

AUDIT COMMITTEE: 27 March 2018

ECONOMIC DEVELOPMENT DIRECTORATE: UPDATE ON INTERNAL CONTROL ENVIRONMENT

REPORT OF DIRECTOR ECONOMIC DEVELOPMENT

AGENDA ITEM: 4.1

Reason for this Report

1. This report has been provided in response to the Audit Committee's request for an update on governance and control in the Economic Development Directorate. This update is also to provide assurance on the implementation of the recommendations made by Internal Audit.

Background

2. Cardiff Council's Economic Development Directorate has responsibility for a wide and complex range of statutory duties, functions and services. The Directorate manages the Council's Economic Development team, Major Projects, Property and Estate Management, Culture, Venues and Events teams, City Centre Management team, Tourism and the new Commercial & Collaboration Services which includes Recycling Waste Management and Facilities Management of buildings in the Council estate. Despite a broad range of services offered, the Directorate is concerned with managing risk at the level of strategy development, operational delivery, and the quality of services to residents, visitors and businesses. To support this challenging agenda, the directorate currently employs 940 FTEs. To illustrate the scale and variety of activities provided, here is a list of the strategic priorities progressed during 2017/18:

Attract more and better jobs:

- Supported the creation of 4,518 jobs
- Construction commenced on 366,000 sq. ft. of grade A space.

Attract more visitors that stay longer:

- Cardiff successfully delivered the UEFA Champions League final 2017, the biggest sporting event ever hosted in Wales
- Cardiff Bay hosted 250,000 football fans who visited the Champions League Festival.

Continue the regeneration of the city centre and Cardiff Bay:

- Final negotiations are ongoing regarding the delivery of the new bus station with Welsh Government and the developer.

Commercialise key Council service to increase gross income:

- Implementing a new Corporate Landlord Model leading on all non-domestic property matters.

- The implementation of commercial improvement plans in Building Services and Cleaning are ongoing. Commercial improvement plans are also being developed for the Security and Pest Control Services. Savings opportunities of £1m have been identified with £475k expected to be delivered in 2017/18.

Achieve the statutory recycling/landfill diversion targets (58%):

- The new Lamby Way HWRC is open and operating well
- Achieving the statutory recycling target continues to be a significant challenge. The non- validated recycling result for quarter two was 61.11% which is meeting the Corporate Plan target of 61% (statutory target of 58%).

Continue to rationalise and modernise the Council's estate:

- The Council is on track to meet the targets in the 5 year Property Strategy
- The new Corporate Land & Property Management Plan 2018/19 has been agreed.

Issues

(a) Management / mitigation of the Directorate's risks on the Corporate Risk Register

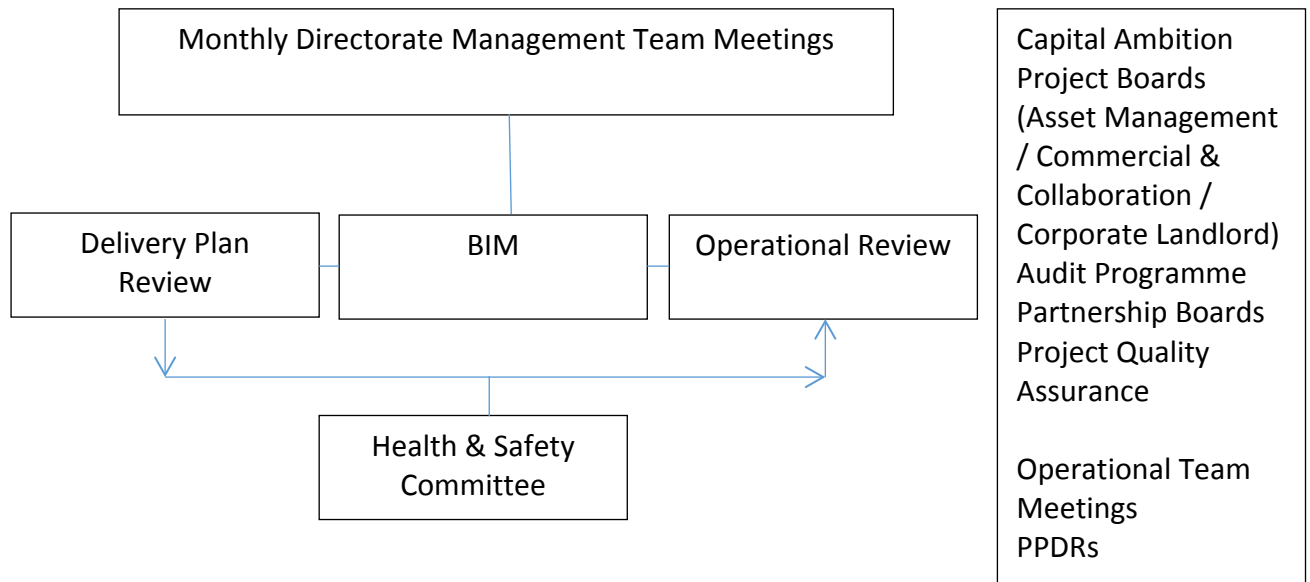
The Directorate has developed a clear structure and process for managing and monitoring strategic and operational risks related to its responsibilities and commitments and these are set out below.

Directorate Delivery Plan – the Directorate sets out key strategic and operational activities aligned to the Capital Ambition Delivery Plan. Consideration is given to resources required to deliver projects and initiatives along with associated risks.

