

REPORT TO CABINET

Open/Exempt		Would any decisions proposed :		
Any especially affected Wards	Mandatory/	Be entirely within Cabinet's powers to decide	YES/NO	
	Discretionary/	Need to be recommendations to Council	YES/NO	
	Operational	Is it a Key Decision	YES/NO	
Lead Member: Cllr Brian Long E-mail: Cllr.Brian.Long@west-norfolk.gov.uk		Other Cabinet Members consulted:		
Lead Officer: Ray Harding E-mail: ray.harding@west-norfolk.gov.uk Direct Dial:01553 616 671		Other Members consulted: Cllr Jim Moriarty, Cllr John Collop		
Other Officers consulted:				
Financial Implications YES/NO	Policy/Personnel Implications YES/NO	Statutory Implications YES/NO	Equal Impact Assessment YES/NO If YES: Pre-screening/ Full Assessment	Risk Management Implications YES/NO

Date of meeting: 18th June 2019

KLIC EXTERNAL ENQUIRY – TERMS OF REFERENCE, SELECTION OF CHAIR

Summary

This report responds to the Council's decision of 26th March That the Council establish an independent inquiry into the partnership with Norfolk and Waveney Enterprise Services (NWES) and its subsidiaries and associated companies and those with common shareholders or directors, regarding the award of and administration of the KLIC project and all aspects of its (their) financial relationship with the Borough Council of King's Lynn and West Norfolk.

To ensure the impartiality and independence of the Inquiry, the Chair and personnel of such an Inquiry to be chosen by an outside body, such as the Local Government Association (LGA) and consideration be given to requesting further assistance from such an outside body if required.

This enables the proposed Audit Committee Task Group to focus on the future composition and operation of the Major Projects Board, the Major Projects Progress overview and other lessons learnt from the 'KLIC Lessons Learnt Review'.

The independent Inquiry will have access to all council documents associated with NWES, subsidiaries etc as detailed above.

Members will be aware that the Audit Committee established a cross party Audit Committee working group to further examine the findings of the Internal Audit Committee report into the KLIC project. This group held an initial meeting prior to the May elections and recommended terms of reference for the review to the Audit Committee meeting of the 3rd June. These are

attached at appendix 1.

This report presents proposed terms of reference to cabinet for the external review which seek to build upon and add value to the work of the Audit Committee Cross Party Working Group. This approach is designed to be cost effective and to focus the external enquiry onto areas not covered by the Working Group. The draft terms of reference are set out at Appendix 2 report. The report also makes proposals for the selections of a Chair for the inquiry from the persons identified by the Local Government Association.

Recommendation

Cabinet is invited to recommend to Council:

1. The terms of reference for the external KLIC inquiry as set out in Appendix 2 of this report
2. To delegate to the leaders of the Councils three groups the appointment of the Chair of the External Inquiry.

Reason for Decision

To respond to the Notice of Motion agreed by Council on 26th March 2019. To ensure that external expertise and insights are utilised to assist the council in improving its systems procedures for the management of large scale capital projects and partnerships.

1 Background

The Borough Council provided loan and grant finance to Norfolk and Waveney Enterprise Services in 2012 in order to assist NWES to build an innovation centre to nurture and support new and early stage businesses in West Norfolk. Subsequently, a further £250,000 was loaned to NWES in 2016. The loans fell due for payment in full on 30th November 2018 unfortunately by this point NWES had found itself financial difficulty and defaulted on the loan. The Council had a legal charge on the building and following inconclusive attempts to reach a negotiated surrender of the lease, a Land and Property Act Receiver was appointed by the council and the receiver took possession in lieu of the money outstanding. The receiver (at the time this request was written) is in the process of transferring the lease of the building to the Borough Council. The jointly appointed valuation of the building undertaken by Savills concluded that the value was £1.87 million leaving a balance outstanding against the loan and accrued interest and legal costs of over £1million. Negotiations are underway with NWES to finalise a settlement agreement for the repayment of the outstanding balance; this is likely to extend over a number of years.

The building itself has been a remarkable success story and is fully occupied and will provide a six figure financial return to the Council. NWES continue to manage the building on the Councils behalf (at no additional cost to the Council) to provide continuity to the tenants and in part settlement of the money owing.

An Internal Audit report was commissioned by the Chief Executive in June 2018 when it became apparent that there were issues and weaknesses in the

councils arrangements with NWES and oversight of the loan. This report was presented to the Audit Committee in March of this year. The Audit Committee determined that it would establish a Working Group to consider the internal Audit report in more detail and to ensure that the lessons learned are fully implemented.

Subsequently, full Council agreed to establish an independent inquiry into 'the partnership with NWES.

This report presents draft terms of reference for Cabinet to consider, amend if required, and recommended to Council. These are attached at appendix 2 for Cabinets consideration.

The Council resolution also proposed that the LGA be invited to put forward proposals for a suitably experienced, knowledgeable and qualified chair of the Independent Enquiry. Following discussions with the Borough Councils LGA liaison officer they have put forward six names for consideration, supported by detailed CV's.

It is proposed that in order to continue with the Cross Party consensus in dealing with this matter that the appointment be undertaken by the leaders of the three political groups represented on the Council.

2 Options Considered

No alternative options were considered in light of the clarity of the Council's decision.

3 Policy Implications

There are no policy implications arising from this report.

4 Financial Implications

There will be a cost associated with the running of the independent inquiry of up to £1,000 per day plus expenses and support costs. It is difficult at this stage to estimate the total cost but it is likely to fall within a range of £25-40,000 dependant upon how far they rely on the work of Internal Audit and the Internal Audit Working Group and how much original work they undertake/commission.

5 Personnel Implications

6 Statutory Considerations

There are no statutory implications.

7 Equality Impact Assessment (EIA)

There are no equality implications

8 Risk Management Implications

There are no risk implications arising from this report, although the inquiry itself is likely to consider the Council risk management processes and their application to this project as part of their work.

9 Declarations of Interest / Dispensations Granted

None

10 Background Papers

Internal Audit Report and Background papers

Audit Committee report 2019

Cabinet Reports – 4 Dec 2012 and 14 June 2016

Council Notice of Motion – March 2019

Pre-Screening Equality Impact Assessment

Borough Council of
King's Lynn & West Norfolk



Name of policy/service/function	Regeneration Audit				
Is this a new or existing policy/service/function?	Existing				
<p>Brief summary/description of the main aims of the policy/service/function being screened.</p> <p>Please state if this policy/service is rigidly constrained by statutory obligations</p>	<p>Establish the Terms of Reference of the relationship with NWES regarding the loan/finance provided to part fund the KLIC building</p>				
Question	Answer				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age			X	
	Disability			X	
	Gender			X	
	Gender Re-assignment			X	
	Marriage/civil partnership			X	
	Pregnancy & maternity			X	
	Race			X	
	Religion or belief			X	
	Sexual orientation			X	
	Other (eg low income)			X	

