

Internal Audit Report

Review of the LightPool Project



Audit Team: Gary Smith
Lisa Hughes
Date: 11th February 2016

1. Scope

1.1 The scope of our audit was to:

- Review the LightPool project business plan and its alignment with the details in the bid document.
- Assess whether the LightPool business plan is robust, setting out aims and measures that will help to facilitate the successful completion of the Illuminations development and enable success in achieving sustainability and wider economic benefits into the long term future.
- Assess whether anticipated outcomes are beginning to be achieved in the first season for LightPool and whether monitoring procedures implemented to date are robust.

2. Executive Summary

2.1 Changes to proposed income streams as stated within the Business Plan have resulted in the project not currently having a robust means of income generation.. The Council has committed to providing a contribution of £296,565 which was based on raising this amount through income streams. As the current methods cannot be relied upon the Council is at risk of having to take these funds from already reduced budgets in order to address the shortfall. Financial forecasting for 2016/17 is still in progress and therefore we are unable to provide assurance at this stage about the robustness of these plans.

2.2 The project is not being delivered in accordance with any formal project management methodology and consequently there is no formal process in place for monitoring progress and implementation of key tasks. A project risk register has been devised but is also not monitored at the board meetings.

2.3 The creation of a LightPool Customer Relations Manager (CRM) database to be used for recording visitor data was planned at the outset of the project but has not yet been implemented. There are currently no plans to create this or introduce an alternative system which could impact on the effectiveness of future data evaluations.

2.4 The service is working closely with the Corporate Development Manager to ensure that outcomes and impacts can be suitably measured. The results from visitor surveys are yet to be evaluated although the Corporate Development Manager responsible for monitoring and evaluation explained that a full report detailing the outcomes for the first season is due to be presented at the February Board meeting.

2.5 The detailed findings and recommendations are included in sections four and five of this report.

2.6 We would like to thank Richard Ryan, Rob Latham, Scott Butterfield, Claire Courtenay and Kirsten Whyatt for their assistance and courtesy throughout the review.

3. Overall Opinion and Assurance Statement

- 3.1 We consider that the controls in place are currently inadequate due to the lack of a robust income stream which leaves the project at risk of incompleteness and being unsustainable. We are also concerned that the project is not following a formal project management methodology and key documents such as project plans and action plans are not in place. Results for anticipated outcomes are not yet available although methods proposed for obtaining these are in development. It is recognised however that the project is still in its first year and implementation of recommendations within this report should help to address these issues.

4. Issues Arising

4.1 Background.

4.1.1 An application was made to the Department for Communities and Local Government (DCLG) for a grant from the Coastal Communities Fund (CCF) in October 2014 for the purpose of creating the LightPool project which is a transformation of the Blackpool Illuminations. The project aims to introduce new elements to the existing attraction which provide greater levels of interaction for visitors.

4.1.2 The Illuminations attract 3 to 4 million visitors to Blackpool each year. The attraction is free to visitors, although there is a suggested donation, and highly dependent on Council funding. The experience is very much a passive one, with the majority of visitors entering the event at one end of the promenade, driving through to the other and then leaving having had little other interaction with the town. A key focus of LightPool is to encourage visitors to leave their vehicles and engage with new elements of the attraction and contribute to the local economy. It is hoped that the new content will provide a greater experience which visitors will be prepared to pay for, or otherwise contribute to the local economy, and in doing so make the Illuminations more financially sustainable.

4.2 LightPool Grant Application alignment to the Business Plan

4.2.1 The grant bid application was prepared by the Project Development and Funding Manager within the Partnerships and Business Development Team. A LightPool Business Plan was also created and this document was submitted as part of the bid application as this was a CCF requirement due to the amount of funding requested.

4.2.2 The Business Plan is a detailed fifty page document also compiled by the Project Development and Funding Manager who has extensive experience in preparing funding bid applications. The Business Plan supports the bid application providing further detail to the information supplied on the application.

4.2.3 Confirmation of a grant award of £1,998,045 has been received from DCLG for the project which comprises a £700,000 capital grant and a £1,298,045 revenue grant. The full capital grant and £740,162 of the revenue grant have been received for the financial year 2015/16 and the remaining revenue grant is due to be received at the beginning of the 2016/17 financial year.

