



INTERNAL AUDIT REPORT



Local Plan Project Embedded Assurance (1) – Delivery Stage

<i>Issue Date:</i>	Draft: 29 th March 2017 Final: 7 th July 2017	<i>Issued to:</i>	David Atkinson – Head of Planning and Regeneration
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Local Plan Project (1)

EXECUTIVE SUMMARY

1. INTRODUCTION & OVERALL OPINION

The new Local Plan will provide a framework for development across the district until 2031. The plan should provide policies to meet Harborough’s future needs in relation to housing, employment, community facilities and transport, and the infrastructure to support these. The policies within the plan will be the basis for decision making on planning applications. The Local Plan must be consistent with the National Planning Policy Framework (NPPF) but should also take on board local planning issues that are important to the district and should protect the local environment.

The project to develop a Local Plan for Harborough was initiated in 2013 but it is evident that progress in the initial stages, together with matters arising locally and nationally, has resulted in slippage against original milestones. At the time of reporting, the Council has invested much resource and time in focusing upon delivery of the project and the project management arrangements are operating at a high standard. There remain a number of significant risks and issues which will impact upon the effective and timely delivery of the project but these are being actively identified, assessed, transparently reported to decision makers and escalated as appropriate.

The project is benefiting from a number of important and professional resources but it is acknowledged that the mapping of resources for the remaining key stages of the project clearly identifies a shortfall and this is being escalated accordingly for solutions. Key officers within legal, communications, finance and procurement teams are engaged in the project and are being consulted on relevant stages and decisions.

The quality of project documentation and planning is strong and interdependencies and impact of any slippage on the critical path are being considered and reported in line with the governance arrangements. Action needs to be taken to actively manage the risks and respond to the issues arising to ensure the successful and timely delivery of the project. It is also highlighted that evidence was not available to confirm consistent compliance with the Council’s procurement rules in relation to the appointment of consultants.

At this stage in the project lifecycle, based on the evidence provided, it is the Auditor’s opinion that **Sufficient Assurance** can be given that the project is being delivered with sufficient consideration of key project management requirements. Detailed findings in relation to each assurance area are provided in Section 2 of this report.

Internal Audit Assurance Opinion	Direction of Travel			
Sufficient Assurance	N/A			
Assurance Area	Assurance Opinion	Recommendations		
		H	M	L
Governance & Decision Making	Substantial Assurance	0	0	0
Benefits Realisation	Substantial Assurance	0	0	0
Project Resources	Limited Assurance	0	1	0
Risk & Issue Management	Sufficient Assurance	0	1	0
Procurement	Limited Assurance	1	1	0
Time Management	Sufficient Assurance	0	0	0
Cost Management	Substantial Assurance	0	0	1
Quality Management	Substantial Assurance	0	0	0
Communication	Substantial Assurance	0	0	0
Total Number of Recommendations		1	3	1



The audit was carried out in accordance with the agreed Audit Planning Record (APR), which outlined the scope, terms and limitations to the audit.

2. SUMMARY OF FINDINGS

Governance & Decision Making:

Approval to proceed with the development of a new local plan was given by the Council's Executive in October 2012. This was followed by senior management approval of a business case and Project Initiation Document (PID) in 2013 to enable the setting up of the project.

The PID very clearly specifies the project structure and the roles and responsibilities of the individuals and groups involved in the project. This includes the role of the Local Planning Executive Advisory Panel which has enabled Member engagement throughout the development of the plan. A paper to the Panel in November 2016, for example, provided an opportunity for Member consultation on a number of draft policies.

It is clearly stated within the PID that the 'Executive and Council makes final decisions on Plan and Consultation documents'. There is evidence that recent key decisions such as the amendment to the project timetable and milestones and the increase in project budget have been formally approved by the Council's Executive, complying with this decision making arrangement.

Based on the evidence provided to date, the governance arrangements appear to be working effectively. Project board meetings are being held on a regular basis with suitable, priority areas on the agenda. Strategic decision making is being made at the appropriate level via an effective escalation procedure and matters arising are being reported transparently with informed, comprehensive reports.

Highlight reports are presented to the Council's corporate management team on a regular basis. These include a RAG rating and an open overview of the latest progress and position.

