CARDIFF COUNCIL
CYNGOR CAERDYDD

AUDIT COMMITTEE: 25ᵗʰ JUNE 2019

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ECONOMIC DEVELOPMENT UPDATE ON INTERNAL CONTROL ENVIRONMENT

REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT   AGENDA ITEM: 6.1

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Reason for this Report

1. This report has been produced in response to the Audit Committee's request for an update on the control environment within the Economic Development Directorate.

2. The Audit Committee has requested this update in respect of its role to:

    • Monitor progress in addressing risk-related issues reported to the committee.
    • Consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
    • To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
    • To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

Background

3. The 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; County Estates functions, Culture, Venues & Events teams, City Centre Management team, Tourism, and Parks, Sport, Harbour Authority & Leisure services. To enhance the broad range of services offered, the directorate will continue to explore innovative ways to deliver high quality services to residents, visitors and businesses. To support this challenging agenda, the directorate currently employs 842 FTEs. To illustrate the scale and variety of activities provided, here is a list of the strategic priorities progressed during 2018/19:

    Attract more and better jobs:
    • Supported the creation of 2,070 jobs.
    • Completed consultation on a draft Economic Strategy: Economic Development White Paper 'Building More and Better Jobs'.
    • Supported Cardiff University to secure £10m AHRC Creative Industries Cluster funding.

Attract more visitors that stay longer:
- Cardiff successfully hosted the Volvo Ocean Race Cardiff stopover for competitors and received over 180,000 people at the Race Village site in Cardiff Bay.
- Cardiff Castle attracted 303,238 visitors by hosting new ventures such as open air theatre and events not traditionally associated with the Castle, such as concerts from Pete Tong and Catfish and the Bottlemen. The castle received a net promotor score (NPS) of 45. A NPS score above 0 is considered good, +50 is excellent, and above 70 is considered world class.

Continue the regeneration of the city centre and Cardiff Bay:
- The Metro Central Delivery Partnership Working Groups have been established by Transport for Wales and Cardiff Council to progress the Metro System.
- Developed business case and strategy for a new Indoor Area.

Continue to modernise the management and operation of the Council's estate:
- Improved statutory maintenance contracting arrangements; a new framework for non-domestic building maintenance works commenced in April 2019.
- Completed a comprehensive review of the Council's estate.

Supported Sport, Leisure and Green Spaces:
- Awarded a £152,000 Heritage Lottery Fund grant for the Walk Through Time project, in partnership with RSPB Cymru and the Flat Holm Society. The project will ensure the long-term sustainability of the island through investment in infrastructure, an increase in volunteer activity and the development of educational / tourist engagement programmes.

Issues

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

4. Improved Governance
   New governance arrangements introduced via the Corporate Landlord Model internal change programme to help us better manage building and property related risks. The Corporate Landlord approach ensures the strategic direction of the estate aligns with the management of all information relating to non–domestic assets delivering statutory compliance, and effective management of other property managing functions. Strategic controls related to land and buildings is managed by Strategic Estates in conjunction with Health & Safety, Legal and Insurance. Governance and assurance is provided through various boards including:

- Asset Management Board – This Board is used to test high level principles and deliberate how to tackle any issues that are critical to the model. Members include the CEX, Directors and applicable OM's.

- Corporate Landlord Board – This Board is facilitated by the CADT team and runs through the projects management side of the programme. Members include SED, FM, PDD, CADT and Accounts.

- Corporate Landlord Working Group – This group updates and communicates Corporate Landlord principles to service area property managers. It also provides an opportunity for those managers to query, suggest and challenge issues.

- School Organisation Programme Board – this board manages the planned expansion and upgrade of the existing school estate.

5. Technology
   The directorate introduced a Statutory Obligation Compliance software RAMIS and is in the process of introducing Tech Forge to give a holistic view of property performance. Strategic Estates are the first service area to implement this new system, and this is to be introduced over two phases commencing in May 2019.

6. 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.