4.2.4 The grant determination letters explain that the grant is paid under Section 31 of the Local Government Act 2003. A condition of such grants is that the recipient authority's Chief Executive and Chief Internal Auditor must complete a declaration for any capital element confirming that funding has been used solely for capital purposes. This declaration should be received by DCLG by 30th January 2017 and failure to comply could result in repayment of all or part of the grant. It is therefore essential that the service ensures that Internal Audit and the Chief Executive are

informed of their requirements to ensure that resources are available to complete the declaration at the appropriate time and that adequate records are made available for this purpose (Recommendation 1).

4.2.5 Furthermore, the CCF's standard terms and conditions of grant state that the progress of the project should be monitored and monitoring forms as issued by CCF should be completed. The terms also state that the grant should be used exclusively for the project and that any unused monies must be repaid, however there is no reference to clawback of funding if outcomes are not achieved. There is no stated deadline for this monitoring although the service has already started the work in anticipation of its completion in the next couple of months. The return requires the service to provide details of the outcomes achieved within the year and where possible details of case studies of those benefiting from the project. Details of outcomes will be obtained from the planned monitoring and evaluation which is further described at section 4.4 of this report.

4.2.6 Match funding by the Council was not a stipulation of the grant award, however the Council committed to contributing £296,565 to the project as part of the bid application which the Director of Place has agreed will need to be met from his overall directorate budget if this is not met by income generated from the project as is planned. LeftCoast, a local arts and creative activity programme funded by the Arts Council, have also confirmed in writing that they will contribute a total of £120,000 to the project.

4.3 LightPool Business Plan and Project Management

4.3.1 The Business Plan sets out the aims of the LightPool project and lists the practical measures that will be put in place to achieve these aims. The project's aim is to deliver a radical transformation of the Blackpool Illuminations, create a new visitor experience and encourage a major boost to the local economy. The project also aims to create 11.6 (full time equivalent) direct jobs, 532 indirect jobs over a period of 5 years, 2.65million new visitors over a period of 5 years and to safeguard 15 existing direct jobs. It is intended to act as a catalyst towards providing a more sustainable business model for the illuminations which currently relies on Council funding.

4.3.2 The Business Plan states that the headline attraction will be the creation of a new digitally mapped projection show onto the front of Blackpool Tower accompanied by audio via in-ear FM receivers which visitors will be provided with in a LightPool goody bag containing a map, light based toy and discount vouchers for retailers and attractions. The Business Plan states that these will be charged for as a means of generating income for the sustainability of the project. However, we have noted that the financial forecast which was submitted as part of the business plan relied on the projected income from the sale of the goody bags, however these sales did not go ahead in year one of the project. Further proposed new elements of the project are described within the Business Plan and include programmable digital LED festooning which will stretch along the Promenade between North and Central Piers which may be programmed to interact with the projection show. The festooning will also extend into key streets in the town centre and will be able to fully interact with the promenade display. It is intended that those watching the projection show will be encouraged to follow the festooning into the town centre, creating additional footfall and a boost to the local economy.

4.3.3 One key area that the festooning will lead to is the existing Brilliance light installation on Birley Street. The Business Plan explains that this area will be transformed into an events space for outdoor performances throughout the year which could incorporate the daytime cafes also located on Birley Street into night time venues and consequently bring more economic benefit to the town. As Birley Street is a major departure route for visitors leaving other large scale events such as the fireworks championships Brilliance will provide another attraction to keep visitors in the town.

4.3.4 Both the projection show and the digital LED festooning were in place and ready for the 2015 Illuminations period with the first of the projection shows launched in September 2015. A programme of events also took place at the outdoor Brilliance feature.

4.3.5 The Business Plan also describes a further attraction to be based in the Grundy Art Gallery during the illuminations period which features an indoor light installation and offer an additional attraction for visitors during the daytime. These shows took place during the Illuminations period and the curator of the gallery reported at the September 2015 Board meeting that they had received a good response and visitor numbers had doubled compared to the same period last year.

4.3.6 The current financial forecast provided by the Project Accountant shows that there will be a net underspend of £25,000 at the end of 2015/16 which will be carried forward to next year. Although less income was received, expenditure was lower than expected in the first year. The income target for 2016/17 currently stands at £241,000, however the accountant has explained that this forecast needs updating and they are due to review this with the Project Manager. The current forecast relies on the sales of goody bags for the generation of income and as this income stream is no longer considered feasible we recommend that the income strategy is revised to reflect the decisions made during the first year of the project and financial forecasts are updated accordingly (Recommendation 2).