During the course of the project, formal delegations have been sought where required to support efficient delivery. It was noted that one such delegation related to the procuring of the Infrastructure Delivery Plan (IDP) and compliance with this is addressed within this report, under Procurement. No other significant delegations have been approved in the last 12 months – the majority relate to delegating authority to the Project Sponsor to action the agreed amendments to the Local Development Scheme i.e. 'to give delegated authority to the Head of Planning and Regeneration to make any necessary changes to update and publish the updated Scheme' on amending the timetable.

Based upon the evidence provided, **Substantial Assurance** is provided over the project's current Governance and Decision Making arrangements.



Benefits Realisation

The benefits of delivery of the project were clearly stated at the outset, in the business case and PID. Whilst these have not been revisited during the course of the project to date, the requirement for a Local Plan is based on national policy and without this the authority will not be compliant with the NPPF. As such, there is no alternative option but to continue with project delivery.

It is not considered necessary to maintain a benefits realisation plan for this project, given the nature of the deliverables. However, it is evident that the benefits that should be realised are clearly understood by officers and project plans are targeted at ensuring these are achieved through the delivery of a robust, sound and informed Local Plan.

Based upon the evidence provided, **Sufficient Assurance** is provided over the project's current Benefits Realisation arrangements.

Project Resources

The changes in and pressures on Council resources has been a significant factor in the progress of the project during its initial stages. In 2015 and 2016, the Council appointed experienced consultants to lead the management of the project and to bring the skills and expertise required to ensure the plan was developed in accordance with best practice.

Additional temporary staff have also been appointed during the project to support the fieldwork and fill the gaps in resource requirements. This risk and pressure has been reported in the highlight reports and actions have been taken such as enabling overtime and changes to working patterns. At the time of reporting, an initial resource mapping exercise has been undertaken by the Programme Manager and it is evident that there is a gap in resources when mapped against the project plan requirements. Actions need to be taken to address these gaps in capacity to ensure that the project plan and milestones remain deliverable. The gaps identified by the Programme Manager consultant appear to be particularly in capacity of senior officers within the project team and consideration will need to be given by the Project Sponsor to whether any of these tasks could be delegated and whether the skills mix across the project team is appropriate. **Recommendation 2** addresses this finding.

In recent months, the Strategic Planning Manager has left and an interim arrangement was promptly implemented. This involved the appointment of the project management consultant on an interim basis and as such has not increased the resource available at this level.

Based upon the evidence provided, at the time of reporting, **Limited Assurance** can be provided over the Project Resources. It is noted, however, that this has been identified by project management and is being escalated accordingly. Management have recently advised that further resources are being appointed which should address this risk area.



Risk and Issue Management

A comprehensive risk log is being maintained for the project. Responsibility for updating this register has been clearly allocated to the Programme Manager consultant and the document is subject to regular review.

This project has encountered a number of risks and issues, and given the potential likelihood and impact of the risks identified, risks (with latest updates) are being included in the regular highlight reports to programme board.

Issues arising during project delivery are being logged and are reviewed at each project board meeting. The table of issues and actions is comprehensive and allocates a lead responsible officer for the majority of the issues reported. The table would benefit, however, from some clarification of actions to be completed including when and by whom. Currently the Actions column details all action taken to date as well as actions underway or to be completed. To ensure actions required are clearly specified and can be easily subject to monitoring, without risk of any oversights, it is recommended that a specific column on action plans to be completed be added to the issues table.

Recommendation 1 addresses this finding.

Based upon the evidence provided, **Sufficient Assurance** is provided over the project's Risk and Issue Management.

Procurement

It was identified in 2015 that the Council did not have sufficient resources in place to progress this project at the pace required and that it would be beneficial to invest in specialist, professional resources to lead and facilitate the effective delivery of complex programme of work. As such, the project sponsor sought approval from senior management, and assistance from the Council's procurement lead, to undertake an exercise to appoint a suitable planning consultant. Evidence has been provided of the process followed in the appointment of this consultant and this confirms that:

- Executive approval was not sought before commencing the procurement exercise, on the understanding that the Corporate Director/Chief Executive and Head of Finance and Corporate Services had delegated authority to approve this. Evidence of this delegation has not been found in the Council's Constitution, however, and if exercised under 'C1.3.2' there is no evidence that this was reported at the next possible Executive meeting, to comply with this clause.
- Two agencies were approached for CVs of potential candidates and a shortlisting exercise was undertaken and interviews held;
- The appointments were approved by the Corporate Director (NP), who was also involved in the shortlisting and interview stages;
- A full description of the responsibilities of the consultants was provided on appointment;
- Contractual terms and conditions were agreed for the appointment of the initial project manager consultant, which detailed the agreement including in relation to data protection, intellectual property and insurance. This appointment was made via a framework with SOLACE for Business; and



- The appointment was terminated in 2015 but the consultant was re-appointed in July 2016 to provide programme management support. At this point a further brief was issued specifying the role and responsibilities but no new agreement was signed.

