

Attendance

Members of the Audit and Risk Committee

Cllr Craig Collingswood (Chair)
Cllr Sohail Khan (Vice-Chair)
Cllr Obaida Ahmed
Cllr Harbans Bagri
Cllr Mary Bateman
Cllr Philip Bateman MBE
Cllr Jasbir Jaspal
Cllr Barbara McGarrity
Mike Ager (Independent Member)
John Humphries (Independent Member)

Employees

Emma Bennett	Director of Children's Services
Ian Cotterill	Audit Business Partner
Peter Farrow	Head of Audit
Dereck Francis	Democratic Services Officer
Keith Ireland	Managing Director
Tim Johnson	Deputy Managing Director
Andy Moran	Director of Commercial Services
Claire Nye	Director of Finance
Kevin O'Keefe	Director of Governance
Laura Palmer	Projects and Programmes Manager
Colin Parr	Head of Business Services
Laura Phillips	Head of Business Management
Hayley Reid	Senior Auditor
Mark Taylor	Strategic Director - People
Meredith Teasdale	Director of Education
David Watts	Director of Adult Services

In attendance

Bob Hide	Advisor, Equib Risk Management
Subeagh Singh	Interchange Programme Co-ordinator
Mark Stocks	Grant Thornton, External Auditors

Part 1 – items open to the press and public

Item No. *Title*

1 **Apologies for absence**
There were no apologies for absence received for the meeting.

2 **Declaration of interests**
No declarations of interests were made.

3 **Markets Relocation - Lessons Learned**
Keith Ireland, Managing Director reported that he had commissioned Audit Services to undertake lessons learned reviews on three capital projects. He had also agreed that the reports from the reviews be presented to the Committee in open session. He gave a brief introduction to the first of the reports on the Markets Relocation project and invited questions.

During the ensuing discussion and in response to questions, Peter Farrow, Head of Audit reported they were independent reviews and that no pressure had been put on Audit Services during these audit reviews and the production of the lessons learned reports.

The Managing Director supported by the Strategic Executive Board and other senior officers of the Council responded to the Committees questions and observations, the details of which are summarised as follows and should be read in conjunction with the detail in the lessons learned report.

When the scheme was being considered was there any doubt a higher contract price would be needed to deliver the scheme?

- The Council had a price of £2.5 million for a scheme based on advice from professionals. £470,000 was added to the cost of the project as a result of trader engagement and Cabinet approved the increased funding for the project as this would enhance to the market and add to the public experience of using the market.
- From the report and the tight timescale, it was reasonable to assume that the bidder had risk priced their tender. At no time did the scheme escalate in costs once the revisions were agreed. A contract price for the scheme was obtained..

It appears that no one was taking ownership of the project. The feasibility study should have flagged up some markers about the site. There was no pre-set format to approve the project and monitor it and the risks. Even if there is a fixed budget for the project there would be an element for a variation figure, but contract value has increased by 100%.

- Lessons are being learned. There are examples of where the Council has successfully delivered major capital projects such as the Civic Centre building and park. However sometimes it has not delivered as well on other projects. In hindsight the market relocation project could not be delivered for the original contract figure.

- Employees were asked to deliver a cost neutral scheme. The issue on this project was that the costs and budget figures are being reported before we were ready. The Council has engaged the services of Equip to advise and make sure it does not repeat these mistakes.
- Council money has not been wasted on the scheme. A decision needed to be made that led to the costs increasing. The increased costs of the project were approved by Councillors. The market was telling us something else other than the £2.5 million cost. The scheme that we want to take the Council forward cost £4.5 million.

Why did the Council only go to one company for the contract?

- The Council sought professional advice on the matter. The contract went out to open tender but only one response was received.

Why was that contractor awarded to the sole bidder?

- The time and speed the Council wanted to move. There was an end date for the relocation of the market. The amount of construction activity taking place in the West Midlands, the buoyancy of the market was also taken into account.

