

Governance, Risk and Audit Committee



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17th March 2021

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held **remotely via Zoom on Thursday, 25 March 2021 at 3.00 pm.**

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to notify the committee clerk 24 hours in advance of the meeting and arrive at least 15 minutes before the start of the meeting. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: matthew.stembrowicz@north-norfolk.gov.uk.

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Please note that Committee members will be given priority to speak during the debate of agenda items

Emma Denny
Democratic Services Manager

To: Mr J Rest, Mr S Penfold, Mr C Cushing, Mr H Blathwayt, Dr P Bütikofer, Mr P Fisher, Mr T Adams, Mr N Dixon, Ms V Gay, Mr R Kershaw, Mr E Seward, Mr A Yiasimi and Mrs E Spagnola

All other Members of the Council for information.

Members of the Management Team, appropriate Officers, Press and Public



If you have any special requirements in order to attend this meeting, please let us know in advance

If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

Chief Executive: Steve Blatch

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A G E N D A

1. **TO RECEIVE APOLOGIES FOR ABSENCE**
2. **SUBSTITUTES**
3. **DECLARATIONS OF INTEREST**

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

4. **EXCLUSION OF THE PRESS AND PUBLIC**

To pass the following resolution, if necessary:

“That under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of part 1 of schedule 12A (as amended) to the Act.”

5. CROMER SPORTS HUB PROJECT - AUDIT REPORT

1 - 46

Summary: This report contains the Executive Summary of the Internal Audit review - NN2112 Cromer Sports Hub project.

Conclusion: As a result of the NN2112 Cromer Sports Hub Project Internal Audit, a 'No Assurance' grading has been given highlighting several weaknesses that should be addressed to improve the Council's future approach to project management.

Recommendation: **That the Committee review the Executive Summary at Appendix 1 of this report and note the suggested improvement actions. Note the additional context provided at Appendix 2 and discuss the exempt final internal audit report in Appendix 3.**

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone number,
and e-mail:

Faye Haywood, Internal Audit
Manager for North Norfolk DC,
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NN2112 Cromer Sports Hub Project

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Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone number, and e-mail: Faye Haywood, Internal Audit Manager for North Norfolk DC, 01508 533873, fhaywood@s-norfolk.gov.uk

1. Background

1.1 A review of the Cromer Sports Hub project has been carried out by Internal Audit in October 2020 at the request of the newly appointed Chief Executive Officer and the Leader of the North Norfolk District Council (NNDC) who took up office from November 2018. This was intended to be used as a corporate learning exercise following the Council's decision to abandon the Cromer Sports Hub project in August 2019 and payment of a mediated sum to the main contractor which formally represented the "end" of the project in July 2020.

1.2 The instruction and objectives for the Internal Audit review were as follows;

- Project Inception
- The opportunity presented by the LTA capital grant programme which originally appeared very favourable but arguably became an issue in the funding of the project by the Council
- How the project management and governance of the project was overseen
- Relationships and decisions involving Cromer Academy including the proposed 'land swap' and Department for Education approval processes.
- Relationships with the Cromer Lawn Tennis and Squash Club – including proposals for the relinquishment of the lease with the Council.

- Procurement of professional advisors and the construction contract and the phased delivery of the works which has seen the Council fund quite significant works on the Academy site with no benefit to the Council Tax payers.
- The role of officers and members in the project.
- Advice provided to the incoming administration in them agreeing not to proceed with the project having taken control of the Council in May 2019.

2. Issues for discussion

- 2.1 As per our usual practice, the Governance Risk and Audit Committee are provided with the Executive Summary at **Appendix 1** of this report which contains details of issues identified during the review and outlines the recommendations required to improve controls in this area. A 'No Assurance' grading has been given with a total of six urgent priority and four important priority recommendations being raised. All recommendations have been accepted by management and completion of these recommendations will be monitored through the follow up process.
- 2.3 To provide more context into the key findings raised, a high-level executive summary is also provided at **Appendix 2**.
- 2.4 The final NN2112 Cromer Sports Hub Internal Audit report containing the Executive Summary, report findings and the management action plan is provided as an exempt item at **Appendix 3** of this report. Appendix 3 is exempt under category 2 and 3 of the Council's Information Procedure Rules.

