

DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
DEVELOPMENT SERVICES DIRECTORATE	TOURISM AND LEISURE COMMITTEE	22 JUNE 2017	4
LYTHAM HALL RESTORATION PROJECT – REBUILDING THE PROJECT			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

The report provides an update on the recommendations made by the committee on March 9th 2017 in respect of the Lytham Hall Restoration Project and in response to the findings of the independent audit report commissioned by the committee in November 2016. Updates are provided on the recommendations approved at the March 9th committee after meeting with the representative from Heritage Trust North West (HTNW) Mr John Turner, who has been commissioned by HTNW to facilitate a new approach to the project for the restoration of Lytham Hall under new leadership, with appropriate and robust governance, financial and managerial arrangements. Mr Turner has indicated that he will be in attendance at the meeting to provide the latest position with the Lytham Hall Restoration Project and to clarify any matters the committee may have in relation to the responses provided to the recommendations made on March 9th 2017.

RECOMMENDATIONS

1. That the committee note the responses from Mr. Turner on behalf of HTNW to the recommendations made by the committee on March 9th 2017.
2. That the committee support the proposed establishment of new project team with new leadership, governance and financial arrangements that are consistent with best practice and transparency.
3. That the committee seeks reassurance, with supporting evidence, from HTNW that the new team will have the capability and personnel to deliver a successful Lytham Hall restoration project, in order for the committee to have confidence in HTNW delivering the Lytham Hall Restoration Project.
4. That the committee nominate a member to link with the new Lytham Hall Restoration Project team with the role and responsibility to be agreed in consultation with HTNW and reported back to the committee.
5. That the nominated member works with the Director of Development and other appropriate officers to monitor the progress of the actions agreed by HTNW to provide a progress report to the committee on September 7th 2017.
6. That if it is clear over the summer period that satisfactory progress is not being made with the establishment of a new project team or the financial, governance and leadership arrangements, ahead of the September committee, the Chairman of the committee will be notified to consider any appropriate action.
7. That the committee withhold but retain the option to take such action as may be open to it (including legal action) to recover whole or part of the grant, and to seek the intervention of the Charity Commission to review the overall financial management and governance arrangements of Heritage Trust North West and its respective trading companies, subject to satisfactory progress with the new leadership, governance and financial arrangements outlined by HTNW in this report.

SUMMARY OF PREVIOUS DECISIONS

March 9th 2017 Tourism & Leisure – Lytham Hall Restoration Project: Independent Audit Report

November 3rd 2016 Tourism & Leisure - Lytham Hall Restoration Project: Capital Grant Monitoring Report
 November 12th 2015 Tourism & Leisure - Lytham Hall Restoration Project: Capital Grant Monitoring Report
 January 7th 2015 Tourism & Leisure – Lytham Hall Restoration Project: Progress Report: Coastal Revival Fund
 January 15th 2014 Cabinet - Lytham Hall Restoration Project: Capital Grant Monitoring Report
 June 27th 2012 Cabinet - Lytham Hall Restoration Project: Capital Grant Monitoring Report
 June 28th 2011 Cabinet - Lytham Hall Restoration Project: Capital Grant Approval
 March 28th 2011 Full Council – Lytham Hall Restoration Project: Capital Grant Request
 March 23rd 2011 Cabinet – Lytham Hall Restoration Project: Capital Grant Request

CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services (Value for Money)	√
Delivering the services that customers expect of an excellent council (Clean and Green)	
Working with all partners (Vibrant Economy)	√
To make sure Fylde continues to be one of the most desirable places to live (A Great Place to Live)	√
Promoting Fylde as a great destination to visit (A Great Place to Visit)	√

