Plan criteria to include active consideration of residents' needs over the medium to longer term.

Recommendations

Secure Resources

- R2 Secure sufficient and skilled resources to deliver the strategic vision effectively, including to:
 - manage the disposal or transfer of surplus assets;
 - implement digital solutions; and
 - engage with and involve communities around their needs.

Evaluate the benefits of partnership working

R3 Collaborate with public sector partners across Gwent to evaluate the potential benefits of developing a strategic long-term approach to a single public estate.

Part one: detailed report

In driving forward its intended significant changes to assets, informed by its experiences of the pandemic, the Council requires a longer-term approach

Although the Council is planning to make significant changes to services and office accommodation, it does not have a fully integrated longer-term asset strategy

Why setting a clear vision is important

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.

What we found

- The Council's 2019-2024 Asset management strategy (the strategy) sets out its existing vision for assets which is³;
 - 'to have the appropriate land and property, in the right place, operating in the right way, to facilitate safe and effective delivery of the Council's services.'
- For buildings, the strategy notes the following two objectives:

³ Caerphilly County Borough Council (May 2019) <u>Asset Management Strategy- Property</u> and Land

- to retain sufficient well maintained, accessible, safe, energy efficient and secure buildings to support and facilitate the current and future effective delivery of the Council's services; and
- to retain leased out buildings where they provide a net revenue income to the Council or where Cabinet direct they are retained to provide economic or social benefit to the borough.
- The strategy highlights the aims of reducing the number of service specific buildings and rationalising corporate office accommodation to the Council's main Tredomen site in light of the 2019 forecast of an increase in flexible and agile working.
- The strategy, however, does not include measurable outcomes to allow the Council to demonstrate progress in delivering the strategy's objectives and aims.
- Since 2019, the Council has subsequently agreed a number of other strategic plans that may influence its use of assets, including decarbonisation, its place shaping and well-being programme and customer and digital. The Council has yet to fully integrate those strategies, for example, embedding the decarbonisation strategy into the council's operating model which may influence how assets are used over the medium to longer-term.
- The Council property services team operates a corporate landlord model overseeing strategic planning; development and maintenance of the estate; disposal of assets, and energy services. The team holds wide ranging data providing a detailed oversight of the current asset base.
- In response to previous audit recommendations⁴, the Council has developed an annual Service Asset Management Plan process (SAMP). Services use the following consistent criteria to review the performance of assets:
 - Compliance: Ensuring assets comply with statutory and regulatory requirements;
 - Condition: Maintaining assets to a satisfactory condition to support service delivery;
 - Suitability: Ensuring assets are fit for purpose;
 - Sufficiency: Ensuring available assets meet current and expected service demands:
 - Accessibility: Ensuring assets are as accessible as possible to all service users; and
 - Sustainability: Maintaining assets to ensure maximum operational life and minimising the potential negative impact on the environment

Page 9 of 22 - Springing Forward - Assets - Caerphilly County Borough Council

⁴ Wales Audit Office (2013) Asset Management (Land and Property) Strategy Review

- Through this annual process services may identify additional maintenance requirements or disposals of surplus assets and can use the information to manage asset-based risks.
- The SAMP criteria do not, however, explicitly require services to demonstrate residents' views. Whilst services may subsequently use other approaches to involve residents such as formal engagement, the perspectives of residents who may use or potentially use services are not currently included within the review criteria.
- Since early 2020, the Council's delivery of many of its services and therefore its use of assets has changed as a result of government restrictions imposed to reduce the spread of the COVID-19. The Council has recognised that many of those changes can be retained which will allow it to increase the scale and pace of the objectives set out in its existing asset management strategy.
- Two of the ten Corporate reviews⁵, under the Team Caerphilly
 Transformation Programme have the greatest potential to impact on the
 Council's use of assets: those being Flexible working (office
 accommodation) and Walk-in Services (community hubs).
- The Council has identified a number of potential future outcomes for those reviews including:
 - residents being able to access multiple services and facilities from a single location;
 - a significant reduction in the number of public facing buildings (where residents can receive a service) that the Council owns or leases;
 - reduced corporate office accommodation requirement;
 - administrative buildings being repurposed to provide an appropriate mix of fixed desks / hot desks, touch down points, quiet space and meeting space; and
 - reduced carbon footprint;
- At the time of our fieldwork, the Council had not yet fully developed measures of success to demonstrate its progress in delivering those intended outcomes.
- The Walk-in Services review team has identified that the Council has too
 many public facing buildings. In response the team is developing options to
 reduce the number of public facing buildings to fewer, better located
 community hubs which can support a post pandemic digitally enabled, agile
 provision.