7. Directorate Delivery Plan (DDP)
   The directorate management team outline plan to deliver key strategic and operational activities aligned to the Capital Ambition Delivery Plan. Managers consider resources required to deliver projects and initiatives and identify the key risks to delivery, in order to develop and implement actions to achieve a risk tolerance level relevant to the activity.
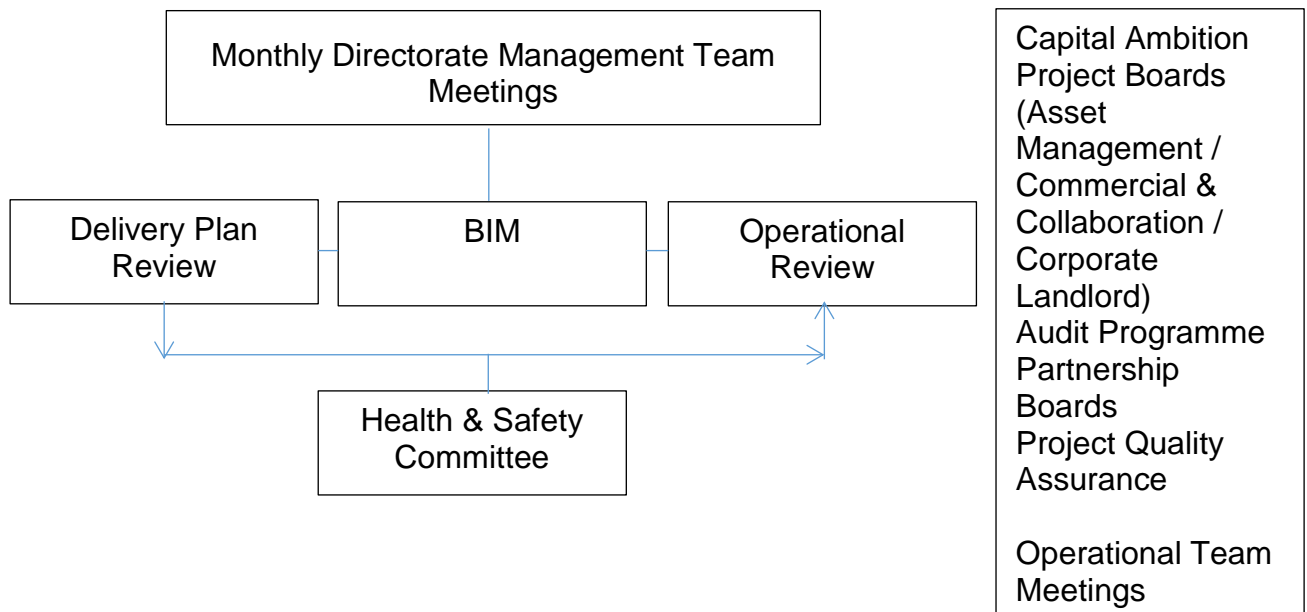
8. Risk Registers
   Risks identified in the DDP are recorded in the DDP are included in the directorate risk register. Officers responsible for managing risk are named along with risk controls in place and any further actions required to manage risk priority down to an acceptable tolerance level.

9. Quarterly Review Arrangements
   The directorate risk register is reviewed on a quarterly basis by risk owners and ongoing advice and guidance is provided by the directorate risk champion. Risk management is a standing item and documented at regular directorate management team meeting such as quarterly BIMs and performance management reviews. At these meetings, the operational management team formally identify emerging risk, agree mitigation levels and, where appropriate, risks can be identified to be escalated to SMT for targeted mitigation.

10. Capital Ambition Project Boards and project plans provide governance and assurance for strategic projects and regular monitoring and reporting arrangements to project boards is established. The monthly management team meeting quarterly review cycle is shown below, which also includes the project management boards and quarterly Health and Safety Committee:

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┌─────────────────────────────────────┐      ┌──────────────────────┐
│ Monthly Directorate Management Team │      │ Capital Ambition     │
│            Meetings                 │      │ Project Boards       │
└─────────────────────────────────────┘      │ (Asset               │
                                             │ Management /         │
┌────────────┐  ┌────────┐  ┌────────────┐   │ Commercial &         │
│Delivery Plan│  │  BIM   │  │Operational │   │ Collaboration /      │
│  Review     │  │        │  │  Review    │   │ Corporate            │
└────────────┘  └────────┘  └────────────┘   │ Landlord)            │
                                             │ Audit Programme      │
         ┌──────────────────┐                │ Partnership          │
         │ Health & Safety  │                │ Boards               │
         │   Committee      │                │ Project Quality      │
         └──────────────────┘                │ Assurance            │
                                             │                      │
                                             │ Operational Team     │
                                             │ Meetings             │
                                             └──────────────────────┘
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Current Corporate Risks

11. One Economic Development risk is captured on the Corporate Risk Register:

Non-completion of Statutory Building Equipment maintenance
This risk is managed by the Health & Safety Compliance Board in the Corporate Landlord Programme, chaired by the Chief Executive, and reports to the Capital Ambition Programme Board. Significant progress has been made to mitigate this risk including:

- New improved statutory maintenance contracting arrangements including use of SFG 20 as specification for statutory obligations testing and new risk based specification for legionella management supported by RAMIS.
- Established Statutory Maintenance Team as part of the Building Services Team.

- Regular compliance reporting to SMT and managers through the Statutory Obligation Compliance software system RAMIS.

- A refreshed Schools Building Handbook and Memorandum of Agreement was issued in 2018 defining the operational and statutory requirement for both schools and the Council in meeting their obligations in relation to school buildings.

