

Tunbridge Wells Borough Council

VfM Review – Calverley Square Governance

Year ended 31 March 2020

16 July 2020



Contents

Section	Page
1. Executive Summary	4
2. Detailed Findings – Making informed decisions	10
3. Detailed Findings – Sustainable resource deployment	18

Appendices

- A. Our approach to VfM
- B. Action Plan

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary

Executive Summary - Introduction

Overview

The Calverley Square development project included provision of a new theatre, new offices and parking facilities to support the new developments. The overall development cost of completion for the scheme was estimated at £108 million with approximately £10.8 million invested by the end of Stage 4. However, in October 2019 the Full Council decided to terminate the project. In our role as external auditors, we have undertaken this review to determine if there were proper arrangements in place to secure value for money, specifically in regard to informed decision making and the sustainable deployment of Council resources.

Costs incurred on the development up to end of Stage 3 amounted to £5.1 million which had been charged to revenue, in prior years. An additional £5.7 million was incurred at Stage 4 the majority of which had been capitalised on the balance sheet in 2018/19. However, this has now had to be written-off to reserves as revenue expenditure, with the exception of assets purchased to the value of £0.5 million. Total abortive costs therefore amounted to £10.3 million over the life of the project with £5.2 million charged to revenue reserves in 2019/20 and £0.5 million of acquired assets remaining on the balance sheet.

The decision to stop the Calverley Square development project at a late stage in its development has significant implications for the Council's stated strategic objectives and has involved a considerable financial investment that will no longer deliver the planned benefits to residents and the local economy. It is therefore important to ensure that this decision by members, was based on a full understanding of the facts.

It is also important that the financial implications of the decision have been effectively managed in 2019/20 and that the Council continues to have financial resilience in the context of the additional financial pressures caused by the COVID-19 pandemic.

Our responsibilities

As independent external auditors, we have a statutory responsibility to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

We acknowledge that democratically elected members of Tunbridge Wells Borough Council are entitled to make informed decisions and incur costs to the Council on behalf of local residents. We have not therefore attempted to make judgements about the adequacy of the decisions made at any stage. Further details on our approach to VfM audit are included in Appendix A.

The scope of this report

In line with our statutory responsibilities, our scope is limited to obtaining assurance that adequate arrangements were in place to make sure that the decisions taken by members were informed by adequate information provided by Council officers, including consideration of the risks and uncertainties associated with specific courses of action. We are also concerned with assessing the projected impact of the decision on the Council's financial sustainability in the short to medium term.

In our Audit Plan dated 09 March 2020 we identified the following VfM risks associated that would require additional audit work to address. We have therefore considered the following VfM risks:

- the governance arrangements in place to make an informed decision in October 2019 (informed decision making)
- adapting your medium-term financial plan to reflect the impact of the decision on your financial position (sustainable resource deployment).

Our work was based on the detailed review of Council meeting minutes, supporting papers, exempt reports and other relevant information since the inception of the project in 2014. As part of the evidence being considered, we reviewed the work of other independent third parties, including the detailed findings and evidence from the Planning Inspector's review of the CPO decision and the objections raised by stakeholders. We have also conducted a number of discussions with relevant Council officers and the current Council Leader in support of our work.

In order to evaluate the governance arrangements in place to make an informed decision in October 2019 it has been necessary to set this in the context of the development of the project to date since the initial consideration of options in 2015, and to consider evidence and assurances obtained in the intervening period.

Our summary findings and conclusions are set out in the following pages of this Executive Summary. A more detailed examination of the points raised and the wider context is set out in the Detailed Findings section of this report.

Executive Summary – Making informed decisions

The mandate for Stage 3 of the project (February 2017)

Having revisited the minutes and key decision papers for the project up to the decision to proceed to Stage 3. We remain satisfied that the governance and decision making arrangements for the project up to this point did not raise a significant VfM conclusion risk or provide grounds for a public interest report.

In July 2017 the Council received a petition of over 2,000 signatures that called on the council to “stop the proposed development of a new theatre and offices in Calverley Grounds and to consider again the redevelopment of the existing Town Hall and Assembly Hall.” This was debated at Full Council and a detailed response was provided by the Council. We note that the option to undertake a public referendum on the project was debated at this point but the motion was rejected by a large majority.

We note that in response to the increasing level of political and stakeholder opposition to the project and complaints that there had been insufficient public consultation, the administration made the point that the councillors making up their majority were elected in a representative democracy to represent residents and to make informed decisions on their behalf. We also note that following the agreement to proceed to Stage 3 by Full Council the administration was able to maintain a large majority in the May 2017 election with the theatre development included as part of the published Council strategy and with the decisions and supporting papers available for scrutiny.

The decision to proceed to Stage 4 (December 2017)

We have considered the decision made to proceed to stage 4 as this committed the council to a significant further financial outlay which in due course contributed materially to the overall loss arising from the decision to cancel the project. In our view the detailed papers provided to members for the review of Stage 3 and the proposals to move to Stage 4 in December 2017 were sufficient for an informed decision to be made at this stage.

The summary information and the decision paper provided an accessible entry point to the more detailed information, that mitigated the risk of key points being obscured within the detail. In addition, independent assurance provided by CIPFA (the Chartered Institute of Public Finance Accountants), Mid Kent Audit and Bonnar Keenlyside helped mitigate the risk of biased reporting or a lack of transparency on finance and governance issues.

Further opposition to the scheme

By December 2017 it had become clear that opposition to the scheme had crystallised and this moved into the political arena with the creation of the Tunbridge Wells Alliance party and the election of their first member in May 2018. However, we also note that the administration had maintained a significant majority in that election, which had immediately followed the approval of planning permission. In our view, this is significant, as this formed the basis for the Council’s mandate to proceed with the project in the face of the objections raised.

Planning decision and public inquiry (March 2018 to May 2019)

We are satisfied that officers and members of the administration continued to have confidence in the project and were not obligated to cease work prior to the results of the public inquiry which followed the decision to grant planning permission in March 2018. Officers assert that to do so, would have delayed the project and made it unlikely that it could be delivered within the available financial envelope. In our view, this decision was reasonable.

The CPO inspectors decision was presented in a public report dated 3rd May 2019. We note that following this detailed review, the inspector concluded that on balance “there was “a compelling case in the public interest” for the project to continue and therefore that the CPO order would be granted. We have reviewed the inspector’s report and the key supporting evidence, including key depositions from objectors. In our view the report supports our assessment that the Council’s decision making process up to this point was adequately informed and reasonable, based on what was known at the time and the political mandate the administration believed it held.

Local Elections May 2019

In our view, the administration had relied heavily on its success in previous elections, and its large majority, to provide a mandate for the project, particularly in regard to demonstrating ongoing public support. Alternative sources of evidence to demonstrate public support, such as cross party political consensus, a favourable public referendum, residents surveys or other means, were limited. Therefore, the mandate to proceed that had existed was significantly weakened following the election of May 2019. We note that from this point ongoing Full Council support for the project was now in doubt.