⁵ Caerphilly County Borough Council Cabinet (22 July 2020) <u>Strengthening Team</u> Caerphilly

- The Council is considering developing a 5-year strategy to guide its Walk-in service approach which may provide an opportunity to set out the scale of the anticipated change and associated success measures.
- As part of the Flexible working review and to inform its future office
 accommodation plans, which will go beyond previously stated ambitions, the
 Council surveyed staff in 2020 and 2021 to understand their views.
- In 2021, a higher percentage of those staff who responded supported agile working compared to 2020. In 2021 42% of respondents indicated that they want to work mostly from home compared to 23% in 2020. A further 42% of respondents indicated their preference to work equally between home and office. 11% wanted to be based mostly in the office with occasional home working. 1% of respondents want to work solely in the office whilst 4% of respondents asked for an alternative option.
- The Council has developed a categorisation process for all staff roles and is exploring the level of relevant IT and digital equipment required to support staff to work effectively in an agile way. The Council plans to undertake a property portfolio and economic impact assessment around the impact of reduced office accommodation.
- At the time of our fieldwork the Council had yet to finalise its approach to
 flexible working. The finalisation of that approach provides the Council with
 an opportunity to clarify the scale of change and the success measures it will
 use to demonstrate progress towards its outcomes.

The Council's understanding of longer-term trends and involvement of residents in shaping its strategic agenda is currently underdeveloped

Why the Sustainable Development Principle is important

When we began our audit work under the Well-being of Future Generations (Wales) Act we recognised that it would take time for public bodies to embed the sustainable development principle, but 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 Well-being of Future Generations 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.

What we found

- The Council's corporate review methodology includes consideration of the sustainable development principle throughout the process of developing proposals for change.
- The Council's training and support to officers around the five ways of working⁶ is helping to embed the sustainable development principle into how projects are developed. The transformation programme board considers the Act as it takes decisions on the outputs of the corporate reviews.
- Despite this framework, the Council's consideration of factors that may affect
 the use of assets over the longer-term including decarbonisation, greater
 automation of working practices and greater flexible working is currently not
 well documented.
- The Council currently collaborates with a range of other public sector and voluntary groups to share assets on an operational basis. The Council and Gwent Police have developed a co-located Safeguarding Hub and the Welsh Ambulance Services NHS Trust is seeking to double their office space use in the County. The Council will need to assure itself that such operational developments are delivering the intended outcomes.
- The Council has developed a Public Sector Hub based in Tŷ Penallta and a Public/Private sector hub in the Winding house. At the time of our fieldwork, those facilities were awaiting approval for opening based on Welsh Government guidance.
- Despite the Council's and the Caerphilly Public Services Board (PSB) stated
 aims to reduce the number of public sector assets and increase
 opportunities for shared use and collaboration, progress to date has been
 limited. The PSB has identified a range of potential benefits from increased
 shared use and collaboration including reduced costs, increased utilisation
 and efficiency, reduced energy usage, a reduced collective carbon footprint,
 better co-operation and understanding between the partners and an
 enhanced service to the public.
- In 2020, public sector organisations in Gwent agreed to collaborate with a view to identifying possible strategic approaches to a One Public Estate. Such an approach may identify flexibility, integration and a reduced dependency to seek out private market solutions which may potentially reduce costs. However, to date progress has been limited by the operational demands of the Covid-19 pandemic.
- During the Flexible working review the Council involved staff throughout the
 process, including surveys of staff and ongoing engagement with trade
 unions. As part of a pilot of its community hub approach the Council
 developed an appropriate approach to involvement. The Council may wish to
 assure itself that that residents are consistently involved from the earliest

Page 12 of 22 - Springing Forward - Assets - Caerphilly County Borough Council

⁶ Long term, prevention, collaboration, integration and involvement.

- possible stage, to understand their current and future needs as well as identifying potential approaches to the redesign of current services or the design of new services.
- Through its Corporate reviews the impact of changes to assets on flexible working are being effectively considered. The Council's integrated impact assessment documents the impact of assets on its own well-being objectives.

The Council's arrangements support active consideration of its statutory duties, however, insufficient staff capacity may constrain the delivery of its intended changes

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

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

- In October 2020, the Council agreed a Community Asset Transfer policy.

