

Supplementary Agenda



Meeting name	Meeting of the Audit and Standards Committee
Date	Tuesday, 25 March 2025
Start time	6.30 pm
Venue	Parkside, Station Approach, Burton Street, Melton Mowbray, Leicestershire LE13 1GH
Other information	This meeting is open to the public

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4.	INTERNAL AUDIT PROGRESS REPORT The Chief Internal Auditor to update the committee on the progress made in delivering the 2024/25 Internal Audit Plan	145 - 148

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Audit and Standards: Tuesday 25 March 2025

Management Response to the Audit Report on the Asset Development Programme

Report Author: Director for Place and Prosperity

Context:

The audit of the Asset Development Programme was undertaken in Q3 of the 24/25 financial year. The Internal Audit has provided a valuable review that has been utilised to capture an account of the programme, including the work undertaken, the current situation and how best to ensure delivery in the 25/26 financial year.

As indicated in the summary, the Asset Development Plan received external capital funding, which requires additional reporting mechanisms to fulfil. The business rates pool funding was administered by the Local Enterprise Partnership (LEP), which has transitioned into Leicestershire County Council. The governance structure for the external funding has shifted to reflect the LEP's dissolution and oversight is now maintained through the 9 local authority signatories to the Business Rates Pool agreement (of which MBC is one).

On 12 March 2025, an update on the Asset Development Programme was provided to Cabinet and it included two recommendations:

1. Note an update on the progress of the Asset Development Programme, and
2. Notes the extension of timeframe for delivery of the Asset Development Programme.

An application to extend the Asset Development Plan to reflect the work programme taking place during the 25/26 financial year and concluding in March 2026 has been supported by the local authority partners.

The main considerations for delivery in 25/26 financial year were identified in the Cabinet report presented on 12 March. The Cabinet report also articulates the timeline of activity and reports relating to the Asset Development Programme, clearly demonstrating considerable work has been undertaken on business cases, plans and stakeholder engagement to support several different policy directions.

Response:

The Audit Report positively recognises that officers requested an Internal Audit review of the project management and governance arrangements to determine whether any lessons can be learned to inform the future management of the project.

This response captures the swift steps taken to act on the recommendations and respond effectively to the Audit Report. It addresses the two risks identified in the report and provides a summary of the commitment of the team to respond to the action plan.

Risk 1: Weak or ineffective governance and decision making arrangements

The Asset Development Programme is aligned to the Council's corporate approach for the management of projects and programmes. Other recent internal audits have demonstrated excellent management of key projects – Levelling Up Fund and UK Shared Prosperity; both of which received the highest assurance possible – 'Substantial'. Due to the size, scale and complexity of the Asset Development Programme, which incorporates multiple projects requiring resource and input from different directorates, the Senior Leadership Team (SLT)

has already identified and taken steps to ensure reporting to the Council's programme boards is reviewed and amended to ensure consistency.

A key recommendation from the report is to ensure the full application of the corporate project management methodology and review, clarify and document the programme governance structures. The establishment of a new Programme Board for oversight and assurance of projects with interdependencies across directorates that cover Council owned property and assets is in progress. The first meeting is scheduled in April 2025 and this new Property and Assets Programme Board will ensure the focus and emphasis is placed on the Council's corporate property and assets portfolio, including the Asset Development Programme. The Council has demonstrated that a single, overarching approach for a targeted small number of significant areas of business can work more effectively, as demonstrated by the success of the Landlord Assurance Board. Given the level of complexity, it is considered that a similar corporate grip and focus on property and assets will be helpful at this stage.

Over the four years of the Asset Development Programme, various plans and business cases have been developed to support different policy options. This is not unusual, nor unwelcome, as the Council contemplates how best to make use of some of its biggest assets. Helpfully the report recognised that progress was impacted by Covid, as well as significant changes in policy direction pre and post elections in May 2023, and several staff changes. The Audit report was also undertaken during a period of change, with an Interim Director for Growth and Regeneration in place between July 2024 and December 2024. Despite this, and the issues identified in the audit, progress has been maintained and work to evaluate the most appropriate options has continued throughout. Whilst these have not resulted in significant tangible results up to now, this is because financial tests for any options evaluated have so far not been met. Work continues on this, and it is hoped that the direction set out in the 12 March 2025 Cabinet report will enable affordable business cases to be formally considered shortly. Ultimately, it is imperative that the Council does not act in haste and bind itself, or commit public funding, to something that does not deliver what the Asset Development Programme is required to achieve.