Is it the case that the £2.5 million was unrealistic rather than the time constraint?

- We cannot know what is in a bidder's mind when they submit their tender. With the current activity in the construction industry it is difficult to get contractors to bid. A tender was received that met our criteria. The contractor was aware of the site for the new market location so for them it was not a big shock in terms of what the Council wanted.

Could things have been done better in a political sense; was there enough guidance in the process; if you did it again would you want to see the process strengthened?

- The reason for the three lessons learned reports was to improve the process. One issue from all of the projects is when do we release figures/cost information into the public domain. Currently that information is released too soon. On the political involvement and guidance, the Cabinet Member for Environment was involved in the project. The issue was undertaking more detailed work before we run with the proposition.

The lessons learned reports are welcomed but they need to be put into practice. The relationship with the Audit and Risk Committee will be important and the risk aspect needs to be focussed on and Lesson Learned 10 should be strengthened.

- Due process had been followed on the project. In the reports the Committee is asked to take more of an interest in assessing the actions and that they are implemented. If large capital projects are being delivered the Committee may want to monitor them through say the risk register.

Does the Council have the resources to do the job in such a way we are robust and can keep up with pace and offer a contrary view if required?

- City Centre Regeneration had been included on the Council's strategic risk register for a while. Civic Halls restoration was highlighted from that. It was also

the same for the recommendations on the Interchange Programme. The Committee would be seeing more of this in the risk register at its future meetings. The recommendations in the lessons learned reports would be monitored by the Committee. The Audit Services would work with other service areas to populate the plans in real time and the Audit team would review it and report back to the Committee.

- A big learning point from the reviews was project risk management. The Council's ability to perform that function through its external advisors and its own internal resource. The Council had secured the services of Bob Hide, Equib to provide project risk management advice on all of the Council's capital projects. The Council was learning, and it now had its own advisor on risk. That would strengthen the Council's capacity in this area.

Is there any redress against the advisors on the original contract price?

- There was a change in the scope of the project. The original price was based on there being a competitive market.

Why did we then appoint them as the Project Manager?

- We took a view that £4.5 million was the market value for the contract. We took the view to offer it to them

There is a perception the contract was small beer. Why was only one month given for contractors to bid?

- The usual process is six weeks. With the programme to relocate the market and the Westside regeneration scheme about to commence it was decided to shorten the period for the receipt of bids by two weeks.

How did the successful contractor know they were the only tenderer?

- A supplier would have been aware of any other interest in the contract very quickly because of the way the supply chain operates. The successful tenderer only had prior knowledge of the site. The Council did not reveal to them that there were the only tenderer for the contract, they worked it out and this was reflected in their tender submission.

(A member of the Committee commented that the contractor had the Council at a disadvantage. The Council should have given itself more time to secure another tender submission. The Council needs to be mindful of this point.)

The appointment of the external consultant as Project Manager for the design and build seemed flawed in terms of the oversight and management of the project. The Council needs to hold back on putting project costs into the public arena until it has the full case. There should also be a clear format on how the Council manages these types of projects from start to finish.

- On the point of the advisors it is not unusual for private sector organisations to appoint Project Managers to deliver these types of capital schemes.

It appears that the contractor had more information on the project than the Council

- The Cabinet Member for Environment and Cabinet member for Resources challenged the Strategic Executive Board during briefings on the project. We were challenged politically. We could only put forward the best information we had.

The market was meant to open on the new site in May and it is now June.

- Two events have occurred on the site. Human remains, and a petrol tank were found. The Council has been working with its partners for the development of Westside. The developer was not ready to be on the site so that has worked for the Council to address the items detected on the new market site.

Are we confident the project would be delivered on £4.9 million

- Yes. Minus the two issues previously referred to regarding the petrol tank and human remains found on the site. A bid is being submitted to the West Midlands Combined Authority land remediation fund towards the costs of addressing the ground contamination. The Market would open on 17 July 2018.