Executive Summary – Making informed decisions (continued)

The decision to terminate the project (October 2019)

In our view, the Stage 4 papers presented to the October 2019 Full Council did not reflect a material change in the project sufficient to warrant a change of policy from the Council on technical grounds. The reported increase in projected costs did feature in the debate, and was a contributory factor in the decision. However, on balance our inference is that this decision to terminate the project primarily reflected a change of political policy driven by the democratic process. This process was embodied by the results of the May 2019 local elections which significantly increased the presence of Council members opposed to the project, including those who had campaigned specifically on this point. We do not regard a change of policy as a result of the democratic process to be a matter for the VfM conclusion, and therefore focused on the extent to which Council members were in a position to make an informed decision at this point.

We note that the gross construction cost projected on completion of the project had again increased, following the technical design phase (Stage 4) from £90 million to £108 million and this was a cause of concern for some members. The report gave some explanation for the variances including the consequences of Brexit, the Grenfell disaster and various changes within the UK construction sector. In our view, the increase in cost was clearly disclosed and members were able to consider this in making their decision.

Consideration of strategic consequences

In terms of information provided to members on the strategic consequences of not proceeding to Stage 5, the project's link to the Council 5 year plan had been clearly and consistently referenced in the covering reports. This is true for each stage presented to Full Council, including in October 2019. Therefore in our view, members were in a position to make an informed decision on the strategic consequences in October 2019.

Consideration of the Financial consequences

There was no explicit direct analysis in the decision papers of what the financial implications of cancelling the project would be in terms of sunk costs. However, detailed information on the costs of the project up to Stages 3 and 4 was provided and the covering report highlighted that costs incurred to date were at risk. The minutes show that the cost of a decision not to proceed was explicitly raised in debate and the figure of an £11 million estimated sunk costs, in addition to the cost of maintaining the current Theatre was discussed. In our view, taken as a whole, the decision by members not to approve Stage 5 was therefore adequately informed in terms of the financial consequences. In our view, further specific analysis of the financial implications of cancellation would have been helpful to members at this stage, but its absence was not material to the decision for the reasons set out above.

Subsequent developments

Alternative proposals are in a very early stage of development, and do not yet address some of the key challenges that shaped the decision making around the original project, such as how to make the theatre financial viable in the longer term, and how to fund and manage the reduction in revenue during the development. The alternative development will also take a number of years to design and build, which mean that in the medium term, the financial pressures will continue to draw on Council resources and realisation of potential benefits will be significantly delayed. There is therefore a significant opportunity cost that arises from the decision that the Council will need to manage in future years, in addition to the lack of value derived from the investment made to date.

In March 2020 normal Council operations and committee activity were suspended due to the need to manage the unfolding COVID-19 pandemic crisis. We note that this has forestalled further development of alternative plans for the theatre and civic centre up to the time of this report.

Executive Summary – Sustainable resource deployment

The Council's financial position

The Council was able to approach the issue of the Calverley Square termination from a relatively strong financial position at the point at which it approved the 2020/21 budget and MTFs in February 2020. The Council developed a balanced budget for 2020/21 which was approved by Full Council in February 2020. The updated Medium Term Financial Strategy 2018/19 to 2022/23 (MTFS) was agreed by Full Council on 21 February 2018. We note that in addition to reserves, other financial flexibilities were in place – for example, new homes bonus receipts and growth in business rates over this period are not included in the base position, but could be used to help manage future deficits.

Shortly after the 2020/21 budget had been approved, the UK entered into the COVID-19 crisis and lockdown was imposed on 23rd of March 2020. This has had significant consequences for local government finances and financial planning. Without further direct funding to cover the impact of Covid-19 then the Council projects a potential £8 million in-year budget deficit, including measures to address an accumulated collection fund deficit in 2021/22. This would have to be funded from general and earmarked reserves, if sufficient efficiency savings or service reductions could not be made. The council's base assumptions for COVID-19 impact fall within our expectations for the sector. In our view, the council has undertaken a credible analysis of the financial risk associated with COVID-19 and taken adequate steps to manage this.

The Council has sufficient usable reserves to cover the projected in year deficit and enable a balanced budget to be set for 2021/22, while a longer term solution is found. It is likely that to achieve this, earmarked reserves would have to be repurposed with some needing to be replenished from within the 2021/22 budget. Such measures could have significant implications for the delivery of other council projects, the sustainability of Council services in their current state and the ability to mitigate against other financial risks, such as those associated with a no-deal Brexit.

The financial implications of the Calverley Square decision

The total project expenditure up to the decision to terminate was reported as £10.8 million, which is consistent with the figure of £11 million discussed at Full Council on the 8 October 2019 and the reporting of costs to members in progress reports up to that point. The impact in the 2019/20 accounts will be a reversal of previously capitalised costs of £4.4 million funded from reserves, with a purchased asset of £0.5 million staying in the balance sheet and the remaining £0.8 million also charged to revenue reserves (£5.7 million in total). The remainder of the costs were expensed as revenue in prior years.

In addition to the direct project costs that were forfeited, a number of cost pressures still need to be addressed for key civic sites, that will not now be addressed as part of the project. Management of these costs pressures have been built into the 2020/21 budget and MTFs, and the Council's capital programme. To meet the operational needs of the civic sites additional investment of £1.9 million is identified of which £1.7 million has been included within the revised capital programme budget for 2020/21. The closedown report also refers to the wider economic benefits that have been foregone. We note that up to 362 new jobs and up to an estimated annual £33.2 million of benefit to the economy will not now be delivered from 2022 onwards, based on the independently validated wider economic benefit assessment conducted as part of Stage 3.

Our analysis shows that while the Council's reserve position has been weakened as a result of the decision, the reduction is not sufficient to undermine financial resilience and reserve levels remain comparatively healthy. However, in the light of the projected budget overspend as a result of COVID-19 the Council is not in as strong a position as it would otherwise have been.

Executive Summary – Conclusions

Our conclusion – Making informed decisions

We have reviewed the decisions made by Full Council at each stage of the project, with particular focus on the decision to terminate the project in October 2019. We are satisfied that at each stage members had access to sufficient supporting papers and analysis to make informed decisions. In fact, we note that in many cases the information provided was used by objectors as well as supporters of the project. In addition, we have considered whether the reliance placed on the political mandate as evidence of public support was reasonable, and concur with the CPO inspector that ultimately, Council members are the elected representatives of the public and are entitled to disagree with objections raised by other groups or individuals. Therefore this too falls within the definition of an informed basis for decision. That said, in our view the lack of cross party support or other forms of direct public consultation evidence, left the project vulnerable to a change in political direction, ultimately leading to its termination.

We conclude that members were in a position to make informed decisions and there are no grounds for a qualified VfM conclusion in this regard.