4.3.7 The Project Manager explained that plans for income generation for the LightPool project now rely heavily on sponsorship deals. The delay in recruiting the Business Development and Fundraising Manager has hindered income generation but now that the post has been filled an event has been arranged in February 2016 for pitching to local and national businesses for sponsorship. Laurence Llewelyn-Bowen, who has previously designed some of the illuminations, has agreed to attend as a guest speaker. The Illuminations service currently receives some income from sponsorship deals and in 2015/16 the service generated approximately £140,000. There is a remaining income target for the year of approximately £110,000 for the Illuminations service as a whole which is hoped to be found through further sponsorships in future years but is a known budget pressure for 2015/16.

4.3.8 A small amount of income, approximately £6,690, was received from the photo projection booth. This was an idea that developed during implementation that was not in the original plan and allows visitors to have their image projected onto the front of Blackpool Tower. A charge of £2 per person was made for this and it is hoped to further develop the idea during 2016 to include an emailed photograph of the image to the visitor for an additional fee.

4.3.9 Accountability for the project is detailed in the Business Plan with overall responsibility for the project resting with the Director of Place. The Head of Illuminations has been assigned the role of Project Manager and is responsible for overseeing the day to day running of the project. A Project Board has also been set up which also includes the Head of Visitor Economy, Head of Arts, Head of Leisure and Catering Services and representatives from Accountancy, the Winter Gardens, Merlin and LeftCoast. Board meeting minutes were obtained and showed that meetings are held monthly and well attended. A set format is followed which includes a review of key tasks and an action column detailing the responsible officer's initials.

4.3.10 A Project Risk Register has been produced and was included as part of the Business Plan. This was devised following a risk workshop facilitated by the Council's Chief Internal Auditor. Our review of Board meeting minutes however, showed that the register is not reviewed as an independent item at meetings to ensure outstanding risks are addressed. We therefore recommend that the risk register is reviewed at future Board meetings and updated as appropriate (Recommendation 3).

4.3.11 The project is not being delivered in accordance with a formal project management methodology and there is no formal process for monitoring progress. An initial project timetable was submitted as part of the Business Plan but this has not been updated. The Project Manager explained that he is in the process of devising an action plan that will be monitored going forward. Application of a project management methodology would drive the production of relevant project management documentation such as a project plan and ensure the regular monitoring and delivery

of key tasks. We therefore recommend that a suitable project management methodology is followed (Recommendation 4).

4.3.12 One of the project aims is to create the following posts: Creative Director, Business Development and Fundraising Manager, Administrator, 16 Ambassador roles, two Technical Apprentices and a Technical Assistant. Some of these roles are seasonal or part-time equating to 11.6 full-time equivalents overall. The Business Plan explains that the Creative Director will determine illuminations content and the programming of all events and the Business Development and Fundraising Manager will support fundraising activity including sponsorship. The Ambassadors will act as stewards and provide a point of contact for visitors and will receive WorldHost customer care training. They will also be complemented by a pool of volunteer Ambassadors. Technical staff will learn how to operate the projection equipment and as a result operate future shows.

4.3.13 All posts have now been recruited to, although the Creative Director and Business Development and Fundraising Manager roles have only recently been filled. The volunteer Ambassadors were not recruited during the first year but it is intended to have them in place for 2016/17 and the Blackpool, Wyre and Fylde Volunteer Centre has agreed to help to provide these staff. The Creative Director post, initially advertised as a full time post has now been filled with two part time staff. The apprentice roles are permanent whereas all other roles are temporary for the duration of the project. The Business Plan states however that the Council is committed to continue to support these new roles through its planned new income sources.

4.3.14 The Business Plan includes a detailed Marketing and Communications Strategy to be led by Visit Blackpool with a proposed budget of £361,500 for the first two years. However, changes to the original plan have since been made. The initial strategy was produced by Amion Consulting, specialist advisers on economic growth, who recommended this budget figure. On submission of the funding bid, DCLG explained that in order to gain project approval the marketing budget would need to be reduced. As a result, a revised two year budget of £99,000 was assigned and a new marketing plan has been developed and is being led by Visit Blackpool's Marketing Manager. At the time of our review, the accountant had received limited details of marketing spend from the marketing manager although total spend has since been confirmed as £51,300. In order to ensure that financial forecasts reflect an accurate picture of project costs, we recommend that details of future marketing costs are provided on a regular basis (Recommendation 5).