It was noted that the appointment of a further consultant as Local Plan Project Manager in December 2015 was not subject to a competitive process. The Council's Procurement SORP allows for circumstances where an urgent procurement must be made and an exemption from the Contract Procedure Rules can be approved by CMT (SORP 7.2.1) but this specifies that 'the decision must be reported to the Executive at the earliest possible opportunity' and this cannot be demonstrated in this case. This exemption was retrospectively approved by the Executive in September 2016, some nine months later, and to date a total of £116,845 has been spent on this consultant's services. Management informed the Executive that this would be capped at the EU tender limit of £164,176 – but if this was to be exceeded this would have been too late to undertake any meaningful and transparent procurement when the limit had already been spent and is not compliant with the policy. This should have been subject to formal approval from the outset, in line with Council policies, and if the £164,176 EU limit was likely to be exceeded a full, competitive procurement was required before any spend was incurred.

Contractual agreements with the two consultants were drafted by the Council's legal team in 2016 but were not signed. Whilst briefs have been issued for the scope of the work and there was a SOLACE for business agreement for one of the consultants for their initial period (but not the second period of appointment), without a signed legal contract in place there is an increased risk of poor accountability and a lack of the legal security of a contractual agreement.

Given the national issues in relation to legislation IR35 arising from 1st April 2017, the Council has already reviewed the consultancy arrangements to ensure compliance. One of the consultants has recently been appointed on an interim basis and, as such, will be on the payroll rather than under a consultancy appointment from 3rd March 2017. The programme management consultant remains on a consultancy basis and a signed contract should be produced and signed as soon as possible to formalise this arrangement. **Recommendation 4** addresses this finding.

Other procurements during the project's recent stages have included a number of studies including an Infrastructure Delivery Plan (IDP). A delegation was approved by the Executive in February 2016 to enable the Head of Planning and Regeneration to award a contract for the IDP up to a limit of £75,000. An electronic tender process was undertaken to award this work and was led by the Council's procurement lead. The winning bid was for £74,980. It is noted, however, that to date a total of £77,077 has been incurred with this supplier, thereby exceeding the delegation and contract value. The basis for the additional costs on this contract requires review. It is noted that the budget reports provided did not split out the budgets for consultancy fees against the various studies commissioned, as such variances on individual studies have not been clearly highlighted. **Recommendation 3** addresses this finding.

Based upon the evidence provided, **Limited Assurance** can be provided over the project's arrangements for **Procurement**.



Time Management

A detailed project plan has been developed and is being held and maintained on a system which enables officers to interact with the various tasks and receive reminders on milestones for completion. The tasks are assigned to relevant officers and the Gantt chart style format demonstrates the timeline for the key stages and impacts of slippage on other tasks.

The responsibility for maintaining this project plan has been allocated to the programme management consultant and there is evidence that this is subject to regular review and monitoring. Slippage has been reported in highlight reports to the Council's senior management. The escalation of risks to the timetable and delivery of the project plan resulted in formal approval by the Executive for an amendment to the timetable in October 2016. This was due to a number of issues encountered in progressing the project, including delays in joint studies across the county – such as HEDNA (Housing and Economic Development Needs Assessment) which was commissioned by Leicester and Leicestershire local authorities and the Local Enterprise Partnership (LEEP). The NPPF requires that local planning authorities identify the objectively assessed need for housing in their areas, and that their Local Plans translate those needs into land provision targets. As such, the development of the Local Plan was dependent on the outcomes of this assessment and the timetable needed to reflect this. The project timetable has been updated following this approval.

Based upon the evidence provided, **Sufficient Assurance** is provided over the project's **Time Management**.

Cost Management

The funding to support this project is split across three budget cost centres. An officer from the Council's finance business partner team meets regularly with the project manager to review budgetary position and pressures. The original business case stated that the costs would be 'upwards of £200,000 but funding already in place'.

It is evident from a review of the project action reports from project board meetings that where matters arise or an action is agreed, the need to reflect this in the budget forecast is considered and noted. This provides assurance that consideration is consistently given to the need to account for any unforeseen costs and the impact on the wider project budgets is noted.