Our conclusion – Sustainable resource deployment

We have reviewed the financial impact of the decision to terminate the Calverley Square project. While we do not believe this has materially undermined the Council's ongoing financial sustainability, it has resulted in the loss of £10.3 million with little or no strategic or financial benefit to residents. We note that the Council has derived some limited benefit through £0.5 million in balance sheet acquisitions and some potential value associated with the planning permission obtained for the future development of the two key sites. However, overall it has weakened the Council's ability to manage the impact of COVID-19 and other financial risks.

We conclude that while the financial impact reflects a significant failure to deliver value to residents, it has not materially undermined the Council's ongoing financial resilience and there are no grounds for a qualified VfM conclusion in this regard.

Recommendations

We have identified 3 high level recommendations for the Council as a result of issues identified from this review. We have presented these recommendations to management and will report on progress during the course of the 2020/21 audit.

- There is a danger that the development of the civic assets and theatre will now stall, and that that associated strategic objectives and ongoing operational and commercial challenges will not be addressed in a timely and cost-effective way. The Council needs to make a decision on the future of the civic assets and theatre in order to meet its strategic objectives and manage the ongoing operational and commercial challenges, taking into account the time it will take to deliver a new project.
- For longer term projects, there is a risk that the public mandate becomes overly reliant on the political situation of the administration, making it more difficult to establish a cross party consensus. For future projects, the Council should consider other forms of public consultation at an early stage to provide a mandate that is less dependent on the political landscape.
- The design of a complex project with distinct elements incorporated under a single planning and procurement decision may restrict the options available to proceed with some elements, if other elements are delayed or cancelled. The Council should consider whether a more modular approach to project phases would provide more flexibility in future.

An action plan for these recommendations is included in Appendix B.

Detailed findings

Making informed decisions – origins and initial stages

Background

The Council owns a significant section of land and buildings in the town centre, including the Civic Centre and the Assembly Hall Theatre in addition to car parks and other associated assets. Collectively these have been initially referred to as the Civic Complex and later as the Calverley Square development.

The Calverley Square development project had been underway for a considerable period of time. The Council has a long standing ambition to regenerate the centre of the town, with a strong cultural offering seen as a key mechanism to drive economic growth. These aspirations were crystallised in the Cultural Strategy 2014-24 and the Council's 5 year plan 2014-2019, approved by Full Council in April 2014. The theatre development was of particular significance as the existing facility was no longer fit for purpose and required investment or larger scale redevelopment in order to be sustainable. It had also been generally acknowledged that the existing civic offices were larger than was needed for the Council in its current form and were no longer fit for purpose.

Initial options appraisal – December 2015

In December 2015, a report and a comprehensive pack of supporting documents were presented to Full Council that considered initial options for the development of the theatre and civic complex. This included a summary of the detailed options appraisal that had been carried out by consultants Bilfinger GVA which shortlisted five options for development, of which three were to be considered in the next phase of development. All three of the remaining options identified the Great Hall Car Park as the preferred site for the new theatre and this was clearly stated in the summary decision paper. The full options appraisal was commercially confidential and therefore access was provided to members but it was not made publicly available.

Full Council resolutions were made agreeing in principle to develop the option of a new theatre alongside the civic centre development project and to proceed with the first evaluation and design phase in line with the proposals outlined in the decision paper. This included agreement for the appointment of a design partner. At this stage the minutes indicate cross party support for the development of the scheme and the option of a new theatre.

Calverley Development Project Stages 1 and 2 – July 2016

The Council had by now adopted the staged development process advocated by the Royal Institute of British Architects (RIBA). In July 2016 the results of the RIBA Stage 1 (Preparation) work were reported to Full Council after review by Cabinet and it was noted that the Council had completed Stage 1 and had now moved into RIBA stage 2 (Concept Design). The information provided to members to support the decision to proceed comprised a detailed decision paper and supporting financial analysis of the projected costs to take the project through to Stage 3 (Detailed Design). This meeting confirmed the preferred option for the development and a resolution was passed that the preferred site for the theatre development would be the Great Hall car park.

The decision was then taken by Full Council to delegate authority to proceed to Stage 3 to the Leader and relevant portfolio holders. It was noted in the minutes that all consultancy fees identified in the report are spent at risk and that they will be abortive costs if the buildings are not developed. At this stage, there was some abstentions and votes against coalescing around party lines. The main points of contention included a perceived lack of detailed financial impact analysis and the choice of site restricting theatre capacity. However, the overwhelming majority of council members voted in favour of the motion to proceed.

The Stage 2 Report included concept design for the elements of the project together with updated cost analysis and financial appraisals. This was presented to the Development Advisory Panel on 20 December 2016 and to an all Member briefing on 16 January 2017, and second briefing prior to the next Full Council meeting with detailed papers made available in the members room.

Decision to proceed to Stage 3 – February 2017

Approval to move into Stage 3 (Detailed Design) had been delegated to the Leader and relevant portfolio holders by Full Council in July 2016, however given the scale of the financial commitment it was taken to Full Council in February 2017. We note that the supporting information had not been included in the Full Council papers, but had been provided to members via the all member briefing.

The minutes indicate that while there were a number of concerns raised resulting in votes against and some abstentions along party lines, we note that there was an element of cross party support at this stage and the motion passed with a large majority.

Making informed decisions – objections to the project

Formal objection to 2016/17 accounts – June 2017

In June 2017 a formal objection to the 2016/17 accounts was submitted to external audit, supplemented by further clarification received in February 2018. The objection raised a number of points relating to the value for money of the Calverley Square development project and requested a public interest report. Principally these related to the extent to which the decision to move to RIBA stage 3 was properly informed, whether alternatives sites and configurations had been considered, whether the projected benefits of the chosen option were deliverable and whether access and transport matters had been properly considered.

In response, a detailed review of the Council's arrangements to manage the project and provide a sound basis for council decisions was undertaken, within the context of the auditors statutory responsibilities in regard to the value for money conclusion and the exercise of other statutory powers.

Objections directed to the Council – July to September 2017

In July 2017 the Council received a petition of over 2,000 signatures that called on the Council to "stop the proposed development of a new theatre and offices in Calverley Grounds and to consider again the redevelopment of the existing Town Hall and Assembly Hall." This was debated at Full Council and a detailed response was provided by the Council. We note that the option to undertake a public referendum on the project was debated at this point but the motion was rejected by a large majority.

In August 2017, the Council published its draft Civic Development Planning Framework and the results of the associated public consultation. The level of opposition from some local groups was debated at Full Council in September 2017. The statistical significance of the responses was questioned due to the relatively low number of responses. The debate covered the fact that there had been significant consultation but the question of a clear mandate from local residents was raised.

The Council's response to objections

We note that in response to the increasing level of political and stakeholder opposition to the project and complaints that there had been insufficient public consultation, the administration made the point that the councillors making up their majority were elected in a representative democracy to represent residents and to make informed decisions on their behalf. We also note that following the agreement to proceed to Stage 3 by Full Council, the administration was able to maintain a large majority in the May 2017 election with the theatre development included as part of the published Council strategy and with the decisions and supporting papers available for scrutiny.