REPORT

- At the Tourism & Leisure meeting on March 9th 2017 the committee received the findings of an Independent Audit Report into the management, leadership and governance of the Lytham Hall Restoration Project by HTNW. The report had been commissioned by the committee on November 3rd 2016 after receiving the annual Capital Grant Monitoring Report from the Chief Executive of HTNW in order to establish the following:
 - The reasons for some of the major funding bodies pulling out of the project.*
 - The findings of other work undertaken into the project such as the Moore Stephens report prepared by the Heritage Lottery Fund.*
 - Whether in light of this information the borough council can have any confidence that the existing trustees and management of HTNW will ever be able to complete the restoration of Lytham Hall within a reasonable time period.*
 - What has the £300,000 that Fylde Council gave to Lytham Hall been spent (to be suitably itemised)*
 - Whether in light of the outcome of 2 (d) above, the council has any grounds to demand repayment of the £300,000 grant awarded by Fylde Council in 2011.*
- Having regard to the Fact Finding report and the previous information provided at the meeting on November 3rd 2016 the committee approved 12 recommendations, a number of which made specific requests to HTNW. In order to obtain a formal response to the recommendations made to HTNW a meeting was arranged with a nominated member of the Board of Trustees for HTNW Mr. John Turner. In response to the challenges with Lytham Hall Restoration Project Mr. Turner has been appointed by HTNW to put in place arrangements that will provide confidence that HTNW can, and will, deliver the Lytham Hall Restoration Project. Mr. Turner has provided a response on behalf of HTNW to the recommendations agreed by the committee which are included within in the following paragraphs.

RESPONSES TO THE RECOMMENDATIONS OF THE COMMITTEE AFTER DISCUSSION WITH HTNW

- Mr Turner stated that HTNW refute the claims that the Capital Grant Agreement dated August 4th 2011 have not been complied with and challenges this statement that HTNW failed to comply with clauses, 5, 8, 9, 14 and 22 of the Heads of Terms of the Lytham Hall Capital Grant agreement. Mr Turner did not provide any evidence at the meeting or in subsequent correspondence to refute the claim but will be in attendance at the committee on June 22nd 2017 to present the latest position with respect to the Lytham Hall Restoration Project.

4. ***That the committee has no confidence in the ability of the present leadership or management of HTNW to lead the Lytham Hall restoration project and request the immediate removal of the HTNW Chief Executive from the Lytham Hall restoration project.***

Mr. Turner stated that HTNW support the need to change the leadership of the Lytham Hall Restoration Project. However, whilst the project has been led by the HTNW project manager, the 'Lytham Hall Executive' made up from two members of Lytham Town Trust (LTT) and two trustees of HTNW is the landlord / tenant body appointed to oversee the leadership and management of the project. HTNW will commit to the CEO of HTNW withdrawing from the Lytham Hall Restoration Project by October 2017 and request that LTT appoint two new representatives to create a new project board.

The relations between LTT and HTNW are currently strained and whilst this is a landlord tenant relationship that Fylde Council has no remit over it would be beneficial if both parties resolve the issues immediately if the project is to be brought back on course and the financial backing of key stakeholders re-engaged.

5. ***That the committee seeks reassurance, with supporting evidence, from the Heritage Trust North West Board that they have the capability and appropriate personnel to continue to deliver the Lytham Hall restoration project, in particular an appropriately qualified financial officer, without which the committee cannot have confidence in HTNW delivering the Lytham Hall Restoration Project.***

The newly appointed team responsible for delivering the Lytham Hall restoration Project will include an appropriately qualified financial officer working within new governance and management arrangements. Mr Turner has already completed a review of governance arrangements for the project. The posts appointed to deliver the project will have clearly defined roles and responsibilities with the demarcation of responsibilities necessary to support transparency and effective governance. Any structure will be dependent upon sustainable financial support.

6. ***That the management of the Lytham Hall restoration project includes separate and dedicated accounting and financial management from other projects being delivered by HTNW.***

Mr Turner confirmed that there will be a clear separation of financial accounts of the Lytham Hall project and that this will be clarified as part of the new management and governance arrangements for Lytham Hall.

7. ***That the financial management arrangements include a separate capital account and that all accounts are submitted on an annual basis for inspection to all parties that have made a grant contribution.***

Capital and revenue accounts will be separate in line with best practice and the new financial arrangements for the project. Audited accounts will be made public and submitted to all stakeholders on annual basis.

8. ***That the Heritage Trust North West be required to provide an itemised list with costing of the capital initiatives that Fylde Council's £300,000 has been allocated to and the amount of the grant that remains unspent, in accordance with Clause 5 of the grant agreement.***

HTNW indicated that £28,500 of the £300,000 FBC grant remains to be spent. HTNW has invited FBC's accountant to inspect HTNW's accounts at any time. However, Fylde Borough Council's fact finding report, as presented to the Committee at its March 2017 meeting, identified all capital works expenditure accounted for on the Lytham Hall Restoration project to date was £300,167 in total. The grant from Fylde Borough Council for £300,000 was specifically for capital works and little over this has been spent in the entirety of the project. The fact finding report identified that:

1. Para 2.4.6: 'Due to the way in which the financial records have been maintained it is not possible to categorically say what element of funding was spent on what part of the project. This is complicated further by the existing banking arrangements. There is no separate bank account for the Lytham Hall Project and the money goes into the main HTNW account. This is complicated further by the fact that we were advised that revenue costs are met from one of HTNW's trading accounts and then a periodic sweep across the bank accounts is undertaken to balance them'; and
2. Para 2.4.7: 'Therefore, there is no transparent record which can be referred to in order to assess money coming in and out of the project, and no clear audit trail which can be clearly attributed to Lytham Hall.'

