

Appendix 3: Investigation Findings – Control Weaknesses and Agreed Actions

Finding 1	Action			
<p>No original record of land with associated costs</p> <p>There is no definitive original record of land and associated costs that appears to have informed the business case budget (business case dated 2015).</p> <p>There is a document from Lambert Smith and Hampton dated 2008 which includes some properties included in the Compulsory Purchase Order (CPO) but not all and includes properties that were not included in the CPO.</p> <p>The total compensation valuation in the Lambert Smith and Hampton document is £10,564,500 a difference of £457,500 from the £11,022,000 budget within the business case. Whilst it is not a significant difference the document does not account for all properties.</p> <p>There is no known/identified link between the Lambert Smith Hampton document and the General Vesting Deeds Document.</p>	For projects the Council ensures that there is an original record of land and costs associated with land purchase for the specific project through its project management document process.			
	The Council has requested BBLP who engaged Parsons Bricknerhoff (now WSP) for documents that outline the costs referred to in the business case.			
	Priority	1	SWAP Reference	
	Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment		
	Timescale	In progress		

Finding 2	Action												
<p><u>Minutes (sufficient detail and tracking of actions)</u></p> <p>Review of minutes across the project governance structure for the HCCTP identify that actions were not being tracked or evidenced as completed. There is also a lack of a clear audit trail to demonstrate that issues have been escalated and dealt with accordingly.</p> <p>In some instances, there are minutes which show there are long standing overdue actions, yet minutes do not make it clear if this was challenged appropriately. This finding is applicable to cabinet member briefings, MIDB and PCG Meetings.</p> <p>The Council must ensure that minutes are taken with sufficient detail ensuring any decisions made or actions identified are clearly documented with the ability to track subsequent progress/action.</p> <p>It is recognised that improvements were noted in this area from February 2020 and with the implementation of the corporate project management documentation further improvements are expected.</p>	<p>All meetings relating to HCCTP are now organised through the Project Management Office and recorded on the council’s project management system (Verto). Action logs are recorded following meetings and there is an allocated project manager and project support officer who manage and track the actions.</p>												
	<table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td></td></tr><tr><td colspan="2">Responsible Officer</td><td colspan="2">Interim Service Director Environment, Highways and Waste, Economy and Environment</td></tr><tr><td colspan="2">Timescale</td><td colspan="2">Completed</td></tr></table>	Priority	2	SWAP Reference		Responsible Officer		Interim Service Director Environment, Highways and Waste, Economy and Environment		Timescale		Completed	
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Timescale		Completed											

Finding 3	Action			
<u>Cabinet Member Briefings</u> Cabinet Members are not provided with copies of minutes from the Cabinet Member Briefings they attend, and, in some instances, there is no record of the meeting. Formal discussions and meetings between officers and members should be recorded with minutes provided to all parties to ensure they are satisfied there is an accurate record of the meeting. In addition to this any papers provided to Cabinet Members either prior to the meeting or during should be attached to this record of the meeting.	Minutes are now taken at cabinet member briefings by project support officers and project managers who work in the project management office and are shared with cabinet members and recorded on the councils project management system (verto)			
	Priority	2	SWAP Reference	
	Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment		
	Timescale	Completed		

Finding 4	Action												
<p>Budget Information within governance decisions</p> <p>The budget position of the project and relating financial information is limited and reported across governance decisions in silo with no wider context to the overall budget spend provided other than generalised statements that the project will be achieved within the overall budget.</p> <p>Consideration to be given as to whether it would be beneficial to include a budget update in all governance decisions, i.e., an update of spend against each element of the project at each governance decision and whether this will impact on the overall budget. This would allow all decisions to be made with full transparency of current spend and the impact of the spend outlined in the decision being made. This would provide the overall financial position for the project.</p> <p>This budget position/update needs to contain sufficient information for example total spend against total budget will not demonstrate areas under more cost pressures than others. The detail of budget lines within the overall project budget would allow these pressures to be identified.</p> <p>Consideration will also need to be given as to whether guidance to completing governance decision reports needs updating once a decision is made as to what information is to be included in the report.</p> <p>The Council must ensure when key governance decisions are made that the decision maker has sufficient information at that time to make such a decision.</p>	<p>The project governance and budget is now managed through the councils project management office. The governance decisions are recorded on the councils project management system (Verto).</p> <p>A senior capital project manager is assigned to the project with the budget authority to spend against the project linking to the correct governance. Project decision making around spend is closely linked to the governance decision making.</p> <p>Accurate budget forecast assessments are now discussed with lead members so early warnings on costs pressures are visible and discussed appropriately.</p> <p>A more rigorous approach to project costing is in place and being developed with budget assumptions subject to regular challenge.</p>												
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Timescale	Completed												

Finding 5**Financial Reporting**

There is limited financial information included in the dashboard report that is presented to MIDB and the recorded minutes of the meeting which mean it is very difficult to understand the projects budget position, for example where overspends have occurred.