Grant Thornton report on the objection – March 2018

In March 2018, in line with the statutory requirements, a detailed report was provided to the objector in confidence, setting out the appointed auditor's response. The report was taken as evidence in the CPO inspectors investigation early in 2019 and became a matter of public record at that point.

The report concluded that from the perspective of the external audit, there was no grounds for a public interest report. This was on the basis that:

- It did not identify any significant weaknesses in the Council's decision making arrangements.
- The auditor was satisfied that the project was linked to the Council's published strategy.
- There was no indication that the decision was unreasonable
- The decision making reports to have been clear in regard to legal powers, risks and the consideration of the options, noting that a large proportion of the supporting documentation was published in the public domain.
- The governance arrangements had been independently assessed and this had also been reported to the public.

Having revisited the minutes and key decision papers for the project up to the decision to proceed to Stage 3. We remain satisfied that the governance and decision making arrangements for the project up to this point did not raise a significant VfM conclusion risk or provide grounds for a public interest report.

Making informed decisions – the decision to approve Stage 4

Review of Stage 3 - December 2017

In December 2017 the results of the Stage 3 detailed design phase was reviewed by the Cabinet Advisory Boards, Audit and Governance Committee and Cabinet, before being presented to members at Full Council. A comprehensive package of information was provided to members at this stage, the majority of which was put into the public domain.

This included a number of assessments from professional third parties intended to give assurance to members on key aspects of the business case, notably:

- The business plan was prepared by specialist management consultants Bonnar Keenlyside to support the economic case, including the economic benefits of the theatre development.
- Development partners GVA produced a number of reports including the planning framework, procurement strategy and an analysis of alternative uses for assets that would become surplus.

In addition to this, independent assessments were carried out, which included:

- The Chartered Institute of Public Finance Accountants (CIPFA) conducted a review of the financial case and found that the core financial assumptions and financial governance arrangements appear reasonable and sound. They made favourable comments in regard to the quality of the architects, the quality and thoroughness of the pre-tender work, the deliverability of the savings strategy and the prudent financial planning approach taken. They noted that the Council should express more clearly the place shaping benefits of the project, noting that in pure economic terms the projected revenues would not cover the cost of the loan and planned savings would need to be realised as part of the funding model.
- Internal auditors Mid Kent audit carried out a review of project governance and management arrangements and concluded that these were 'strong'.

Full Council decision to proceed to Stage 4 – December 2017

Following the completion of Stage 3 and the option for members to review the supporting papers, a Full Council decision was required to authorise a move into RIBA Stage 4 (Technical Design). A two-phase design and build approach was selected, enabling further review and decision at the end of the first phase before continuing with the second (phase (RIBA stage 5 - Construction). Details of the proposed procurement strategy were provided in the papers in a report compiled by GVA.

The Council decision at this point included agreement to proceed to deliver the project as designed and costed up to Stage 3, appoint contractors to undertake the work and for the projected contractual costs set out in the report to be incurred. The projected gross cost had increased since the estimate at Stage 2, from £83 million to £90 million. The costings for the project were clearly set out, including costs incurred to date. The summary decision paper clearly states that "Full Council note that all consultancy fees identified in the report are spent at risk and that they will be abortive costs if the buildings are not developed". In our view, the information provided to members at this point was comprehensive and the financial commitment that the council was entering into was clear.

Full Council voted to approve the proposal to continue with the scheme based on the design developed during RIBA Stage 3. It is notable that by this stage cross party support had been lost, although there remained a significant majority of members in favour.

In our view the detailed papers provided to members for the review of Stage 3 and the proposals to move to Stage 4 in December 2017 were sufficient for an informed decision to be made. The summary information and the decision paper provided an accessible entry point to the more detailed information, that mitigated the risk of key points being obscured within the detail. In addition, independent assurance provided by CIPFA, Mid Kent Audit and Bonnar Keenlyside helped mitigate the risk of biased reporting or a lack of transparency on finance and governance issues.

Making informed decisions – the planning application

Further developments – January and February 2018

In January 2018 the Council had published a Wider Economic Benefits Assessment (WEBA) report that addressed some of the points raised by CIPFA in regard to expressing the benefits more clearly. This was subject to an independent review by another firm of consultants which validated the substance of the assessment, with some clarifications.

At Full Council in February 2018, consultation feedback on the Civic Development Planning Framework - Supplementary Planning Document (SPD) was received. A schedule of consultation feedback together with the Councils response was provided and debated. The feedback was noted and where the Council deemed it to be relevant, adjustments were fed into the planning process.

Granting of planning application for Stage 4 – May 2018

The next step required planning permission to be proceed through the Planning Committee. Detailed supporting papers were again submitted to the Committee building on those previously aired at Full Council in December 2017. There was a significant level of debate recorded in the minutes. We note that 148 objections, 1 neutral representation and 8 representations of support were received from individual members of the public and individual businesses. We also note that as part of the consultation some objections had been raised from businesses that were located close to the site, however there was also significant evidence of support including a consortium of 50 local businesses, alluding to the positive impact on economic growth.

Planning permission was duly granted by the Planning Committee and the associated Compulsory Purchase Orders (CPO) were submitted for approval by the Secretary of State for Housing, Communities and Local Government. This granted permission for the Council to take possession of private property adjacent to the development site in return for a compensation package.

Further objections to the project - June to December 2018

Over this period the project continued to be delivered in line with the design approved by Full Council in December 2017. Regular updates on progress were received by Overview and Scrutiny Committee.

Due to the formal objections that were lodged following the approval of planning permission in May 2018 and the inclusion of a CPO application as part of that decision, a public inquiry was triggered. A planning inspector was duly appointed to conduct the inquiry scheduled for February and March 2019.

By December 2017 it had become clear that opposition to the scheme had crystallised and this moved into the political arena with the creation of the Tunbridge Wells Alliance party and the election of their first member in May 2018. However, we also note that the administration had maintained a significant majority in that election, which had immediately followed the approval of planning permission. This is significant, as this formed the basis for the Council's mandate to proceed with the project in the face of the objections raised.

We note that an application for judicial review of the decision to grant planning permission was lodged on 26 June 2018 and was rejected by the High Court on 6 August 2019 as the basis of the application was found to "totally lack merit".

The internal audit opinion for 2017/18 was issued with no significant concerns in regard to the Calverley project. We also reviewed the key reports and minutes relating to the project as part of our VfM risk assessment for 2017/18, and later in the year in relation to audit planning for 2018/19, and deemed there to be no significant VfM risk.

Officers and members of the administration continued to have confidence in the project and were not obligated to cease work prior to the results of the public inquiry. The point was made that to do so, would have delayed the project and made it unlikely that it could be delivered within the available financial envelope. In our view, this decision was reasonable.

