



For All Your Assurance Needs



Internal Audit Report

Town Deal Review

April 2022

What we do best...

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

Contents

The contacts at Assurance Lincolnshire with this review are:

Amanda Stanislawski
Audit Manager
amanda.stanislawski@lincoln.gov.uk

Paul Berry
Principal Auditor
Paul.berry@lincoln.gov.uk

Jayne Worrall (Julia Raftery Consulting Ltd.)
Principal Auditor
j.worrall@raftery.biz

Background and Scope	Page 1
Executive Summary Assurance Opinion and Key Messages	3
Management Response	7
Action Plan	8
Advisory Points – Adding Value through Efficiencies Findings and advice	9
Appendices	
Appendix 1 – Assurance Definitions	10
Appendix 2 – Distribution List	12



Background

The development and delivery of the Investment Plan and Town Fund Programme in Lincoln is overseen by the Lincoln Town Deal Board. The Board, established in January 20 and comprising of public, private and community sector representatives, had an initial remit to develop an Investment Plan for the City to drive sustainable productivity growth. Its role now is to oversee implementation of this Plan. The Board is fully supported by a Delivery Board, whose role includes ensuring effective co-ordination and collaboration between the lead partners for each project within the Town Deal programme.

The City of Lincoln Council is the accountable body for implementing the Town Deal and working in partnership with the Town Deal Board, is responsible for ultimate decision-making in respect of the programme. The Council's S151 Officer provides financial oversight of the programme and project funding arrangements, with the City Solicitor providing legal oversight. Wider support is provided by the Council's Growth and Development Service Area and its Legal, Democratic and Financial Services.

The Lincoln Investment Plan, submitted to Government in October 2020, approved by the Council's Executive and Town Deal Board, requested £24.75m Town Funding to support 15 regeneration schemes to be delivered over 5 years. The conditional 'Heads of Terms' funding offer received from the Government was for £19m to support 13 projects 'in scope'.

Scope

This review provides you with independent assurance over the effectiveness of the Town Deal governance and financial management arrangements, focusing on the responsibilities of the City of Lincoln Council (CoLC) as the accountable body, to ensure robust and legally compliant.

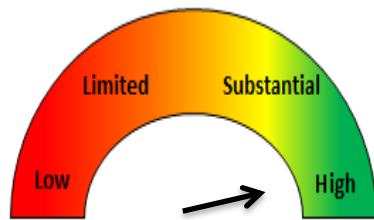
The review included the following areas;

- Governance structure
- Compliance with the Heads of Terms Agreement and Town Investment Plan (TIP)
- Compliance with policies and procedures, including delegated authority
- Overall programme/project management arrangements, including performance monitoring

Background and Scope

- Financial oversight and reporting arrangements
- Adequacy of decision making and reporting arrangements
- Risk Management.

Executive Summary



High Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Governance arrangements are not fit for purpose, including those for managing the governance structure and meetings	Green	0	0
Risk 2 – There are ineffective processes in place to ensure compliance with the Heads of Terms Agreement and Town Investment Plan	Green	0	0
Risk 3 – Conditions of Grant Funding Agreements are not met; ineffective delivery/performance of projects	Green	0	0
Risk 4 – Financial controls are ineffective to ensure that projects are operated within approved budget/funding levels	Green	0	0
Risk 5 – There is a lack of clarity in decisions made; decisions are made beyond delegated authority	Green	0	0
Risk 6 – There are ineffective risk management systems in place to manage programme/project risks.	Green	0	1

Key Messages



Overall, we can provide a high level of assurance around the Town Deal governance and financial management arrangements, confirming they are robust and compliant with Ministry of Housing, Communities and Local Government (MHCLG) guidance.

An effective and formally approved governance structure is in place. There is clear oversight of the programme by the Town Deal Board, with full support provided by its Investment Sub-Committee, Town Delivery Board, and the City of Lincoln Council (CoLC).

A comprehensive and approved Local Assurance Document exists, that includes detailed Terms of Reference for each Board/Committee. Roles and responsibilities of its members and CoLC, as the

Executive Summary

Key Messages



Accountable Body, are clearly defined including reporting lines and mechanisms. Our review confirms CoLC are meeting their responsibilities and working within their delegated powers. Effective collaboration with the Town Deal Board and Investment Sub-Committee re decisions taken is clearly evident.

Members of the Town Deal Board are appropriate. Meetings are held as expected and appropriately attended with detailed minutes clearly reflecting discussions held, questions raised and reasons for decisions. The introduction of formal Action Plans may however wish to be considered to assist in monitoring outstanding actions.

Actual/potential conflicts of interest are disclosed ensuring objectivity and transparency in decision making. A detailed Code of Conduct ensures Members adhere to the 'Nolan Principles' of public life, however the latest version of this document needs to be linked on the Council's website.

A detailed and comprehensive Town Investment Plan (TIP) exists, providing a clear vision and strategy for the City over a 5 year delivery programme (21/22 to 25/26). Fully informed by an independent economic review and feedback from stakeholder and community engagement, it provides comprehensive details of the initial 15 projects submitted for an original funding requirement of £24.7m.

The subsequent Heads of Terms (HoT) Funding Offer of £19m, has been appropriately approved with our review confirming requirements of the MHCLG thus far have been met, with accurate completion and timely submission of requested documents.

Effective programme and project management and monitoring arrangements are in place. Our review confirmed a thorough and methodical process for establishing the various Boards/Committees, determining the assessment and selection process for projects, and for the development of Business Cases. An independent appraisal process to determine the final 13 projects, confirmed a systematic and transparent approach to project assessment and prioritisation.