Whilst we recognise that supporting detailed financial reports are also presented to the MIDB, again it is not always clear from the reports or minutes when or if there is a budget pressure. Consideration should be given to the financial information and level of detail that is included in the budget reports across the governance levels of a project and the impact on the overall budget.

Further to this we were informed that Balfour Beatty Living Places (BBLP) were providing the monthly financial report as they were the Council's project manager however as they were providing additional works to the management of the City Link Road element consideration should be given as to whether this was appropriate as there is a lack of independence from the Councils contractor.

It is recognised that the new Corporate Project Management processes means each project has a project manager who has responsibility for the project budget.

Action

The project budget is now tracked and reported through the councils corporate programme office. Information is stored in business world, managed by the councils strategic capital finance manager and the councils project managers. Information is stored on the council's project management system and forms part of the bi monthly reporting.

Accurate budget forecast assessments are now discussed with lead members so early warnings on costs pressures are visible and discussed appropriately.

A more rigorous approach to project costing is in place and being developed with budget assumptions subject to regular challenge.

Priority**2****SWAP Reference****Responsible Officer**

Director of Resources and Assurance

Timescale

Completed

Finding 6	Action			
<p>Service Order Coverage and Compensation Events</p> <p>We have identified two references in minutes to the need for action/work from BBLP however this was not possible as there was no allowance or coverage within the service order. Therefore, compensation events were needed to allow this work/action to take place.</p> <p>In the previous piece of work SWAP completed we reported that spend to date with BBLP totalled £9,953,303.41 for works related to HCCTP. We identified that 22.4% of this spend was as a result of compensation events (£2,229,789.60). An analysis of service orders and related compensation events recorded on a spreadsheet provided by Officer D demonstrated there are a large number of compensation events being raised and a proportion of these are of a significant value in comparison to the original service order.</p> <p>As a result of this previous finding and two instances identified in this review, the Council must ensure that:</p> <ol style="list-style-type: none">1. original service orders include sufficient coverage2. compensation events are raised correctly and approved (for example not used instead of service orders).3. Compensation events against the same service order that are in excess of a % (to be agreed) of the original value of the service order should be scrutinised to understand why the original service order was inadequate. <p>Consideration to also be given to the level of scrutiny applied to compensation events from the contract compliance team and what input is required from project teams/managers to assist the contract compliance team in this process.</p>	<p>The council is commissioning Aecom to undertake a thorough assessment of the service orders and provide a value for money assessment on the compensation events that were associated with the project. The assessment will include what processes were followed, how compensation events were cost controlled and assessed and who made the decisions to undertake works sitting outside of the agreed contract value.</p>			
	Priority	2	SWAP Reference	
	Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment		
	Timescale	Complete by August 2022		

Finding 7	Action												
<p>Service Order Coverage and Compensation Events</p> <p>The Council should review in more depth the two service orders that were identified as part of this review as not having sufficient coverage. This will determine what the cause of this was and what the proportion of compensation events raised were against the original service order.</p> <p>The Council should ensure that works completed against the service order are monitored to enable prompt identification where there may be a lack of coverage available within the service order.</p> <p>Further to this service orders that were identified in the previous piece of work (SWAP HCCTP Briefing Paper 2020) to have a considerable percentage of compensation events against the original service order should be included in this review as outlined above.</p> <p>Project management, the oversight of works and managing costs and budgets is very difficult if service orders are not raised appropriately. Service orders must be raised with sufficient coverage in line with the works to be completed, and compensation events should not be used as an alternative to creating a new service order. When increases in costs arise for specific elements and there is no original service order, we would question how officers are able to evaluate if the compensation event is reasonable.</p>	<p>Same as above</p> <table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td></td></tr><tr><td>Responsible Officer</td><td colspan="3">Interim Service Director Environment, Highways and Waste, Economy and Environment</td></tr><tr><td>Timescale</td><td colspan="3">Completed by August 2022</td></tr></table>	Priority	3	SWAP Reference		Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment			Timescale	Completed by August 2022		
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Timescale	Completed by August 2022												