We completed our audit of the financial statements and reviewed progress in the Calverley Square project as part of our assessment of VfM risks. We were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Making informed decisions – political changes

Public Inquiry February to May 2019

The Public Inquiry reviewed the decision making process for the Full Council decisions to proceed with the project in December 2017 and the decision to grant planning permission in May 2018 in significant detail. It reviewed the key objections, including those around the level of public support and consultation and specific challenges around the design of the scheme, including the selection of the site and the economic benefit projections. The inspector also considered the extent to which public consultation had been adequate and concluded that there had been good public consultation. He noted that the fact that the plans were not necessarily amended did not negate the consultation, stating that Members were elected representatives and appropriate decision makers, and were therefore entitled to disagree with objections.

The CPO inspector's decision was presented in a public report dated 03 May 2019. We note that following this detailed review, the inspector concluded that on balance "there was "a compelling case in the public interest" for the scheme and therefore that the CPO order would be granted. We have reviewed the inspector's report and the key supporting evidence, including key depositions from objectors. In our view the report supports our assessment that the Council's decision making process up to this point was adequately informed and reasonable, based on what was known at the time and the political mandate the administration believed it held.

Local Elections May 2019

We note that the balance of members of the Council changed dramatically in the election of 02 May 2019. The controlling administration suffered a significant erosion of its majority, in favour of opposition parties, including the loss of the seat of the Leader of the Council. The extent to which public dissatisfaction with the Calverley project was the key driver of these results is unclear, however it is notable that the Tunbridge Wells Alliance gained a number of seats as they had specifically campaigned in opposition to the project.

The administration had relied heavily on its success in previous elections, and its large majority, to provide a mandate for the project, particularly in regard to demonstrating ongoing public support. Alternative sources of evidence to demonstrate public support, such as cross party political consensus, a favourable public referendum, residents surveys or other means, were limited. Therefore in our view, the mandate to proceed that had existed was significantly weakened following the election of May 2019. We note that from this point ongoing Full Council support for the project was now in doubt.

Developments June to September 2019

An Extraordinary Full Council meeting was held on 17 June 2019 and a motion was passed to require Full Council to decide whether it wishes to proceed to RIBA stage 5 (the construction stage of Calverley Square). Cabinet was also requested to stop all new expenditure on the Calverley Square project with immediate effect, not enter into further commitments, to enable an orderly consideration of alternative proposals". No new information had been provided to members at this point and the decision appears to have been based on previously published reports.

We concluded our external audit for 2018/19 including consideration of the Calverley Square project up to Stage 4 as part of our VfM conclusion. We were satisfied that the Council had put in place robust governance arrangements for the project and that in all significant respects the Council had established proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

At Full Council in July 2019 a further motion was passed to request that Cabinet confirm that all new spending from all budgets and reserves on Calverley Square is stopped and to instruct staff for a comprehensive update on Calverley Square commitments and penalties.

The meeting minutes indicate that on 01 August 2019, Cabinet agreed to complete RIBA Stage 4 and not to commit any further sums to the project until it has received the detailed designs and project costings associated with RIBA Stage 4 which was approved in December 2017. The Leader had already written to and met with opposition groups and agreed to postpone any decision until information on the RIBA Stage 4 designs, construction cost and future of the existing Civic Complex had been received, and invited ideas on how the Council can improve its engagement in this area. They also agreed to consultation on alternative options and that costs and liabilities would be updated as part of the completion of the Stage 4 papers. It is clear that by this stage the costs had already been committed and it was deemed sensible by Cabinet for Stage 4 to be reviewed as a completed phase at full Council in October 2019.

The presentation of the RIBA Stage 4 reports and the decision to proceed to Stage 5 was due for the Full Council meeting on 25 September, but this was adjourned to a Full Council meeting on 8 October, due to insufficient time available for debate.

Making informed decisions – the decision not to proceed

Full Council meeting October 2019

A decision paper was presented to Full Council on 08 October 2020 to update on the current status at the end of Stage 4 (detailed technical design). The paper went on to set out the information to make an informed decision to proceed to Stage 5 (Construction). The Council was asked to consider the proposals submitted by the construction contractor, confirm the funding strategy and to proceed to deliver the development and its associated economic benefits.

Members were provided with a detailed report, that summarised the contents of the full RIBA stage 4 report and set out the proposed plan for Stage 5. This was supported by a large number of appendices which included detailed reports on the design for stage 5, feasibility of the Civic Centre complex proposals, and the project financials. Also supplied was a summary of Council decisions to date, the CPO Inspectors report among other comprehensive supporting information.

We note that the gross construction cost projected on completion of the project had again increased, following technical design (Stage 4) from £90 million to £108 million and this was a cause of concern for some members. The report gave some explanation for the variances including the consequences of Brexit, the Grenfell disaster and various changes within the UK construction sector. In our view, the increase in cost was clearly disclosed and members were able to consider this in making their decision.

The decision by Full Council

Following the debate a motion to proceed with the project as planned was not carried, by a significant majority of Council members. Although not explicitly recognised at this meeting, there was sufficient information to make it clear to members that this was a de-facto decision to cancel the project in its intended form, as was subsequently recognised by Cabinet.

In our view, the Stage 4 papers presented to the October 2019 Full Council do not reflect a material change in the project sufficient to warrant a change of policy from the Council on technical grounds. The reported increase in projected costs did feature in the debate, and was a contributory factor in the decision. However, on balance our inference is that this decision to terminate the project primarily reflected a change of political policy driven by the democratic process. This process was embodied by the results of the May 2019 local elections which significantly increased the presence of Council members opposed to the project, including those who had campaigned specifically on this point. We do not regard a change of policy as a result of the democratic process to be a matter for the VfM conclusion, and therefore have focused on the extent to which Council members were in a position to make an informed decision at this point.

Making informed decisions – information provided to members

Information provided to members – Strategic consequences

In terms of information provided to members on the strategic consequences of not proceeding to Stage 5, the project's link to the Council 5 year plan had been clearly and consistently referenced in the covering reports. This is true for each stage presented to Full Council, including for October 2019. Therefore in our view, members were in a position to make an informed decision on the strategic consequences of the decision not to proceed with the development.

The covering report to Full Council in October 2019 sets out how the Calverley project supports a number of the key objectives of the 5 year plan, including (i) a Prosperous Borough, (ii) a Green Borough and (iii) a Confident Borough. The report goes on to revisit the options facing the Council and re-iterates that the option to do nothing, would mean that the Council would not deliver its strategic objectives set out in its Five Year Plan and Cultural Strategy or deliver the benefits associated with an improved theatre to the local economy.

The minutes show that the barriers to developing the current theatre site as an alternative option were re-iterated in the debate, i.e. the need to temporarily close the theatre for an extended period, the implications this would have for various local groups and the lack of additional revenue generation needed to fund the required borrowing. The documents supporting the business case also set out in detail the strategic benefits, including aspects such as place shaping.