 That policy sets a framework for how the Council will work with communities to consider what assets might be suitable for transfer to protect assets with a community value for future use, but under a different management/ownership arrangement.
- At the time of our fieldwork no assets have been transferred. The Council's
 wider strategic approach to community engagement, including its recently
 established community empowerment fund, may potentially lead to a greater
 interest and uptake of such transfers.
- The Council's integrated impact assessment (IIA) is an ongoing process during the development of proposals. The IIA covers the Council's statutory duties under the:
 - Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011;
 - Well Being of Future Generations Act 2015;

- Welsh Language (Wales) Measure 2011 and Welsh Language Standards; and
- Socio-economic Duty.
- The continuous process of developing and refining the IIA should assure the Council that it has due regard to its statutory duties when it reaches decision making points.
- The Council's financial position is strong as evidenced by the two recent Audit Wales Financial Sustainability reports and its financial regulations set out clear governance arrangements for the acquisition and disposal of assets.
- We have identified a number of areas that the Council may need to address to deliver its intended changes efficiently, economically and effectively in line with the sustainable development principle. These include:
 - addressing the risk that the Council faces, as a result of national trends, of being unable to recruit and retain sufficient staff with the right skills and expertise to deliver the vision, e.g. asset specialists, digital team;
 - ensuring that there is a comprehensive and complete understanding of communities' needs for services now and in the future that is periodically refreshed;
 - continuing engagement with staff to manage the advantages and disadvantages of flexible working;
 - ensuring effective integration of relevant corporate strategies, for example digital and decarbonisation, with the walk in services and flexible working approaches;
 - developing more strategic integration with public sector partners, and
 - managing the disposal of surplus assets effectively, including considering Community Asset Transfers as a possible approach.
- The transformation programme board has considered the issue of recruitment and retention and recognises the Council is not able to fully influence all of the factors relating to this as many of those factors are at an all Wales level. With a view to the longer-term the Council has developed an apprenticeship programme but recognises the need to take more effective action to address the recruitment and retention challenges it faces in the shorter-term, through its own actions and working at a regional and national level to address those challenges.

To reflect its increasing ambition the Council can strengthen its use of data to inform its understanding of performance

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

12 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 Council's property services team holds a wide range of data about the Council's assets and this provides the Council with a detailed understanding of its current asset base, including condition surveys, energy performance and statutory testing and maintenance compliance. We found that the Council does not set targets for 12 of the 26 measures within the corporate property scorecard.
- The Council's data demonstrates that its focus in recent years is to ensure compliance with statutory testing requirements and maintenance has led to very high levels of compliance and since 2017-18 the Council has reduced the cost of urgent works to corporate buildings from £2.3m to £770k by the end of 2020-21.
- Since 2007-08, the Council has invested in a number of energy efficiency schemes that have reduced subsequent energy usage. However, without clearly stated targets it is unclear whether actual performance is in line with the Council's expected performance.
- Prior to the pandemic the Council published an annual Property Review report⁷ summarising current data and future challenges. The main data within the report related to:
 - the size of the estate;
 - condition of the estate;
 - statutory compliance;
 - building utilisation;
 - carbon footprint;
 - replacements, acquisitions and disposals.

⁷ Caerphilly County Borough Council Cabinet (15 May 2019) Property Review report

- As part of the Council's Directorate Performance Assessments, (DPAs) introduced in 2020, elected members receive data on utility consumption in corporate offices, the estimated value of urgent and essential works for corporate buildings and compliance with certification for periodic electrical, annual gas, annual legionella and fire risk assessment testing and inspection.
- Whilst the DPAs contain previous years performance data, they do not include data on building condition and building utilisation nor targets. The Council therefore has scope to strengthen its reporting to ensure that readers of the DPAs understand the relative performance that is being reported.
- Given the Council's developing ambitions for its use of assets, the Council may wish to review the data within its current assets performance framework to ensure that those provide the greatest insight into the achievement of the Council's intended outcomes.
- The Council may also wish to consider how future annual property reports set out:
 - performance targets for the current year and performance in previous years;
 - how its assets approach contributes to the outcomes of other strategies, for example, decarbonisation, flexible working and digital;
 - how other strategies including decarbonisation, flexible working and digital are contributing to the intended assets outcomes.
- Whilst the Council has previously participated in benchmarking data collection process on assets with other public bodies, we found that the Council is not consistently using such data to understand performance and drive future decisions As part our examination of councils' performance assessments across Wales 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 represents a challenge for councils to address particularly in light of the self-assessment duties as set out in the Local Government and Elections Act (Wales) 2021.