Finding 8	Action												
<p>Governance of increases in cost from contact award costs</p> <p>Officer B explained the city link road contract was not overspent as the governance decision in April 2016 (titled: ESG link road (City link road) – Contract Award) purely approved the tender price. Officer B explained that it is quite normal for a contract of this nature to increase in price and that this would be managed through change control processes.</p> <p>As the increase in cost here is significant at an increase of £2,925,532.21 the Council need to consider how the governance of increases in costs from tender prices would be best managed in the future.</p> <p>This would include appropriate governance for compensation events over £50,000. We have not seen the use of Record of Officers Decisions for such spend with the contractor for the City Link Road.</p>	<p>The project is now being managed through the council project management office. The project manager is responsible for the budget and has put robust budget management controls in place. A staged approach is being communicated effectively and linked to budget decision making. The project is now following Riba stages and decisions to spend are linked to stages rather than total project budget.</p> <p>Where budget challenges are identified on completion of stages the project manager is ensuring that robust change control processes are in place managed through the project and programme board structures in the PMO.</p> <table><tr><th>Priority</th><td>2</td><th>SWAP Reference</th><td></td></tr><tr><th>Responsible Officer</th><td colspan="3">Interim Service Director Environment, Highways and Waste, Economy and Environment</td></tr><tr><th>Timescale</th><td colspan="3">Complete</td></tr></table>	Priority	2	SWAP Reference		Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment			Timescale	Complete		
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Finding 9		Action	
<p>Clarity in decision making</p> <p>The November 2017 Cabinet Member Decision Report titled ‘Programme Update’ stated: <i>Additional land has been acquired outside the footprint of the road to enable planned regeneration on completion of the road scheme. This cost was not contained within the land costs estimated in the business case. These areas include property 20 outside the extents of the new highway, property 27, property 5, property 14 outside the new highway extents, properties 23, 24 and 25 and property 32.</i></p> <p>This report outlines and suggests that these areas are those that resulted in increased land costs, yet I have not been able to find assurance or evidence that shows these areas were not in the business case or that the costs had increased since the business case as there is no original record of the land costs, as outlined in finding 8.</p> <p>A retrospective exercise was completed to try and identify this however this had not been completed at this time therefore I am not clear as to how Officers were aware that these were the properties that had resulted in increased costs.</p> <p>Officer B agreed that in hindsight this report could have been clearer. In addition to this the review has identified lack of clarity in the same report in regard to the use of contingency and risk allowance (see report objective 1). The Council must ensure that governance decisions are set out clearly to ensure decision makers are clear what they are or not agreeing.</p>		<p>Moving forward, when the need for land purchase arises on projects, an assessment is made of the land take, the land valuation, and the rationale for including it in the project and a formal change control mechanism would be used to determine whether it should be included in the project. The decision will be taken by the project board and the budget forecast revised accordingly and the correct governance completed to reflect and changes to budget.</p>	
Priority	2	SWAP Reference	
Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment		
Timescale	Implemented		

Finding 10	Action												
Officers must ensure escalation of key issues are completed promptly.	The project is now being managed by the councils corporate project management office where there is a robust meeting structure that starts from a task and finish group, that escalates to a project board and then further escalation goes to a programme board represented by the SRO and service director. Projects are tracked against milestones and tasks which are rated red, amber and green. The project manager rag rates the reports as they are close to the operations of the project and the project and programme boards discuss escalations that fall out of the rag ratings.												
The review has demonstrated that the issues with the valuation of property 23 were identified as early as September 2018, yet these were not formally raised until early 2020 with the Chief Finance Officer and Members.	<table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td></td></tr><tr><td>Responsible Officer</td><td colspan="3">Interim Service Director Environment, Highways and Waste, Economy and Environment</td></tr><tr><td>Timescale</td><td colspan="3">Implemented</td></tr></table>	Priority	2	SWAP Reference		Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment			Timescale	Implemented		
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Finding 11	Action
LEP Funding and Achievement of Deliverables Officer B explained that objective 4 of this investigation refers to deliverables and identified that these are defined in the HCCTP Business Case but not in the LEP contract. The Council are contracted to report on outputs not deliverables to the LEP and the monthly claim forms do not refer to the deliverables and are reporting against the outputs outlined as part of the contract. However, sections of the LEP contract suggest that deliverables are to be achieved (see detail in objective 4 report). As the LEP provided the funding on the basis of the business case, and the business case outlines the deliverables my conclusion is that the LEP would expect the deliverables should be achieved as part of the project.	Council officers agree

In future the Council must ensure they are clear when in receipt of funding what conditions there are, what is expected and ensure these are achieved to reduce any risk of the funding being withdrawn or claimed back.

Priority	3	SWAP Reference	
Responsible Officer	Interim Service Director Environment, Highways and Waste, Economy and Environment		
Timescale	N/A		