Risk Registers - risks managed by the Directorate are detailed on the risk registers and are monitored and reviewed by management team. Strategic risks have been identified and are monitored and reviewed quarterly on the Corporate Risk Register. Risks associated with the delivery of corporate commitments and operational activities have been identified and are monitored and reviewed alongside the quarterly performance reporting arrangement and at regular Capital Ambition project boards.

Quarterly Performance Review - Directorate performance is monitored and reviewed by management team on a quarterly basis and updates are used to feed into a quarterly review of both Corporate and Directorate Risk Registers. Management team consider progress made to deliver key commitments and projects and an evaluation is undertaken to determine the extent to which risks have been mitigated and any further action required to manage down risk ratings accordingly. Risk management is a standing item and documented at regular directorate management team meeting such as monthly BIMs in Projects, Design & Development, Central Transport Services and Total Facilities Management and, quarterly performance management reviews. At these meetings, managers will identify emerging risk and discuss the management of current risks regarding the delivery of corporate and operational activities.

The monthly management team meeting quarterly review cycle is shown below, which also includes the quarterly Health and Safety Committee:



Current Corporate Risks

Four Economic Development risks are captured on the Corporate Risk Register:

Asset Management - Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings. This risk is managed in accordance with the approved Corporate Asset Management Plan, governance framework for Capital Ambition Programme Board chaired by the Chief Executive. The current cost of operating the property estate is the second largest call on the Council's budget, after staff, at around £50m per annum, including planned maintenance. There is also a growing maintenance backlog. The Council will focus on reducing the cost of ownership of the operational property by rationalising the estate and by improving the quality of buildings that are retained. An important part of this agenda will involve improving co-operation around property with partners.

Waste Management - Failure to achieve targets for Landfill. The dual requirements of achieving the statutory minimum recycling target of 58% and delivering the step change to the next target of 64% by 2019/20 continues to be a significant challenge. This risk is managed in accordance with the approved Waste Strategy, Commercial and Collaboration Board and Capital Ambition Programme Board chaired by the Chief Executive. To mitigate this risk the Council are constantly evaluating the impacts and have put in place measures to improve performance. To improve quality at the Materials Recycling Facility (MRF) a plastics autosorter will be coming into operation in quarter 1 in 2018/19. The proposed waste strategy includes changes to require glass separation at source. It is anticipated that the new mattress, tyre and skip services will contribute to an improved recycling performance in the latter part of 2017/18. The next Recycling Strategy is currently being developed and will be presented to Cabinet in March. The strategy will seek to address in-year financial pressures regarding glass quality and market costs through separate collections. It will also contain additional measures to improve recycling performance in 2018/19 onwards.

Non-completion of Statutory Building Equipment maintenance - this risk is managed under the newly created Health & Safety Board chaired by the Chief Executive, Corporate Landlord Programme and will report to the Capital Ambition Programme Board. Significant progress has been made to mitigate this risk including the procurement of RAMIS Statutory Obligation Compliance software system to provide a central governance system for statutory

maintenance. A programme of school audits has been completed to understand the overall Statutory Building Equipment maintenance compliance of each school and the audit findings are now being entered onto RAMIS to prioritise future planned and preventative maintenance visits. A programme of school audits has been completed to understand the overall Statutory Building Equipment maintenance compliance of each school and the audit findings are now being entered onto the RAMIS (Health & Safety risk management tool) to prioritise future planned and preventative maintenance visits. Non-Schools operational estate health and safety audits commenced in Quarter 4. In addition, work has commenced on a draft Landlord/Occupancy Agreement template, full roll out is expected by April 2018. This will set out principle occupant and landlord responsibilities and Permission for Works arrangements required.

Fire Safety Arrangements in Council Owned Buildings - this risk has been developed in response to the major incident at Grenfell Tower in London. The Council is working with Welsh Government and other regulators to ensure that any updated guidance is taken into account in considering any impact on relevant buildings across the whole of the Council's estate and robust fire safety arrangement are in place for operational buildings including schools. The risk is managed under the newly created Health & Safety Board chaired by the Chief Executive, Corporate Landlord Programme and will report to the Capital Ambition Programme Board.

(b) Senior Management Assurance Statement

The Directorate Management Team is actively engaged in the review of the Directorate Senior Management Assurance Statement. Overall there is a strong application of governance and controls across the directorate and there is an improved position in terms of risk identification and management since the end of 2016/17 following the development of service risk registers for all teams across the directorate and implementation of the Corporate Landlord model.

With regard to controls around fraud prevention and detection, the Directorate works proactively with Internal Audit to agree a schedule of audits throughout the year or as required. Records of investigations are retained to evidence the implementation of the Fraud, Bribery & Corruption Policy and the Disciplinary Policy and regular stocktaking takes place in Waste Management to prevent and detect losses.

(c) Monitoring / implementing recommendations made in Internal Audit reports

Audit	Status	Assurance Rating	No. of Recommendations	No. Implemented
Payroll	Final report issued	Effective with opportunity for improvement		
Commissioning and Procurement	Draft report issued	Effective with opportunity for improvement		
Governance	Draft report issued	Effective with opportunity for improvement		
Effective Decision Making	Draft being reviewed			
Capital Cardiff Fund	Final report issued	Insufficient with major improvement needed	7	Update not yet due

Norwegian Church Trust Accounts (2015/16 and 2016/17) *	Draft report issued			
Commercial Services	Fieldwork on-going			
FMIT system	Draft report issued			

* - assurance opinion not given on audits of accounts

RECOMMENDATIONS

1. That the Committee notes the contents of the report.

NEIL HANRATTY
DIRECTOR OF ECONOMIC DEVELOPMENT
27 MARCH 2018