Executive Summary

Detailed Business Cases have been developed, in line with HM Treasury's Green Book with independent due diligence checks undertaken to ensure robust. Accurately completed and appropriately approved Project Summary Documents, that include actions taken to address HoT project conditions, have been submitted to MHCLG within required timescales.

Project risks and mitigating actions have been identified and formally documented, formal reporting on these risks is not yet required. Programme risks i.e. that could prevent the Programme from achieving its priorities, outcomes etc., have not been formally identified and documented. We have recommended that a Risk Register is drawn up and reported to the Board.

A detailed Programme Monitoring and Evaluation Plan clearly sets out reporting requirements re inputs, activities and outputs. The MHCLG's mandatory indicators are accurately reflected in the Plan together with project specific indicators. Targets, responsible officers and frequency of reporting for each are clearly detailed. As the Programme is in its early stages, formal reporting on these indicators is not yet required (submission date delayed until 1st June 22). CoLC is already in the process of developing a guidance document and forms to simplify and standardise the process.

Funding arrangements for the Town Deal are fully documented with responsibilities for financial oversight clearly defined. With the exception of 5% advance funding released September 21, no 'drawn down' claim for Town Deal funds has been submitted to MHCLG, this to be undertaken April 22.

Discussions with key officers has confirmed effective financial monitoring/reconciliation processes will be in place. Town Deal Funds will be separately accounted for, project claims verified on a 'line by line' basis, and supporting documentation requested for all eligible expenditure. Grant Funding Agreements with Projects will clearly outline expectations of financial management, with comprehensive monitoring and claim forms devised to assist in this process.

We would like to thank all of the staff involved in the audit for their help in undertaking the review.

Managing your risks



Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives.

During our audit work we identified that risks associated with delivery of the Town Deal Programme have not been identified or formally documented. Recommendations in respect of this have been made.

Management Response

Management Response



The Lincoln Town Deal Management Team agree that the Review has been undertaken in robust manner and that the report is a fair and accurate reflection of the current Town Deal management status.

G Wilson – Growth Strategy & Funding Manager

Action Plan

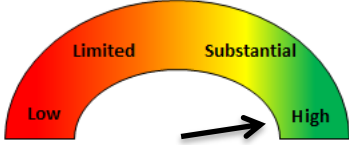
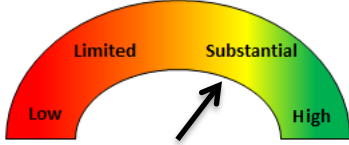
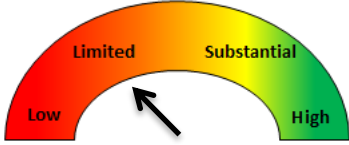
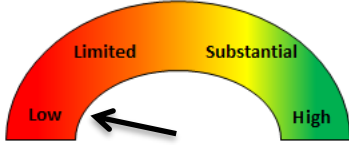
1	Risk Description	Current Rating	Target Rating
	There are ineffective risk management systems in place to manage programme/project risks.	AMBER	GREEN
Findings			
Risks associated with delivery of the Town Deal Programme have not been formally identified and documented and are therefore not being monitored. Assurance cannot be provided that effective controls/mitigating actions are in place to address the risks associated with delivery of the Programme.			
Implications			
The Town Deal Programme does not achieve its priorities, outputs and outcomes.			
Recommendations			Priority level
1.1	Risks associated with delivery of the Town Deal Programme are identified and formally documented in a Risk Register. Mitigating actions to control the risks together with responsible officers are clearly detailed.	Medium	
1.2	The Risk Register is periodically submitted to the Town Deal Board for review/consideration.		
Agreed Action		Responsibility	Implementation date
Risk Register to be produced for the Town Deal Programme, identifying and formally documenting Risks and Mitigating actions for reporting on a quarterly basis to Town Board.		Gill Wilson -Growth Strategy and Funding Manager	31 st March 2022

Advisory Points - Adding Value through Efficiencies

The following items are advisory recommendations / comments arising from the audit, which management may wish to consider implementing to improve efficiency of the system or performance.

Ref	Finding	Advice
AP1	The link to the Members Code of Conduct on the Council website is not the latest version of this document.	The latest version of the Members Code of Conduct reviewed March 21, to be linked on the Council website.
AP2	No formal action plans are produced following Town Deal Board meetings. Updates on outstanding actions are included at the next meeting within a specific agenda item or as part of 'Matters Arising'.	To assist in monitoring consideration be given to producing a formal Action Plan, following Town Deal Board meetings. Details recorded could include action required, responsible officer and timescale, with reasons for delays identified. Update on the Action Plan could then be included as a standard agenda item.

Appendix 1 - Assurance Definitions

High	Substantial
<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p>  <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p>  <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
Limited	Low
<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p>  <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p>  <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

Appendix 1 - Assurance Definitions

Action Priority	
High	Immediate management attention is required - an internal control or risk issue where there is a high certainty of: substantial loss / non-compliance with corporate strategies, policies or values / serious reputational damage / adverse regulatory impact and / or material fines (action taken usually within 3 months).
Medium	Timely management action is warranted - an internal control or risk issue that could lead to financial loss / reputational damage / adverse regulatory impact, public sanction and / or immaterial fines (action taken usually within 6 to 12 months).

Appendix 2 – Distribution List

Distribution List



Angela Andrews – Chief Executive

Kate Ellis - Director, Major Developments

Gill Wilson - Growth Strategy & Funding Manager

Michelle Smith - Senior Project Officer

Jaclyn Gibson – Chief Finance Officer

Carolyn Wheeler – City Solicitor

Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

This report has been prepared solely for the use of Members and Management of City of Lincoln Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.