



CROYDON

Final Internal Audit Report

Growth Zone – Performance Management and Benefits Realisation

March 2020

Distribution: Executive Director Place (Final only)
Director of Growth, Employment and Regeneration
Programme Manager – Growth Zone

Assurance Level	Identified Issues	
Substantial Assurance	Priority 1	0
	Priority 2	4
	Priority 3	0

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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3. Statement of Responsibility

1. Introduction

- 1.1 A partnership between Central Government, Croydon Council, the Greater London Authority and Transport for London, called the 'Growth Zone', is overseeing a £5.25 billion infrastructure investment programme including creating 23,500 new jobs and construction of 8,000 homes in the town centre by 2031. A 12-year, £525m programme of work has already commenced to ensure Croydon is ready for the construction and increasing numbers of people living in, working in, and visiting the area.
- 1.2 The 'Croydon Growth Zone: Delivery Plan and Programme' dated February 2018 by Peter Brett Associates LLP detailed the benefits and justification for the programme. This also detailed that the Croydon Assessment and Sifting Tool (CAST) model had been agreed by Croydon Council, GLA and TfL and the following sequential prioritisation had been used to assess schemes within the programme:
- Impact on business rates in the Croydon Growth Zone;
 - Impact on economic growth in the Croydon Growth Zone;
 - Impact on wider economic growth; and
 - Expected benefit cost ratio category.
- 1.3 Since August 2019, interim management arrangements have been in effect following the departure of the previous Growth Zone Programme Director.
- 1.4 This audit is part of the Internal Audit Plan for 2019-20 as agreed by the General Purposes and Audit Committee. The objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

- 2.1 It is acknowledged that the 'Growth Zone' is still in the early stages of its 12 year programme and, as such, the issues identified in this report have not been reported as significant, however, if these are not resolved these will limit any future reports.

Priority 2 Issues

The 'Communications Strategy - Croydon Growth Zone; a Five Year Programme' had not been formally approved and was still in draft. **(Issue 1)**

The Terms of Reference to the Construction and Logistics, Place and Public Realm, and Transport and Parking Sub-Groups did not specify how frequently the Sub-Groups were required to meet and included members no longer employed by the Council. **(Issue 2)**

While the 'Croydon Growth Zone Year in Review 2018/19' provided an update on progress during 2018/19, there was a lack of evidence of general performance across Growth Zone areas being quantified and compared to targets of what the Council set out to achieve in 2018/19. **(Issue 3)**

The performance of the Growth Zone Programme has not been reported back the Cabinet for over 12 months. **(Issue 4)**

No Priority 3 issues were identified.

3. Actions and Key Findings/Rationale

<u>Control Area : Governance</u>						
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 1				
2	<p>The Communications Strategy is an overarching programme document, this will change throughout the course of the journey. Work is already underway with a refresh new look for the website. Bespoke communication plans are drafted for corridor and Fairfield projects. Recent meeting held with LBC officers and GLA/TfL have approved the recent version which will be formalised at the next working group.</p>	<p>The Croydon Programme Management Handbook, section ‘13.3 The Engagement and Communications Activities’ details that, <i>‘Once stakeholders have been identified and analysed it is essential to think about the best way to address their concerns, aspirations and ideas and how to communicate important information to them’.</i></p> <p>It was established that a ‘Communications Strategy - Croydon Growth Zone: a Five Year Programme’ dated May 2017 had been drafted but not approved.</p> <p>This Strategy detailed that, <i>‘This primary communications strategy for Croydon’s growth zone programme aims to ensure that the key stakeholders are actively informed throughout this period of huge transformation’</i> and that communication of the 39 projects would be delivered under three key themes, namely Transport and access; Public Realm and Social Infrastructure. The Strategy also details that, <i>‘The council’s website will be the central hub for information on the programme. A section will be set up within the Delivering for Croydon existing area of the website https://www.croydon.gov.uk/planningandregeneration/regeneration/delivering-for-croydon.’</i></p> <p>Examination of the Council’s website was unable to locate much detail on the progress in delivering the Growth zone programme.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Programme Manager – Growth Zone</td> <td>April 2020</td> </tr> </tbody> </table>	Responsible officer	Deadline	Programme Manager – Growth Zone	April 2020	<p>Where the Communications Strategy is operational without formal approval, there is an increased risk the strategy is inadequate in meeting the overall objectives of the Growth Zone and its integration to the community.</p>
Responsible officer	Deadline					
Programme Manager – Growth Zone	April 2020					