Information provided to members – Financial consequences

In terms of providing information on the financial consequences of a decision not to proceed, the summary report paper included a paragraph that indicated the detailed development work up to the end of this stage remained at financial risk, subject to a decision to proceed. Similar statements had been made consistently in previous submissions to Full Council at each stage of the decision making process.

The Committee report entitled Calverley Square Project Financials set out development costs incurred to date of £4 million up to Stage 3 and outlined a further £5 million for Stage 4, in addition to some other smaller amounts. Two confidential papers were shared with members at this time that set out the cost and contractual implications of delaying or deferring the project by 3 months or more. These indicated that delay was not a feasible option, either in terms of contractual deliverability or affordability.

There was no explicit direct analysis of what the financial implications of cancelling the project would be included in the decision papers. However, detailed information on the costs of the project up to Stages 3 and 4 were provided and the covering report highlighted that costs incurred to date were at risk. The minutes show that the cost of a decision not to proceed was explicitly raised in the debate and the figure of £11 million estimated sunk costs was discussed, in addition to the cost of maintaining the current theatre. In our view, taken as a whole, the decision by members not to approve Stage 5 was therefore adequately informed in terms of the financial consequences.

The risk of undermining the Council's credibility as a development partner was also highlighted. Although not directly articulated in the papers, it was implicit within this analysis that a failure to approve Stage 5 at the October Full Council meeting would equate to a decision to cancel the project.

Making informed decisions – subsequent developments

The cross party working group – alternative options

Following the decision not to approve Stage 5 of the project an alternative motion was passed at the October 2019 Full Council meeting to instruct a Cross-Party Group to examine the business case and other aspects, for alternative options for the development. This was instructed to report to Full Council in December 2019.

The interim report of the cross party working group was duly delivered in December 2019 and provided a high level outline of a new development project that had cross party support. The new proposed scheme is focused on a city centre campus and the “Tunbridge Wells New Quarter” concept to drive economic benefits.

We note the recognition that the Council still faced many of the same strategic challenges that the Calverley Square project had been intended to address, including:

- Town Hall buildings which do not suit the Borough Council’s current needs.
- The Assembly Hall which faces a significant maintenance bill.
- Mount Pleasant car park site could be used more effectively
- Great Hall car park site, needing significant repair and more effective use.

Further details on the ongoing financial pressures are covered on page 20 of this report.

We note that other than in regard to the choice of site and design of the new theatre, which were integral to the original development and the main source of contention, in other regards the alternative scheme being proposed retains many common features with the original scheme. However, there has been a change of emphasis in regard to the following aspects, which demonstrates a desire to learn from the experience:

- Greater focus on utilising existing land and buildings.
- Greater emphasis on maintaining ongoing stakeholder support and buy in.
- Phasing to allow individual elements to be delivered independently over time.
- The intention to allow greater flexibility to enable plans to be adapted over time.

Implications for the future

Alternative proposals are in a very early stage of development, and do not yet address some of the key challenges that shaped the decision making around the original project, such as how to make the theatre financial viable in the longer term and how to fund and manage the reduction in revenue during the development. Economic growth was already one of the core objectives of the project and, in the context of COVID-19, job creation and increased revenue generation will continue to be of great strategic importance to the Council.

We note that the way in which the project was designed, how the delivery phase was procured and the nature of the planning permission obtained, has made it difficult to separate individual elements. Therefore the Council has limited options in regard to discontinuing some aspects such as the theatre, but proceeding with other elements. We acknowledge that the need for this flexibility may have been difficult to anticipate in the early stages of the project.

The alternative development will also take a number of years to design and build, which mean that in the medium term, the financial pressures will continue to draw on Council resources and realisation of potential benefits will be significantly delayed. There is therefore a significant opportunity cost that arises from the decision that the Council will need to manage in future years, in addition to the lack of value derived from the investment made to date.

Further developments

In February 2020, Cabinet noted the confirmed closure of the Calverley Square project and received a project closedown report. This included information on the expiry period for the planning permission and CPO and the cancellation of third party contracts and enabling works relating to the scheme.

In March 2020 normal Council operations and Committee activity were suspended due to the need to manage the unfolding COVID-19 pandemic crisis. We note that this has forestalled further development of alternative plans for the theatre and town hall up to the time of this report.

Sustainable resource deployment – the financial context

The Council's underlying financial position

The Council was able to approach the issue of the Calverley Square termination from a relatively strong financial position at the point at which it approved the 2020/21 budget and MTFS in February 2020.

The Council has a good track record of financial management and began the financial year 2019/20 with a balanced budget and a healthy level of reserves in comparison to other Kent district councils. The Council is primarily funded by council tax and income from fees and charges, supplemented by retained business rates and a limited amount from specific government grants.

For the financial year 2018/19 the Council reported a net cost of services of £19.1 million, generating a net surplus. This had enabled a contribution to general fund and earmarked revenue reserves of £2.9 million providing an opening reserves balance (excluding capital grants and receipts) of £19.6 million at the start of the current year 2019/20.

For the financial year 2019/20 the Council reported a net cost of services of £24.7 million, an increase of £5.6 million. This contributed to an in year deficit and a net reduction of general fund and earmarked reserves of £4.3 million, leaving a closing reserves balance of £15.4 million (excluding capital grants and receipts). The deficit was primarily driven by the impact of the decision to cancel the Calverley Square project, including £4.4 million of previously capitalised cost now treated as revenue through reserves, and we note that the initial stages of the COVID-19 crisis had relatively little impact at this point. We also note that aside from the exceptional cost caused by the cancellation of the project, the Council had delivered to budget overall in 2019/20.

The original medium term financial strategy (Pre-COVID-19)

The Council developed a balanced budget for 2020/21 which was approved by Full Council in February 2020. The updated Medium Term Financial Strategy 2018/19 to 2022/23 (MTFS) was agreed by Full Council on 21 February 2018.

The MTFS projected that prior to COVID-19, a funding gap of £5.4 million was likely to emerge over the next 5 years to 2025/26 as a result of inflationary and other pressures, if no further action were taken in the intervening years. However, this shortfall built incrementally and there was no further gap to close in 2020/21 and the gap of £545k in 2021/22 and should be manageable through limited savings or an increase in income.

We note that in addition to reserves, other financial flexibilities are in place – for example, new homes bonus receipts and growth in business rates over this period are not included in the base position, but could be used to help manage future deficits.

Sustainable resource deployment – COVID-19

The financial impact of COVID-19 on district councils

Shortly after the 2020/21 budget had been approved, the UK entered into the COVID-19 crisis and lockdown was imposed on 23 March 2020. This has had significant consequences for local government finances and financial planning.

In terms of the national picture, we have seen district councils across the UK incurring additional costs associated with organising a local response in co-ordination with the county council and putting into effect temporary accommodation for homeless people. It has also impacted on the cost of continuing services such as waste collection. At the same time, lockdown also significantly reduced service income in areas such as culture and leisure and parking, planning and commercial and social rents.

The government has provided a package of emergency financial measures to support councils, including un-ringfenced emergency funding allocations, specific allocations, such as for homelessness and council tax support schemes, The package also includes a re-imburement scheme for lost fees and charges income and measures to mitigate cashflow issues, such as the use of Section 31 grant to cover the cost of suspending selected business rate payments in 2019/20. This is alongside further support provided to social care providers and local businesses. The feedback from councils through various channels, such as the Local Government Association (LGA) and the District Councils Network (DCN) has generally been that while these measures have been welcome, they are not likely to fully close the resulting gap between budgeted net service expenditure and income in the medium term.

As lockdown eases, the cost pressures are expected to reduce, but it is likely that costs and income will take some time to recover to pre COVID-19 levels. The biggest impact is likely to be in regard to Council tax, where increased hardship and unemployment is likely cause arrears and to increase those qualifying for Local Council Tax Support Schemes. Together with reduced business rates from failed businesses, significant collection fund deficits are likely to accrue during 2020/21 that will have to be repaid over the next three years. It is expected that further support will come from government, but this has not been confirmed and councils are not able to place reliance on this to mitigate their financial risk.

The impact of COVID-19 on the Council's financial position

The Council has prepared an initial analysis of the implications of COVID-19 for the delivery of the 2020/21 budget and the updated MTFS.

In June 2020 the Council was projecting an initial adverse cost pressure of £1 million per month from April to July, reducing to to £750,000 for August to November and then £500,000 per month from December to March 2021. Emergency funding provided by government of £1.2 million mitigated the cost pressures that accrued in March and April 2020. Without further direct funding to cover the impact of Covid-19 then the Council projected a potential £8 million in-year budget deficit, including measures to address an accumulated collection fund deficit in 2021/22. This would have to be funded from general and earmarked reserves, if sufficient efficiency savings or service reductions could not be made. The Council's base assumptions for COVID-19 impact fall within our expectations for the sector. In our view, the Council has undertaken a credible analysis of the financial risk associated with COVID-19 and taken adequate steps to manage this.

We note that since this analysis was produced, a further financial support package was announced by MHCLG in early July 2020. This includes a further tranche of emergency funding and a compensation scheme for lost fees and charges. The exact allocations have yet to be worked through but it is expected to significantly improve the Council's post COVID-19 outturn position for 2020/21.

The Council has sufficient usable reserves to cover the projected in year deficit and enable a balanced budget to be set for 2021/22, while a longer term solution is found. If the latest support package from government is not sufficient to close the funding gap, it may be necessary to consider whether current earmarked reserves could be repurposed with the possibility of replenishing them from the 2021/22 and future budgets. Such measures could have significant implications for the delivery of other Council projects, the sustainability of Council services in their current state and the ability to mitigate against other financial risks, such as those associated with a no-deal Brexit.

We also note that that the Council has established a Covid-19 Panel as a working group of the Cabinet to manage and monitor the impact of the pandemic. This demonstrates an appropriate appreciation of the additional governance and scrutiny that will be required to manage the situation.

Sustainable resource deployment – cost of the decision

Project closedown costs – February 2020

In February 2020, Cabinet reviewed a project closedown report for the termination of the Calverley Square project. This report set out the consequences of the decision through a number of different lenses (planning, legal, procurement, enabling works, asset management), in addition to the financial implications. Further detail was provided in the Quarter 4 outturn report for 2019/20 reviewed by the Overview and Scrutiny Committee in June 2020.

The total project expenditure up to the decision to terminate was reported as £10.8 million, which is consistent with the figure of £11 million discussed at Full Council on the 8 October 2019 and the reporting of costs to members in progress reports up to that point.

Description	Value	Explanation
Expenditure charged to the revenue budget (Stages 1-3)	£5.1m	Expensed to Comprehensive income and expenditure Statement (CIES).
Expenditure capitalised as assets under construction (Stage 4)	£5.7m	Recorded on the balance sheet to be gradually depreciated in future years.
Total abortive costs	£10.8m	Total cash outflow for the project
Less: property acquisition	-£0.5m	Value is retained in this property.
Less: already charged to revenue	-£5.1m	Costs already paid for in prior years.
Total revenue cost to be funded from reserves	£5.2m	Remaining costs transferred from the balance sheet to be charged the CIES.
Funded from Calverley Square earmarked reserve	-£1.3m	Reserve set aside from annual budget contributions to manage project risks.
Funded from other earmarked reserves	-£1.8m	Additional earmarked reserves that were able to be made available.
Funded from unallocated general fund	-£2.1m	Drawdown on unallocated resources available to manage unplanned risk.
Residual total to be funded	£0	Costs have been fully funded.

Additional financial implications of the decision

In addition to the direct project costs that were forfeited, a number of cost pressures still need to be addressed for key civic sites, that will not now be addressed as part of the project. Management of these costs pressures have been built into the 2020/21 budget and MTFs, and the Council's capital programme. To meet the operational needs of the civic sites additional initial investment of £1.9 million has been identified of which £1.7 million has been included within the revised capital programme budget for 2020/21.

- The Calverley Square project had been intended to address longstanding asset maintenance issues with both the town hall and theatre buildings. Urgent works totalling £0.9 million have been included in the Capital budget for 2020/21 and the longer term costs are currently being calculated.
- The Great Hall car park requires £0.6 million of capital investment in 2020/21, rising to £0.9 million to keep operational up to 2025 pending a decision on its longer term future. The future of the Mount Pleasant car park is currently being decided. Both car parks have planning permission for development that could enhance their value.
- The Council's Asset Management Plan includes a further £6.8 million of planned maintenance costs associated with the Town Hall and Assembly Hall theatre over the next 10 years, reflecting its age and condition.

We note that this investment is principally associated with extending the life of assets at the end of their useful life that are likely to be replaced or disposed of within the next few years, rather than contributing to the investment in new assets as had been intended under the Calverley Square project.

The closedown report also refers to the wider economic benefits that have been foregone. We note that up to 362 new jobs and up to an estimated annual £33.2 million of benefit to the economy will not now be delivered from 2022 onwards, based on the independently validated wider economic benefit assessment conducted as part of Stage 3.