Part two: the Council's Response

- Following the conclusion of our fieldwork we presented our findings to the Council.

 The Council has developed its response to our recommendations and that response is shown in the Exhibit 3: below.
- We will continue to monitor the Council's progress in implementing these actions, and the extent to which they address the issues we have identified in our findings.

Exhibit 3: management response

The following table sets out the Council's response to the recommendations in this report.

Ref	Recommendation	Acceptance status Please indicate whether the recommendation is: 1. Fully accepted 2. Partially accepted 3. Not accepted	Management response Please set out here relevant commentary on the intended implementation plan in response to the recommendation	Completion date Please set out here when you plan for the management response to be completed and intended outcome achieved.	Responsible officer (title)	
R1	Develop a longer-term asset strategy In developing its asset management strategy, the Council should ensure that it: takes account of longer-term trends that may affect service provision and the efficient use	1. Fully Accepted	The Council is in the process of appointing a new Head of Land and Property who will have responsibility, among other things, for redeveloping and integrating the Council's Asset Management Plans and ensuring they integrate with the wider suite of strategic documents. It is anticipated that the new post	April 2023 April 2023	Corporate Director Economy and Environment Corporate	
	of assets; ensures alignment with the outcome of other relevant strategic documents, including decarbonisation and digital strategies; ests out the Council's intended			holder will take up the role in the Autumn and the approach to refreshing the Council's approach to Asset Management will be a key priority. As part of the redevelopment of the approaches to Asset Management, the	April 2023	Director Economy and Environment Head of Land and Property
	outcomes over the short, medium and longer term;		Council will ensure appropriate outputs and outcomes are set with targets and timescales introduced where appropriate.			

	 sets out SMART performance measures that provide insight to decision makers; and revises the Service Area Management Plan criteria to include active consideration of residents' needs over the medium to longer term. 		The Council will also seek to include some specific recurrent questions within its next Caerphilly Conversation that will provide insight into residents' views on community assets and their use.	January 2023	Head of Transformation
R2	Assign Resources Secure sufficient and skilled resources to deliver the strategic vision effectively, including to: manage the disposal or transfer of surplus assets; implement digital solutions, and engage with and involve communities around their needs.	1. Fully Accepted	The Council is currently in the process of appointing a Head of Land and Property. The Council is currently developing a new approach to Recruitment and Selection designed to enhance its chances of securing and retaining critical resources. The Council is exploring opportunities to provide additional support for critical	Autumn 2022 Autumn 2022 Autumn 2022	Corporate Director Economy and Environment Corporate Director Education and Corporate Services Head of Customer and Digital

resources through an enhanced relationship with its supply chains. The Council is actively implementing a cloud strategy to future proof its approach to the delivery of digital solutions through the use of Software as a Service.	Ongoing	Head of Customer and Digital
The Council, as well as adapting its Caerphilly Conversation to seek views on assets, will strengthen further the involvement aspects of any disposals or changes to existing services.	January 2023	Head of Transformation
Strategic community involvement work is already programmed to ensure assets, particularly those linked to the Walk In Services corporate review, are developed around community need. This approach is in line with the council's Consultation and Engagement Framework, adopted in February 2020. Ongoing process of highlighting	In line with timescales associated with Walk In Services corporate review	Transformation Lead – Insight and Intelligence to support oversee work of wider Walk In Services project group
opportunities within the Community Asset Transfer scheme with community members during engagement process		

R3	Evaluate the benefits of partnership working Collaborate with public sector partners across Gwent to evaluate the potential benefits of developing a strategic long-term approach to a single public estate.	2. Partially Accepted	While there are clear and obvious benefits from collaborating with other public sector bodies, previous attempts to do so across the Gwent PSB have proved challenging and are reliant on partners wanting to pursue opportunities. This recommendation, therefore, is not entirely in the Council's gift to resolve. That said, the advent of Agile working practices do clearly provide new opportunities for redundant building capacity to be utilised by either private or public partners, maximising the use of assets while reducing the costs.		
			The Council is currently formalising its approach to Agile working and in doing so is assessing its future capacity requirements across its administrative buildings. As this exercise concludes, the Council will engage partners to assess the opportunities to co-locate.	December 2022	Corporate Director Education and Corporate Services



Audit Wales
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500 Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@audit.wales
Website: www.audit.wales

We welcome correspondence and telephone calls in Welsh and English. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.