3. Conclusion

- 3.1 As a result of the NN2112 Cromer Sports Hub Project Internal Audit review, a 'No Assurance' grading has been given highlighting several weaknesses that should be addressed to improve the Council's project management approach.

4. Recommendation

- 4.1 That the Committee review the Executive Summary at **Appendix 1** of this report and note the suggested improvement actions. Note the additional context provided at **Appendix 2** and discuss the exempt final internal audit report at **Appendix 3**.

Appendices

Appendix 1 – Executive Summary NN2112 Cromer Sports Hub Project

Appendix 2 – Executive Summary of findings

Appendix 3 – NN2112 Cromer Sports Hub Project Final Internal Audit Report

Assurance Review of the NN/21/12 Cromer Project Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Project Inception	1	2	0	0
Project Governance	2	0	0	0
Stakeholder Relationships	0	1	0	0
Governance and Procurement	3	0	0	0
Benefits Realisation	0	1	0	0
Total	6	4	0	0

*The recommendations above are in addition to the ten suggested actions made in the Final Position Statement on NN/20/01 Project Management, issued August 2019.

SCOPE

Internal Audit were asked to undertake a full review of the Cromer Sports Hub project in order to ensure appropriate consideration of corporate risks associated with the project closure decision and any corporate learning that can be identified.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'No Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of six 'urgent', and four 'important' recommendations being raised upon the conclusion of our work.
- There were gaps in the overarching governance arrangements that led to a lack of transparency and clarity over objective decision-making.
- Project governance was inadequate. While some controls were put in place these were not sufficiently robust. There was a lack of clarity as to the purpose of the key groups, the members and the responsibilities for decision making.
- There was a delay in communicating the pause in the project to the main contractor. This contributed to the Council incurring additional costs against this project which could not be recovered; the total spend on the Cromer Sports Hub project was £788k funded in its entirety by North Norfolk District Council.
- The overall assurance opinion also takes into account ten suggested actions made in the Final Position Statement on NN/20/01 Project Management issued August 2019, which still need to be fully addressed.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas whereby controls would benefit from being strengthened, and as a result of these findings six 'urgent' recommendations have been made.

Project Governance

- Terms of reference are drafted for all project group meetings making it clear the purpose of the group, the decision-making responsibilities and a named officer for each of the key roles. These to be agreed in draft as part of the business case sign off, presented to the individual board or group for agreement and then presented back to the appropriate authorising body e.g. Senior Management Team or Cabinet.
- The Senior Responsible Officer for the project must ensure that key documentation is completed to help ensure projects run effectively and efficiently. This will include, but is not limited to:
 1. That all decisions are properly recorded and reported to the Project Board and Group;
 2. A realistic timeline for project delivery is agreed;
 3. Critical dates are included in the timeline and complied with;
 4. A risk and issues log is regularly reviewed with clear mitigation actions where risk is identified;

5. Updates are regularly provided to the appropriate authorising body (Senior Management Team / Cabinet) based on the most recent documentation.

Governance and Procurement

- The Council must ensure that all work is tendered in accordance with the Constitution and EU Procurement Regulations. This must include repeat work that may be below the thresholds individually, but cumulatively, will exceed the requisite regulatory / local procurement thresholds.
- The Code of Conduct for Members is to be reviewed to ensure that this meets the requirements of the Standards in Public Life, to complement this, a process flowchart should be considered as a standing agenda item to assist Members in complying with declarations of interest.
- The most senior officer at the Council, i.e. the Chief Executive Officer, to operate at a strategic level without any formal involvement in project governance thereby allowing this officer to remain impartial, maintain strategic oversight and safeguard the Council with regards to possible dispute resolution.