From January 2025, an enhanced governance structure has been established with stronger oversight through the Shaping Places Programme Board, which in turn has reported to the SLT Programme Board. This has included proven reporting and documenting, as well as attendance at the Shaping Places Programme Board from finance officer and both the programme and project managers.

Governance and oversight of the programme will be further strengthened through the establishment of the new Property and Assets Programme Board, ensuring a comprehensive approach to managing Council-owned property and assets. Concurrently, a new Corporate Property and Assets Service Improvement Plan has been drafted to support the delivery of the Asset Management Plan, which was adopted by the Council in February 2024. The service improvement plan has identified and supported the recruitment of a new permanent role of Capital Programme Manager and Estates Surveyor. This role has been advertised, and interviews have taken place this week (18/3/25). This will strengthen resources within the team.

A programme of regular meetings are taking place with the Portfolio Holder for Corporate Property and Assets and the Section 151 Officer, ensuring the Asset Development Programme is a priority and regular updates on progress, risk and finances are documented and addressed.

Risk 2: Non-compliance with established project management arrangements and associated project documentation.

Phase 1 of the asset development programme included implications associated with Phoenix House and the Cattle Market North, and the potential redevelopment of Parkside. It outlined the approach to development of the Council's assets and presented a business case to seek approval for the phase 1 proposal and associated expenditure. In April 2020, the Cabinet agreed to accept £500,000 of Business Rate Pool (BRP) funding, administered by the LLEP (Leicestershire Local Enterprise Partnership), to be matched by an allocation of £375,000 from the Council's Capital receipts. This allocation was subject to further business cases being presented to members.

Business cases have been created to support different policy options, including a hotel development and GP practice. The programme scope and charter reflect the funding application to the LEP, and regular updates have been provided to the Council, as detailed in the Cabinet report of 12 March 2025. The original objectives and outcomes have not changed and continue to align with the Council's corporate strategy to maximise the value from its assets.

Efforts to develop business cases have not met the required tests and ultimately the feasibility work done to date has been effective – it has given an answer to a question about whether the change hypothesised is achievable (e.g. Hotel or GP practice in Parkside). The fact the answer isn't positive is not a failure of the system, it just means a viable option hasn't yet been found. Although this is unfortunate, these are complex matters where the Council is not fully in control of all aspects, and reliant on external partners and their capacity and funding too. Setting an arbitrary deadline for complex discussion and negotiation could look naïve and not achieve the best outcome of the Council or the community it serves. As mentioned, these assets are the most significant the council owned and any choices made will be long term and therefore they have to be right.

Budget management is monitored and documented through regular meetings with finance colleagues, at the Shaping Places Board, and an update on all expenditure was reported to Cabinet on 12 March 2025.

Summary:

The Asset Development Programme is a priority of the Council and supported by all directorates. The Programme is managed by the corporate property and assets team, which are focussed on improvement and transition. They are a busy and complex service area to lead, with health and safety a priority. The team has also had the impact of an external audit with accompanying recommendations requiring focus to ensure regulatory requirements, and they are also adopting a new IT system as part of the delivery of the asset management plan.

There has been a significant period of change and policy direction, which were identified in the Audit Report. The Asset Development Programme encompasses multiple complex projects with interdependencies outside of the council's control, however the audit has provided an opportunity to focus on consistency and embedding the corporate management approach across the ADP in a professional way.

This report sets out the action that management has already taken and will continue to take to strengthen this area of work, so that it delivers against the original aspirations. The action plan is proving a helpful tool to ensure management oversight, compliance and monitoring progress of the following:

- Implemented a schedule of regular 1-2-1s, Portfolio Holder Briefings, Shaping Places Board and Highlight Reports. Additional reports have been prepared for and discussed at SLT, Cabinet briefing, and a formal update provided to the Council's Cabinet on 12 March 2025.
- Ensuring continuation and commitment to reporting initially through Shaping Places Board and then through the establishment of the new Programme Board. The new Programme Board will maintain integrity of process in all cases, with documentation completed and accessible, and proactive performance and budget management.
- Roles and responsibilities reviewed through a new service improvement plan, which identified additional resource.
- Focus on delivery, capital expenditure, monitoring and communications, clearly identified in the 12 March Cabinet report.

Colleagues welcome internal audit colleagues back to review progress in the 2025/26 audit programme as we are confident that any issues identified as part of this audit will have been addressed.