



## **Internal Audit Position Statement**

# **Watford Borough Council – Charter Place Development**

**8 September 2014**

**Issued to:** Members of Audit Committee

**Audit Reference:** F3340/14/002

## **Introduction**

1. When the draft 2014/15 Annual Audit Plan was presented to Audit Committee for approval on 12 March 2014, Members requested that an assurance review of the Charter Place Development be included.
2. This Position Statement sets out our conclusions regarding the provision of assurance on this project following enquiries made regarding the Council's exposure to risk in relation to this development.

## **Background**

3. Redevelopment of the Charter Place Shopping Centre is a major project within the Council's regeneration programme, costing around £100m. The redevelopment proposals include:
  - A new multi-screen cinema
  - New retail capacity
  - Leisure complex
  - Vibrant restaurant hub
  - New public space for entertainment events
4. Planning permission for the redevelopment was granted at Development Control Committee on 9 January 2014 following a period of public consultation. The granting of planning permission included a Section 106 Agreement securing a contribution of £100,000 towards the cost of environmental improvements in the public realm on High Street in accordance with Policy SPA1 of the Watford Local Plan Core Strategy 2006-31.
5. Work is expected to commence in 2015 with the facility opening to the public in time for Christmas 2017.
6. The Council has agreed to obtain a compulsory purchase order for the site and this is progressing with a public inquiry scheduled for 25 November 2014.

## **Relationship between the Council and INTU**

7. The redevelopment is being undertaken by INTU who already have a longstanding relationship with the Council via the Harlequin Centre.
8. Watford Borough Council entered into a land transaction granting a lease to INTU whilst retaining the freehold. A 12 year lease during the pre-construction and construction phases has been granted and the Council will receive rent of £1.8m (+VAT) per annum. On completion of the redevelopment programme a further 999 year lease will be granted.
9. The redevelopment is being managed by INTU and they are liable for procurement activities and development and compulsory purchase costs.

10. The land transaction between WBC and INTU places certain conditions on INTU, including obtaining planning permission, the ratio of units pre-let, having appropriate funding arrangements in place and long stop dates for project completion.
11. Regular meetings (approximately monthly) are held between the Council and INTU.

### **Risks to the Council**

12. Through the agreement with INTU and the transfer of the land under a lease agreement, the Council has effectively outsourced many of the usual risks associated with a redevelopment programme, including:
  - Selection and appointment of a contractor,
  - Management, delivery and closure of the project, and
  - Costs.

The Council retains a reputational risk in the event that the works do not meet physical and/or transformational objectives or are not delivered on time.

### **Impact on 2014/15 Audit Plan**

13. Following discussions with the Head of Regeneration and Development and the Head of Democracy and Governance, management are of the opinion that no independent assurance is required on the Charter Place Development as the Council does not have direct responsibility for project delivery where assurance would normally be sought. Also, there is considered to be no value in reviewing the decision to enter into a lease arrangement as this was subject to member approval and is already in place.
14. Removal of assurance provision on the Charter Place Development from the 2014/15 Audit Plan is therefore proposed, subject to the following:
  - Where appropriate, assurance is provided within the scope of other existing audits, for example, the Debtors audit in relation to invoicing and collection of the £1.8m annual rent.
  - The Council's risk exposure from the Charter Place Development is reviewed during the annual audit planning cycle for 2015/16 and beyond and where appropriate assurance provision is included in those audit plans.
15. The unused time budget from the original allocation of five days in the 2014/15 Audit Plan will be returned to contingency and re-allocated to other assurance work.