4.3.15 A Monitoring and Evaluation Framework is also included in the Business Plan which sets out how outputs and indicators as stated in the project bid application will be measured. Examples of measures include visitor numbers, specific visitors to LightPool and jobs created. This information is required to complete the annual monitoring return required by CCF.

4.3.16 The framework focuses on the use of visitor surveys, an economic impact report and use of a LightPool CRM database for recording visitor data. Data from the Council's Omnibus survey and a LightPool Visitors survey has so far been collated. The Omnibus survey is used by the Council to collect visitor data three times a year from a random sample of 4,000 households across the country. Questions relating to LightPool were included in the September – December survey and the results from this are due to be received in January 2016. The LightPool visitors survey was a street survey of 997 visitors in the town centre during the LightPool period and was co-ordinated by Infusion Research.

4.3.17 The CRM database has not been set up and the Project Manager explained that a decision is yet to be made as to whether to go ahead with this. We recommend that a decision as to whether this is still required should be made as soon as possible and if not, to explore whether another method for recording visitor data is required (Recommendation 6).

4.4 Business Plan Monitoring and Evaluation

4.4.1 The results from both the Omnibus and LightPool Visitors surveys are yet to be evaluated although the Corporate Development Manager responsible for monitoring and evaluation explained that a full report detailing the outcomes for the first season is due to be presented at the February Board meeting.

4.4.2 In addition to these surveys it is planned to commission an update of the Blackpool Illuminations Economic Impact report which will measure key indicators including direct and indirect tourism impacts, employment impacts, and the impact of spending on goods and services. The Corporate Development Manager explained this will be implemented at the end of the project in approximately February 2017. As information from this survey will be used to complete the annual CCF return there is a risk that commissioning this report in February 2017 may not provide enough time for collation and analysis of results prior to the year-end deadline and it is therefore recommended that the timing of this report is reviewed (Recommendation 7).

4.4.3 Local business surveys are also due to be commissioned. These will measure growth, size, turnover and perceptions of the impact of LightPool. The Corporate Development Manager explained these surveys will most likely take the form of face to face visits and are scheduled for November 2016.

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5. Agreed Action Plan

	<i>Recommendation</i>	<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>
R1	Internal Audit and the Chief Executive should be informed of their requirements in relation to completing the capital grant declaration.	3	Agreed. The Project Manager will advise accordingly.	Head of Illuminations	31/03/16
R2	The income strategy should be reviewed and financial forecasts revised to take account of this.	1	Agreed.	Head of Visitor Economy	31/03/16
R3	The project risk register should be included for discussion at Board meetings to ensure that appropriate mitigations are being taken to reduce the risks.	2	Agreed. This will be included at Project Board meetings.	Director of Place	29/02/16
R4	An appropriate project management methodology should be followed and key documents, such as a project plan, should be monitored by the Board to ensure that they are delivered.	1	Agreed. A Project Plan will be devised and monitored by the Project Board.	Head of Illuminations	31/03/16
R5	Expenditure on marketing activity should be provided to accountancy on a regular basis to enable this to be built into project costs.	2	Agreed.	Head of Visitor Economy	29/02/16 and ongoing.

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.

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<i>Recommendation</i>		<i>Priority</i>	<i>Agreed Action</i>	<i>Responsible officer</i>	<i>Target Date</i>
R6	A decision should be made as to whether the LightPool CRM database is still required.	2	Agreed. The matter will be raised at the next Board meeting.	Head of Visitor Economy	31/03/16
R7	The timing of the commissioning of the Blackpool Illuminations Economic Impact report should be reviewed to ensure results will be available in time to complete year end monitoring forms.	3	Agreed. The Project Manager will discuss with the Corporate Development Manager.	Head of Illuminations	29/02/16

Key to Priorities

Priority 1	A recommendation we view as essential to address a high risk
Priority 2	A recommendation we view as necessary to address a moderate risk.
Priority 3	A recommendation that, in our opinion, represents best practice or addresses a low level of risk.