Sustainable resource deployment – reserve levels

Analysis of reserves

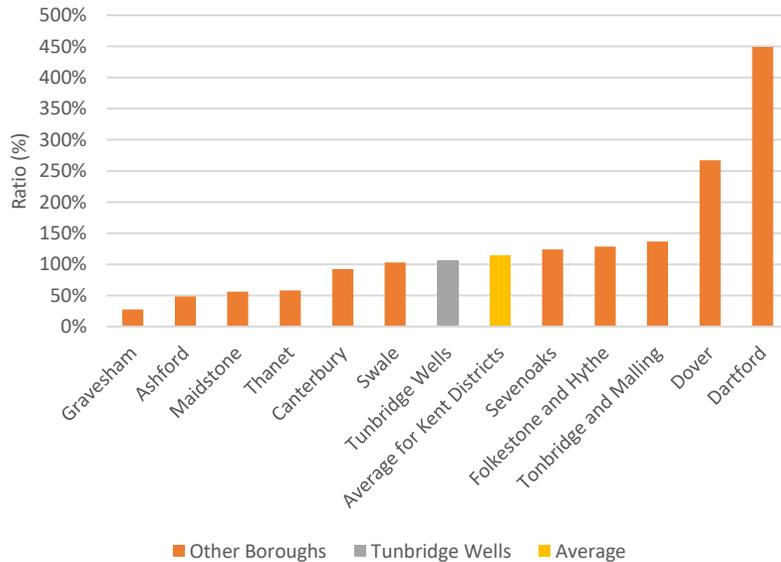
We have looked at the level of general fund and earmarked reserves as a key measure of financial resilience. This excludes capital grants and receipts reserves as their use to fund revenue pressures is restricted. Data on reserve levels for 2019/20 is not yet available, however analysis of the level of opening reserves at 01 April 2019 shows that prior to the decision, the Council’s reserve position as a proportion of net expenditure was close to the average for Kent district councils. Note that Kent districts maintain a relatively high proportion of reserves on average, when compared to other types of councils in England. This placed the Council in a comparatively sound position to manage future risks such as those arising from a Brexit no deal or unforeseen events such as the COVID-19 pandemic.

Impact on reserves of the decision to cancel Calverley

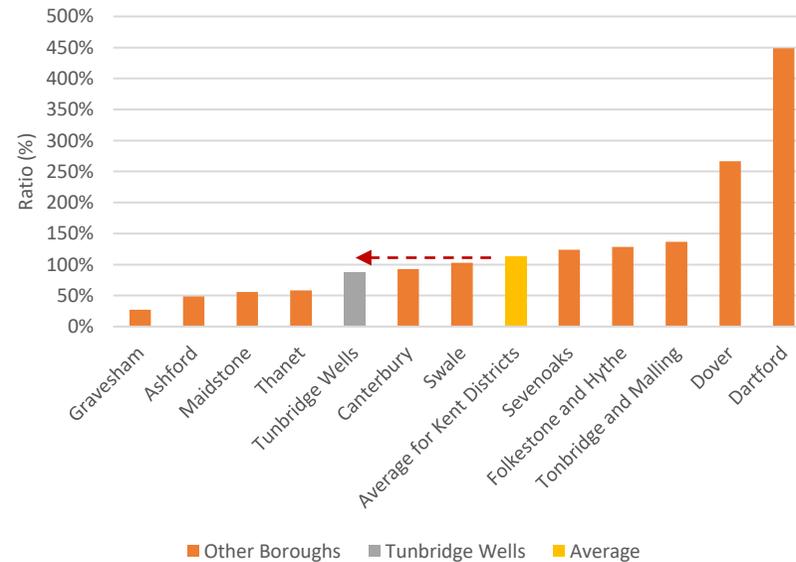
We have then adjusted the Council’s reserve position to reflect the reduction reported in the 2019/20 accounts, that was primarily a result of the decision not to proceed with the project and the resulting need to fund Calverley Square Stage 4 design costs that could no longer be capitalised on the balance sheet as assets under construction. For the purposes of this analysis, it is assumed that other Kent districts maintain their reserve levels into 2019/20.

Our analysis shows that while the Council’s reserve position has been weakened as a result of the decision, the reduction is not sufficient to undermine financial resilience and reserve levels remain comparatively healthy. However, in the light of a projected budget overspend as a result of COVID-19 the Council is not in as strong a position as it would otherwise have been.

General fund and earmarked general fund reserves as a percentage of net service revenue expenditure 2018/19



General fund and earmarked general fund reserves as a percentage of net service revenue expenditure 2018/19 – Adjusted.



Appendix

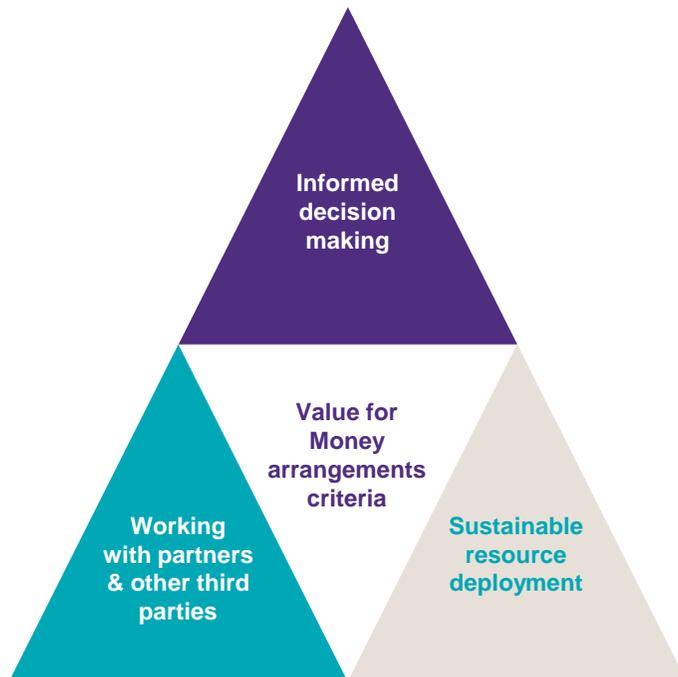
Appendix A - Our approach to the Value for Money conclusion

Background to our VFM approach

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January and February 2020 and identified two significant VfM risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 09 March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were work we have undertaken against the two areas we highlighted to you in our Audit Plan:

- the governance arrangements in place to make an informed decision in October 2019 (informed decision making)
- adapting your medium-term financial plan to reflect the impact of the decision on your financial position (sustainable resource deployment).

We have set out more detail including the conclusions we drew from this work in this report.

Appendix B - Action plan

We have identified 3 high level recommendations for the Council as a result of issues identified during this review. We have presented our recommendations to management and will report on progress during the course of the 2020/21 audit.

	Assessment	Issue and risk	Recommendations
1	 High Priority	There is a danger that the development of the civic assets and theatre will now stall, and that that associated strategic objectives and ongoing operational and commercial challenges will not be addressed in a timely and cost effective way.	The Council needs to make a decision on the future of the civic assets and theatre in order to meet its strategic objectives and manage the ongoing operational and commercial challenges, taking into account the time it will take to deliver a new project.
2	 Medium priority	For longer term projects, there is a risk that the public mandate becomes overly reliant on the political situation of the administration, making it more difficult to establish a cross party consensus.	For future projects, the Council should consider other forms of public consultation at an early stage to provide a mandate that is less dependent on the political landscape.
3	 Medium Priority	The design of a complex project with distinct elements incorporated under a single planning and procurement decision may restrict the options available to proceed with some elements, if other elements are delayed or cancelled.	The Council should consider whether a more modular approach to project phases would provide more flexibility in future.

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice



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