The onus within clause 5 of the agreement with HTNW is upon the Trust to 'submit details of how the Grant has been spent within the restoration project and ensure that the capital grant is allocated to the restoration project only'.

9. ***That HTNW be requested to invite Fylde Council to nominate an elected member of as a member of its Board of Trustees.***

After discussion with Mr. Turner it was agreed that it would be more appropriate for an elected member from Fylde to be engaged with the Lytham Hall Restoration Project team rather than the wider HTNW portfolio that manages assets and projects across the North West, the majority of which are outside of Fylde. The interest the council has is a direct result of the £300,000 investment in the Lytham Hall Restoration Project and not the wider HTNW portfolio, members are asked to recommend that a representative from the Tourism & Leisure Committee is nominated to link with the Lytham Hall Restoration Project team with the role and responsibility to be agreed in consultation with HTNW.

10. ***That six monthly progress reports are provided to the committee by the elected member representative and the appropriately qualified financial officer responsible for the Lytham Hall restoration project.***

The elected member selected to link with the project team will report on a six monthly basis back to the committee in accordance with the same procedure as reports on Outside Bodies.

11. ***The committee notes the continued challenge of the refusal to release the Moore Stephens report under the Freedom of Information Act and if it is made available that it is brought before the committee for consideration.***

The Moore Stephens Report and Heritage Trust North West statement was made public by HTNW in April 2017 and was circulated to all members of the Tourism and Leisure Committee for information. The findings in the report are consistent with the findings from the independent audit report commissioned by the committee highlighting the need for new leadership, governance and financial arrangements for the Lytham Hall Restoration Project. These issues will be addressed through the recommendations agreed by the committee on March 9th 2017 and as such the contents of the Moore Stephens should be noted as further evidence that new arrangement are required to deliver the project.

12. The committee made two recommendations:

That should HTNW decline or be unable to take any of the actions set out above to ensure compliance with the terms of the council's grant, the council will take such action as may be open to it (including legal action) to recover the grant.

That the Council, preferably with other funding partners, seeks the intervention of the Charity Commission to review the overall financial management and governance arrangements of Heritage Trust North West and its respective trading companies.

It is recommended that the committee give HTNW the opportunity to implement the actions and fulfil the commitment made to provide new leadership, a new project team, and appropriate governance and financial arrangements for the Lytham Hall Restoration Project. Officers and the nominated elected member will work with HTNW to monitor and ensure that the commitments are implemented within agreed timescales, in the event that the actions promised are not delivered the committee will seek legal action in respect of the capital grant and intervention by the Charity Commission.

13. A further recommendation was agreed that requires action by the council to review ***'the protocols for capital grant funding of longer term projects to include milestone payment terms determined by set criteria as opposed to one off up-front payment.'*** The Section 151 Officer will include revised protocols in the financial management regulations to ensure that milestone payments linked to set criteria are a requirement of third party future capital grant funding in excess of £75,000.

14. Mr. Turner's remit is to put in place the necessary leadership, financial and governance arrangements to deliver a revised HLF bid for the restoration of Lytham Hall, he has not had any previous involvement with HTNW work at Lytham Hall and will return to his substantive role with HTNW once he has put the new arrangements in place. The work will include putting on place more effective working relationships between

HTNW (the tenant) and Lytham Town Trust (the landlord) which Mr. Turner has already started to implement.

IMPLICATIONS	
Finance	There are no direct financial implications as a result of this report.
Legal	Any potential legal implications as a result of this report are included in the report.
Community Safety	There are no direct community safety implications as a result of this report.
Human Rights and Equalities	There are no direct human rights or equalities implications as a result of this report.
Sustainability and Environmental Impact	There are no direct sustainability and environmental implications as a result of this report.
Health & Safety and Risk Management	There are no direct health & safety or risk management implications as a result of this report.

LEAD AUTHOR	CONTACT DETAILS	DATE
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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection