



## North Norfolk District Council

### Cromer Sports Hub Project – Formal Executive Summary

2020/21 (NN/21/12)

FINAL

February 2021

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

## Executive Summary

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### 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.'*