Project Inception

- A business case, that includes both financial and non-financial benefits, is reviewed and tested to provide assurance of its accuracy with key stakeholders prior to submission to the approving authority i.e. Senior Management Team / Cabinet /Full Council. Improved and broader stakeholder engagement is also required to provide additional feedback.

The audit has also highlighted the following areas where four 'important' recommendations have been made.

Project Inception

- As part of business case development, the opportunity costs of spending on a project are clearly laid out.
- Prior to presenting to Cabinet or Full Council all figures are robustly reviewed for reasonableness and accuracy. Consideration is given to testing the key assumptions with stakeholders.

Benefits Realisation

- Critical steps in project delivery are identified within an overarching project plan. This to include applications for securing funding. The Project Board to sign off all applications prior to their submission.

Stakeholder Relationships

- Stakeholder and public engagement are identified as a key part of business case development. It must be considered and programmed at project inception and continued throughout the project.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The audit reviewed the ten suggested actions made in the Final Position Statement on NN/20/01 Project Management issued August 2019 of which nine remain outstanding. These were discussed with management and agreed that the outstanding suggested actions will be picked up once new governance arrangements are in place following the Council's management restructure. These are expected to complete by 31 March 2021. The review identified significant gaps in project documentation. The original project initiation document was incomplete and did not identify the key leads and roles. There was no evidence of project documentation being kept, updated and presented to the Board. The detailed work undertaken by TIAA and referenced in the Position Statement provides further details including the original finding, recommendations and latest management feedback.

Other issues noted

Since the cessation of the Cromer Sports Hub project there have been a number of changes at the Council, some of which are still ongoing:

- The new Leader came into post in November 2018.
- A top management restructure has resulted in the establishment of one Chief Executive role, into which one of the Corporate Directors has been appointed, with the other Corporate Director having subsequently left the Council.
- A further senior management restructure is now underway; as part of that a Corporate Delivery Unit will be established to ensure robust project governance is in place to supplement the project delivery focus.

Report extract – Appendix 5 NN21/12 Cromer Sports Hub Project Costs

Account Code	Account Name	Overview	Actual £
0040	Contractor Payments	Minor Remedial Works	2,300
0043	Technical Services Fees		9
0044	Other Professional Fees	Payments to Contractors	743,356
0045	Planning Fees		96
0046	Other Expenditure	Electrical Supply	15,534
0048	Legal Fees	Professional and Legal Advisors	37,623
0250	Other Recoverable Charges	Contribution to Academy Car Park	(20,686)
0500	Capital Salaries (Mu)		9,669
North Norfolk Sports Hub			787,901

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North Norfolk District Council

Cromer Sports Hub Project – Formal Executive Summary

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2020/21 (NN/21/12)

FINAL

February 2021

Internal Audit work is performed in accordance with the IIA's recognised standard

Executive Summary

INTRODUCTION

1. A review of the Cromer Sports Hub project was carried out in October 2020 at the request of the newly appointed Chief Executive Officer and the Leader of North Norfolk District Council (NNDC) who took up office from November 2018. Total approved spend on the Cromer Sports Hub project was £3,120k (as at February 2019). The total resultant spend was £788k funded entirely by NNDC.

SCOPE

2. This review has focussed on the Cromer Sports Hub Project, in particular this covered:
 - 2.1 Project inception
 - 2.2 Purpose and actual outcomes of the Lawn Tennis Association (LTA) capital grant programme and subsequent funding of the project by the Council
 - 2.3 Project governance/management, methodology and oversight including roles and responsibilities of officers and Members in the project
 - 2.4 Decision making between the Council and Cromer Academy including the proposed “land swap” and DfE approval processes
 - 2.5 Relationships with the Cromer Lawn Tennis and Squash Club - including proposals for the relinquishment of the lease with the Council
 - 2.6 Procurement of professional advisors and the construction contract and the phased delivery of the works
 - 2.7 Benefit realisation (financial and non-financial) to the Council / residents / stakeholders
3. A Position Statement on NN2001 Project Management was issued in August 2019 which made a number of Suggested Actions/Improvements on the Council’s approach / management of corporate projects, including on project governance and reporting, record retention, funding arrangements, risk management and post implementation review. Work is still on-going to address the points raised.