- In parallel with the Schools Building Handbook, the One Front Door Service Desk providing a single point of entry for customers for building related matters was successfully piloted with the school estate and will be rolled out to the non-school estate in 2019/20.

(b) Senior Management Assurance Statement

12. The Directorate Management Team is actively engaged in the review of the Council's significant governance issues and complete individual Senior Management Assurance Statements (SMAS). These inform the development of a collective directorate assurance and provide an opportunity to compare the previous year's statement to track improvements. Overall there is a strong application of governance and controls across the directorate and there is an improved position in terms of partnership assurance, compliance and fraud prevention and detection mainly due to the implementation of the Corporate Landlord model and service restructures.

13. There is currently a mixed application regarding the consideration and documentation of the Future Generations Act as part of our decision making. This requirement has been considered in the review of key strategies during 2018/19, for example over the last year the Council completed consultation on the Green Paper Building More and Better Jobs prior to bringing forward a new Economic Strategy for the future development of Cardiff. More than 100 consultees, including representatives from major employer organisations, were engaged in the development of the Economic Vision to ensure that the Economic Vision strategy is aligned with market changes.

14. Value for Money

In-year budget management is on target; 2018/19 savings targets delivered; early realisation of a number of 2019/20 savings proposals to support 2018/19 corporate position. Financial and non-financial outcomes and benefits are identified, where relevant, in the annual corporate budget setting process.

15. Worked with the Section 151 Officer and Senior Management Team to deliver £2,486,000 savings in 2018/19.

16. Contributing effectively to the corporate financial position through the identification of opportunities to realise significant capital receipts to support the schools programme and the Council more generally.

17. Budget management is controlled. Improved management of FM budgets is being implemented.

18. Major Project Governance Information

Major Project governance is provided by Major Projects Boards attended by the Chief Executive and held on a monthly basis along with weekly director meetings with Finance and Legal.

19. This directorate utilises the PQA approach for project management with regular engagement with the Capital Ambition Delivery Operational Manager.

20. Processes are established to develop and manage delivery of other projects and these are reported to Cabinet e.g., Central Square regeneration and a new Multi-Purpose Indoor Arena reports.

21. Cabinet decisions determine project prioritisation, allocation of senior responsibility and governance arrangements.

(c) Internal Audit Engagement and Response

22. The directorate works closely with Internal Audit to provide assurances in specific areas. The following audits were completed in 2018-19:

Audit	Report Status	Assurance Rating	Outstanding Actions	Completed Actions	Total Actions	Implementation Status
Governance	Final	Effective	0	1	1	Completed
Payroll	Final	Effective with opportunity for improvement	0	2	2	Completed
Commissioning & Procurement	Final	Effective with opportunity for improvement	0	3	3	Completed
Capital Cardiff Fund	Final	Insufficient with major improvement needed	0	7	7	Completed
Effective Decision Making	Final	Effective with opportunity for improvement	0	2	2	Completed
Access to Council Tax Payer Data	Final	Effective	0	1	1	Completed
Front of House – Cardiff Castle	Final	Effective with opportunity for improvement	0	3	3	Completed
Partnership & Collaborative Governance	Final	Effective	0	1	1	Completed
CS – Building Maintenance Charging Mechanism	Final	Insufficient with major improvement needed	0	6	6	Completed
Park & Ride Events	Final	Insufficient with major improvement needed	0	8	8	Completed
Youth Foods	Final	Insufficient with major improvement needed	7	5	12	Not yet due
Stock Check (Brindley Road)	Draft	Effective with opportunity for improvement	0	0	6	Not yet due

23. Internal Audits is a standing item at quarterly directorate management team meetings (BIMs) and progress of Audit Report recommendations is discussed and tracked to ensure they are implemented in a timely manner.

(d) Wider Assurance

24. Wider assurances include continued BSI accreditation to the ISO9001:2015 Standard (PDD), an increase in the number of parks and green spaces awarded Green Flag status by Keep Wales Tidy and external recognition for outstanding services provided e.g., the Cardiff Story achieved Gold Award by Visit Wales' and Creative Cardiff (BBC Cymru Wales, Cardiff Council and Wales Millennium Centre) achieved an Innovation in Partnership award at the 2019 Cardiff University Innovation and Impact Awards.

Legal Implications

25. The statutory functions of the Audit Committee include the duty to review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements (pursuant to Part 6 Chapter 2 of the Local Government (Wales) Measure 2011). In discharging its functions, the Audit Committee must have regard to all relevant guidance, in particular the CIPFA guidance for Audit Committees.

Financial Implications

26. The financial implications (if any) arising from this report have been contained within the body of the report.

RECOMMENDATIONS

27. That the Audit Committee considers and notes the content of the report.

Neil Hanratty
Director of Economic Development
25th June 2019

The following is attached:

Appendix A: Audit Committee Presentation