Budget pressures during the current phase of the project have been escalated in accordance with the governance arrangements and additional funding has been approved for the project by the Executive in September 2016. This increased the budget for the project by a further 30% from that allocated at 1st April 2016 – to £743k. Sources of funding include reserves and contributions from major project and neighbourhood planning budgets/carry forwards.

At the time of reporting, the forecast outturn on the budget for the project for 2016/17 is to remain on current projections but the 2017/18 forecast and allocations remains subject to ongoing review. As such, assurance over the whole life project budget cannot be provided at this point. The budget monitoring reports do not currently split out the budget against key deliverables and the actuals to date on each – this would assist in more effective cost management and the highlighting of any emerging financial pressures which need to be addressed.

Recommendation 3 addresses this finding.



Based upon the evidence provided, **Sufficient Assurance** is provided over the project's **Cost Management**.

Quality Management

The PID states that 'the quality of the project is defined at the beginning of the project, and will be measured by its ability to deliver agreed outcomes in a timely manner. The outcomes should be in close alignment to the results of the scoping consultation, and support the requirements of the NPPF'. At its completion the New Local Plan project should deliver a Local Plan that is compliant with National Policy and assessed as acceptable to a Planning Inspector on behalf of the Secretary of State and this will be the key measure of quality.

In order to monitor the quality of the work during the project and the viability of the planning documents produced, assurances have also been provided in the form of an informal inspector visit in 2016 and a consultancy viability assessment.

Based upon the evidence provided, **Substantial Assurance** is provided over the project's **Quality Management**.

Communications

Both internal and external communications have been considered and planned from the outset of this project, including in the PID. A communications plan was produced in the initiation stage of the project and a senior representative from the Council's Communications team is a member of the project board. The key consultation stages are yet to commence and will be an important stage in the project which must be conducted effectively.

It is noted that during discussions at the project board and team meetings, implications for the communications plan are being identified and recorded in the notes and action plans. This demonstrates an awareness within the team of the importance of well-planned communications and the need to co-ordinate this around the key stages of the project.

Examples of internal communications have been provided and reviewed and the highlight reports to the Council's management team have been found to be both comprehensive and timely. It is clear from these reports where the key risks and priorities lie and where escalation is required.

Based upon the evidence provided, **Substantial Assurance** is provided over the project's **Communications**.

The following Action Plan provides three recommendations to address the findings identified by the audit. If accepted and implemented, these should positively improve the control environment and aid the Council in effectively managing its risks. Internal Audit will continue to engage with the project as it progresses and will issue further reports to provide assurance at key stages.

3. LIMITATIONS TO THE SCOPE OF THE AUDIT



This is an assurance piece of work and an opinion is provided on the effectiveness of arrangements for managing only the risks specified in the Audit Planning Record.

The Auditor's work does not provide any guarantee against material errors, loss or fraud. It does not provide absolute assurance that material error, loss or fraud does not exist.

The review by Internal Audit does not include any technical review in relation to the Local Plan or supporting policies.



ACTION PLAN

Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
1	<p>The action log used for project meetings is comprehensive and ensures that suitable areas are discussed in each meeting. It was noted, however, that it would be easier to identify the actions required if these were separated from the list of actions to date. These should each have a timescale for completion so they can be monitored accordingly.</p> <p>There is a risk that actions requiring attention may be overlooked amongst the wider list.</p>	<p>To separate out actions requiring attention from those which have been completed on the action log, to enable any officer to easily identify actions outstanding, and to state a date for completion of each.</p>	<p>Local Plan Project Board issue log has been modified to accord with this recommendation.</p>	Medium	Head of Planning and Regeneration.	Complete.
2	<p>A resource mapping and capacity assessment has been recently undertaken by the Programme Management consultant. This has highlighted some significant gaps in the senior project team resources.</p> <p>If there are insufficient resources in place to progress the actions within the project plan, there is a risk to the achievement of the already challenging milestones. It should also be noted that the analysis does not take into account actions which are simultaneous and require the same resources – as such the pressure could</p>	<p>The Project Sponsor should confirm the basis for the timescales allocated for tasks on the capacity analysis and whether there is any scope for tasks to be delegated/shared to maximise use of existing resources. Consideration should also be given to any overlapping tasks which may further reduce achievability of the project plan.</p> <p>Actions should be taken to assess and allocated resources to cover gaps identified.</p>	<p>The Project Sponsor has reviewed the resourcing portfolio and has concluded that it is necessary to bring in addition senior level human resources to the team to enable timetables to be met. The review highlighted a deficit of resources at a senior level in the Local Planning team. The additional resources obtained have remedied this deficit.</p>	Medium	Head of Planning and Regeneration.	Complete



Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
	be understated.					
3	<p>The project budget needs to cover a number of different consultancy costs and studies. The current budget provided to Internal Audit did not, however, split out the budgets for the key studies to compare to the actuals – the total budget is reported on one line and the actuals against each study are reported on separate lines. It is not possible, therefore, to highlight areas of overspend.</p> <p>It was noted that the IDP study had been awarded based on a contract of £74k but £77k has been incurred to date on this work. This requires further review by the Council to identify the reason for the overspend and such variances should be more clearly reported.</p>	<p>Budget reports should be more detailed to set out values allocated to each area of work i.e. specific studies and consultancy reports.</p> <p>This would enable closer monitoring or variances and challenge on areas of overspend.</p> <p>The overspend on the IDP should be reviewed to establish whether any further costs are expected and whether the costs has been charged in accordance with the contract awarded – or whether change control procedures have been adhered to.</p>	<p>A new business partner accountant has been assigned to oversee the close management of the Local Plan budget in collaboration with the Strategic and Local Planning Manager with oversight from the Head of Service.</p>	Low	Head of Planning and Regeneration.	Complete.
4	<p>No formal legal agreement is in place for the management consultant. Such an agreement should be in place to formalise roles and responsibilities and ensure cover is in place for insurance and data protection.</p>	<p>Legal agreement to be written and signed for remaining consultant and any future consultants appointed onto the project.</p>	<p>The Head of Planning and Regeneration recognises that proper contractual obligations ought to be entered into without delay with consultants. It is for this reason that contracts have been drawn up by the Council's legal section, agreed with the consults and passed to the Head of Finance and Head of Legal and</p>	Medium	Head of Finance and Head of Legal and Democratic Services.	31.05.17



Rec No.	ISSUE	RECOMMENDATION	Management Comments	Priority	Officer Responsible	Due date
			Democratic Services for their review and sign off in accordance with the council's Constitution.			
5	In the examples reviewed to date, the procurement of consultants has not been compliant with the Council's procurement rules.	Any further consultants to be appointed must be procured in accordance with the Council's procurement rules. This should include prior approval, evidence of a competitive process (as required by the procurement rules), or a formally approved, justified exemption if necessary and a formal contract, as rec 4.	<p>The Head of Planning and Regeneration recognises the need for the Council's procurement rules to be fully followed. It is also understood that compliance with these requirements ought to be in place at the time the matter arises – not retrospectively.</p> <p>The Head of Internal Audit has undertaken to separately raise a query with the Head of Finance and the Head of Legal and Democratic Services relating to the Council's Constitutional requirements concerning this matter.</p>	High	Head of Planning and Regeneration.	Review as part of the next embedded assurance review.



GLOSSARY

The Auditor's Opinion

The Auditor's Opinion for the assignment is based on the fieldwork carried out to evaluate the design of the controls upon which management rely and to establish the extent to which controls are being complied with. The table below explains what the opinions mean.

Level	Design of Control Framework	Compliance with Controls
SUBSTANTIAL	There is a robust framework of controls making it likely that service objectives will be delivered.	Controls are applied continuously and consistently with only infrequent minor lapses.
SUFFICIENT	The control framework includes key controls that promote the delivery of service objectives.	Controls are applied but there are lapses and/or inconsistencies.
LIMITED	There is a risk that objectives will not be achieved due to the absence of key internal controls.	There have been significant and extensive breakdowns in the application of key controls.
NO	There is an absence of basic controls which results in inability to deliver service objectives.	The fundamental controls are not being operated or complied with.

Category of Recommendations

The Auditor prioritises recommendations to give management an indication of their importance and how urgent it is that they be implemented. By implementing recommendations made managers can mitigate risks to the achievement of service objectives for the area(s) covered by the assignment.

Priority	Impact & Timescale
HIGH	Management action is imperative to ensure that the objectives for the area under review are met.
MEDIUM	Management action is required to avoid significant risks to the achievement of objectives.
LOW	Management action will enhance controls or improve operational efficiency.