<u>Control Area : Governance</u>						
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 2				
2	ToR's are being refreshed by each sub-group lead. These will be completed within the month and available for review via SharePoint. These will also be tabled at each subgroup meeting for approval and endorsement. A regular 6 month frequency has now been instructed for each lead to actively review workstream ToR's to ensure they capture up to date information and attendees. Construction Logistics has already been updated following the audit review.	<p>The Croydon Programme Management Handbook, section '11.3 Programme organisation structures and decision making' details that, '<i>An organisation chart along with details of membership and roles of each board and team, and Terms of Reference may also be required by the Sponsoring Group. The roles details should include details on the authority of each role or team to make decisions.</i>' Formal terms of reference helps ensure that members of boards, committees and sub-groups are aware of their objective, as well as defining the frequency of these meetings, the membership, quorum and voting rights.</p> <p>It was confirmed that Terms of Reference (ToR) were in place for the various sub groups and boards set up for the growth zone programme; however, examination of these ToR identified that:</p> <ul style="list-style-type: none"> • The ToR for the Construction and Logistics, Place and Public Realm, and Transport and Parking Sub-Groups did not define the meeting frequency; and • The membership of the Energy/Smart City; Construction and Logistics; Place and Public Realm and Transport Sub-Groups and the Growth Zone Major Development Board all included staff no longer employed by the Council. <p>Where the frequency of meetings is not established and the memberships boards and sub-groups are not reviewed and updated to reflect current working arrangements, there is a risk that meetings do not occur with sufficient frequency and that members of staff whose attendance would be necessary for the Board or Sub-Group to achieve its objectives are not present at meetings and therefore do not provide insight for effective decision-making.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Programme Manager – Growth Zone</td> <td>April 2020</td> </tr> </tbody> </table>	Responsible officer	Deadline	Programme Manager – Growth Zone	April 2020	
Responsible officer	Deadline					
Programme Manager – Growth Zone	April 2020					

Control Area : Performance Monitoring						
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 3				
2	As the programme is in its early stages of its journey, benefit profiling target levels will be set to ensure there is a metric to measure correctly. The 19/20 annual report will capture these measures. The GZ first delivery service plan (DSP) will be reviewed and updated annually, as well as the Infograph which references themes under delivery which identifies key tools to measure the success of the delivery of schemes.	<p>The Croydon Programme Management Handbook, section ‘7.2 Managing and Realising Benefits’ details that, <i>‘Benefits management and realisation is a core element of programme and change management. It provides a systematic approach to identifying, defining, tracking, realising, optimising, reviewing and communicating benefits, during and beyond a programme’</i> and that, <i>‘The objectives of putting in place processes to manage and realise benefits in a structured way include: Ensuring benefits are tracked and recorded, and that achievements are properly recognised.’</i></p> <p>A copy of the ‘Croydon Growth Zone Year in Review 2018/19’ was provided which confirmed that progress to date had been published and included performance figures such as:</p> <ul style="list-style-type: none"> • 60 cultural events in the town centre; • 50 businesses engaged; • 690 town centre job/training starts via Croydon Works; • 13 air quality monitoring devices installed at construction sites; • 81% of visitors to cultural events and activities found the town centre an entertaining and attractive place to visit; • -5.2% footfall in town centre compared to 2017/18; and • 800K attendance at cultural events in the town centre. <p>While ‘Section 5 Social Infrastructure’ of the document reported performance via the use of metrics against specific targets, there were no other examples of how performance across Growth Zone areas (such as Transport, Parking, Energy, and Culture) had been quantified and compared to targets of what the Council set out to achieve in 2018/19.</p>				
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Responsible officer</th> <th style="width: 50%;">Deadline</th> </tr> </thead> <tbody> <tr> <td>Programme Manager – Growth Zone</td> <td>May 2020</td> </tr> </tbody> </table>	Responsible officer	Deadline	Programme Manager – Growth Zone	May 2020	Where performance is not quantified and reported relative to established targets, there is an increased risk the extent of positive performance is not communicated effectively resulting in readers of the annual report, and the wider public, being
Responsible officer	Deadline					
Programme Manager – Growth Zone	May 2020					