KEY FINDINGS

4.1 Project Inception

The Cromer Sports Hub project was agreed by Cabinet on 04 December 2017 and ratified by Full Council on 19 December 2017. The papers included a business case supported by a full feasibility study carried out by an external contractor. The feasibility study considered the proposal’s alignment with the Council’s overarching and sports strategies in existence at the time and links it to other relevant strategies, including the Lawn Tennis Association’s (LTA’s) position in 2017.

There is no evidence that the proposed investment in the Cromer Sports Hub was objectively assessed to ensure that investment in the project represented best value for money; nor were non-financial benefits identified and considered. Some of the figures contained within the feasibility study were later queried by stakeholders and broader engagement with key stakeholders was limited.

The review concluded that there is a gap in the scrutiny of business cases where significant spend is proposed and three recommendations have been made to address the issues raised.

4.2 LTA capital grant programme

Proposed project funding included £1,466k from a LTA grant, and an interest-free loan as part of a new capital funding scheme for community tennis facilities announced in June 2017. Discussions with the LTA were positive with NNDC passing stage 1 in September 2018 and being invited to submit a formal funding application in December 2018 subject to resolution of four outstanding matters. Two of those, pertaining to the land transfer between Cromer Academy, CLTSA and NNDC, were not concluded when the application was submitted. The funding was turned down at the December 2018 LTA Funding Panel. NNDC were notified in writing in February 2019, with the LTA citing changes in investment strategy as the reason for their not approving the financial support.

The review concluded that critical milestones were not clearly identified and overseen by the project management group. One area of learning was identified and a recommendation made to address the issue raised.

4.3 Project governance and management

Council Project Groups were not formally constituted and there was lack of clarity over remit, decision-making and roles and responsibilities within the groups. In order to deliver the project as close to the agreed completion date as possible, the project was at times run in advance of agreed timescales; the critical path was not always followed. As a result, enabling works were completed at financial risk to the Council and expenditure incurred without the critical milestone having been reached; including the decision for external funding.

Conflicts of interest are not robustly managed. Two significant conflicts of interest were declared, while this was noted, no mitigating action was recorded.

The review concluded that improvements were required in project governance and management and four recommendations have been made to address the issues raised.

4.4 Council and Cromer Academy including the proposed “land swap”

In order for the project to succeed two land swaps had to take place simultaneously. Cromer Academy had to give up a two netball/basketball courts in order to provide space for the new build, and transfer that land to NNDC ('Red Land'). The Cromer Lawn Tennis and Squash Association (CLTSA) had to agree to give up two hard courts to be used as netball/basketball courts by the school, and NNDC had to transfer that land to Cromer Academy ('Green Land'). The Academy had to gain approval from the Secretary of State for Education to transfer its land to NNDC; the Green Land part of the swap was a requirement of the Secretary of State for Education (SoSE). Written approval for the exchange to proceed was received from the SoSE on 18 December 2018. Agreement from CLTSA took much longer with the land swap agreement executed on 28 March 2019. This was followed by a change in Chair and Committee at CLTSA and the resultant formal agreement was not enacted. The consent letter is provided at **Appendix A** of this report.

No issues were found with the process for the proposed land swap between the Council and Cromer Academy, and no recommendations were made.

4.5 Cromer Lawn Tennis and Squash Club

There is a current lease in place between the Council and Cromer Lawn Tennis and Squash Association (CLTSA) which expires in 2033. The Council subsidises this facility by circa £24k per annum to ensure the facility provides public access for tennis. The terms of the new agreement required the club to give up this subsidy in return for support to maximise the income potential of the Club. While initially the feedback from the CLTSA chairman was positive,

concerns began to be raised by members, particularly about the proposed land swap. This would have resulted in the CLTSA having reduced use of two hard surface tennis courts during school (Academy) hours. These concerns have never completely resolved and the resultant land swap, signed by Trustees, was not enacted.

There is evidence of very limited public and broader stakeholder engagement. The concerns raised by CLTSA members may have been mitigated by earlier, comprehensive and ongoing stakeholder engagement. One area of learning was identified and a recommendation made to support this.

4.6 Procurement of contractors and the phased delivery of the works

Contractors were all secured in accordance with the Constitution. Where tendering or competitive processes were not used then an Exemption to Contract Standing Orders was agreed. One of those contractors was also secured for another project via an Exemption to Contract Standing Orders. The total exceeded the threshold for a full tender within the Contract Standing Orders.

One matter was identified and a recommendation made to address this.

4.7 Benefits realisation

The business case, presented to Cabinet and ratified by Full Council in December 2017, was supported by a full feasibility study carried out by an external contractor. The report is detailed and comprehensive and identifies the opportunities for maximising return on investment. The project could not conclude and thus the potential benefits were not realised. Total spend on the project was £788k, all funded by the Council.

Recommendations made within the report will address this.

CONCLUSION

5.1 Up to April 2019 there was still an expectation that the project would continue through to completion. The Council had agreed to fully fund the project, and discussions were ongoing with the CLTSA to resolve the details of the land swap.

Following election of the new Council Leader, the viability of the project was reviewed during May and June 2019. The land swap between the Council, Academy and CLTSA had still not been completed and there was no evidence that the new CLTSA committee would enact the transfer deed signed by the Trustees. In August 2019 members agreed that the project was no longer feasible and would cease. An excerpt of the report on which the decision was based stated,

'To date the Deed of Surrender of Part has not been completed and consequently as the Green Land cannot be transferred to the Trust, the terms of consent to disposal by the Secretary of State cannot be complied with, the Red Land cannot be transferred and the scheme cannot be built out.'

By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Dame Rachel De Souza
Accounting Officer and CEO
Inspiration Trust
Cromer Academy
Norwich Road
Cromer
Norfolk
NR27 0EX

13 December 2018
Case Reference: LT-1991

Sent by email only

Dear Dame De Souza

Inspiration Trust (the “trust”)

Application to exchange land with North Norfolk District Council comprising land at Cromer Academy Norwich Road Norfolk NR27 0EX and land at Cromer Lawn Tennis and Squash Club Norwich Road Norfolk NR27 0EX

Thank you for your application made under Schedule 1 of the Academies Act 2010, the trust’s funding agreement and the Academies Financial Handbook.

This letter confirms that the Secretary of State has given consent to the exchange of land between the trust and North Norfolk District Council. This will mean a disposal by the trust of the land hatched in red on the plan at Annex 1 (red land) and the acquisition by the trust of the land hatched in green on the same plan (green land).

The trust is reminded to apply to the Land Registry to:

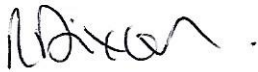
- register the transfer of the green land to it; and

- enter a restriction in favour of the Secretary of State for Education in the Proprietorship Register.

I would remind you that the trust remains responsible for the safety and welfare of the pupils at the school notwithstanding this consent and for any safeguarding issues arising from the land exchange and works to be carried out on the school site.

This decision was based on the information provided by or on behalf of the trust. Please note that this consent does not provide or imply any additional funding.

Yours sincerely,



PP

Antony Avogadri
Regional Lead, Real Estate Team (Legal)
Capital Directorate – Operations Group

CC Emma Webster – Stone King solicitors
(EmmaWebster@stoneking.co.uk)
Richard Cole – Head of Estates at Inspiration Trust
(richardcole@inspirationtrust.org)
Rebeckah Dixon - Legal and Transactions (Rebeckah.Dixon@education.gov.uk)

Annex 1