		unaware of the relative performance of the Growth Zone, which ultimately prevents the Council from reaching its potential in terms of overall engagement.
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Control Area : Management Reporting						
Priority	Action Proposed by Management	Detailed Finding/Rationale – Issue 4				
2	The Scrutiny Report that went to cabinet in October 2019 and the latest Cabinet report in February 2020 (including amended governance structure as Appendix 2) have informed Cabinet of our current position across the programme. In addition to such the annual meeting of the Major Development Board took place December 2019.	<p>The governance arrangements for the growth zone programme were agreed by an executive decision made by the Cabinet Member for Homes Regeneration and Planning on 20 July 2017. These included a reporting line of the 'Croydon Growth and Mayor Development Board' to LBC Cabinet.</p> <p>Since this approval of the governance arrangements on 20 July 2017 changes have been made to the governance structure including the addition of a 'Growth Zone Working group' and 'Growth Zone Team'. Examination of Cabinet minutes subsequent to 20 July 2017 was unable to confirm that any changes to the governance structure had been formally approved by Cabinet.</p> <p>Examination of Cabinet minutes since the last update report on the Growth Zone that went to Cabinet on 15 October 2018 was unable to identify any reports in the last 12 months where an in depth update had been provided to the Cabinet regarding the delivery of the Growth Zone.</p> <p>Where changes to the governance structure and regular reports on the delivery on the Growth Zone are not provided to the Cabinet, there is an increased risk of reduced Cabinet oversight that limits their ability to implement changes necessary to improve Growth Zone performance and achieve objectives.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Programme Manager – Growth Zone</td> <td>N/a</td> </tr> </tbody> </table>	Responsible officer	Deadline	Programme Manager – Growth Zone	N/a	
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TERMS OF REFERENCE

Growth Zone – Performance Management and Benefits Realisation

1. INTRODUCTION

A partnership between Central Government, Croydon Council, the Greater London Authority and Transport for London, called the 'Growth Zone', is overseeing a £5.25 billion infrastructure investment programme including 23,500 new jobs and 8,000 homes in the town centre by 2031. A 12-year, £525m programme of work has commenced to ensure Croydon is ready for the construction and increasing numbers of people living in, working in, and visiting the area.

Since August 2019, interim management arrangements have been in effect following the departure of the previous Growth Zone Programme Director.

This audit is part of the Internal Audit Plan for 2019-20 as agreed by the General Purposes and Audit Committee.

2. OBJECTIVES AND METHOD

The overall audit objective of this audit is to provide an objective independent opinion on the adequacy and effectiveness of the control environment with regards to the Performance Management and Benefits Realisation of the Growth Zone.

In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate audit testing.

The key findings, conclusions, and subsequent recommendations arising will be discussed with management at an exit meeting, followed by the circulation of a draft report for consideration, prior to agreement and issue of the final audit report.

3. SCOPE





This audit examined the Council's arrangements in relation to the Growth Zone, and include the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Operational and Management Requirements	0	0	0
Governance Arrangements	0	2	0
Identification of Infrastructure Schemes	0	0	0
Delivery Plan	0	0	0
Performance Monitoring	0	1	0
Budget Monitoring	0	0	0
Benefits Realisation	0	0	0
Management Reporting	0	1	0
TOTAL	0	4	0

DEFINITIONS FOR AUDIT OPINIONS AND IDENTIFIED ISSUES

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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