Can minutes of briefing meetings and the briefing notes to Cabinet members be shared with the Committee in future as an audit trail and in order to protect employees.

- For the Markets relocation report it was too late. In terms of the Civic Halls Restoration programme, revised governance arrangements are in place for this and other projects. Minutes would be available for them if required. The Council was strengthening governance for all capital projects and would take on board the point regarding the minutes.

Resolved:

1. That the lessons learned action plans be received.
2. That the Committee oversee the implementation of the lessons learned programme over the next 12 months and receive a quarterly update report on the progress made in implementing the lessons learned.
3. That the actions taken to date be supported which include:
 - a. To improve programme and project management
 - b. To ensure better financial modelling
4. That the Managing Director's decision to make the report an open report to ensure maximum transparency be noted.
5. That the minutes from the governance arrangements for capital projects be shared with the Committee upon request when the Committee has a specific focus on a capital project through the strategic risk register.

4

Wolverhampton Interchange (Train Station) - Lessons Learned

Keith Ireland, Managing Director presented the second of three reports he had commissioned from Audit Services on a lessons learned review on three capital projects. The issues within this report on Wolverhampton Interchange (Train Station) project were more complex than the first report considered by the Committee. It was

a complex capital project involving multiple players and the Council was not managing it on its own. This made it all complicated.

The Managing Director supported by the Strategic Executive Board and other senior officers of the Council responded to the Committees questions and observations, the details of which are summarised as follows and should be read in conjunction with the detail in the lessons learned report.

Excluding the change in contractor, what were the reasons for the increased costs?

- Appendix A to the lesson learned report sets out the timeline of key events of the scheme and its changes. The contract for the railway station demolition/reconstruction was awarded to the contractor in early 2018.
- All railway station schemes are delivered to a Governance for Railway Investment Projects (GRIP) process. There are eight distinct stages to the process for how railway station projects would be managed and controlled by Network Rail. At GRIP stage 1 the project costs would be guestimates. We probably went too early regarding the cost of the programme. A contractor has now been appointed and we have a clearly defined railway station scheme.

Are you confident that the contractor is robust enough to complete the project?

- Yes. Projects of this type are complex and risky and extremely difficult to manage. As a result, you need to go into it with clear detailed planning. It is not a standard construction project

The report appears to raise and some concerns in paragraphs 4.1.9 and 4.7.1 of the report with Supplier M

- The statements at paragraph 4.1.9 of the report were not representative of the current state of the project and the contractor.

(It was therefore agreed that the Auditor following discussions with the Programme Co-ordinator and the Director of Commercial Services submit a short report to clarify the issue regarding paragraphs 4.1.9 and 4.7.1 of the report suggests some concerns with Supplier M)

What was Corporate Procurement's involvement in the process for the procurement of a contractor at the time and what will it be in the future?

It was also a complex capital project involving multiple parties and the Council was not managing it ourselves. This made it complicated. Procurement had not been involved in the process for the procurement of a contractor because it was a railway station project and was part of a wider agreement with ION. It was for them to deliver the contractor for the delivery of the project. The lessons learned report now set out Corporate Procurement's role in future on all reports to Cabinet for all internally or externally procured projects.

'QRA' in the table at paragraph 3.1.2;

- QRA was a technical issue of how we looked at individual risk analysis.

Ground testing

- Ground investigations were undertaken at an early stage of the project. There is a good understanding of the ground conditions. There are a number of site investigation tests we need to undertake and present as evidence to Network Rail.

Plans for the car park?

- The plans for the car park include a pick up and drop point that improves on the current layout. However it is a constrained site. We wish we could make it better but cannot do this in the short term

Control the Council has over the expenditure increase and to stop it happening again?

- The Council was undertaking a joint venture and having involvement with ION. The Council had delivered big construction projects. It does not happen that these types of projects do not sometimes have major issues.

Whether more accurate information or better contingencies are required before getting approval of capital budgets;

- There is a good contingency now for the scheme. Some of it would be spent but we can live within that contingency. The unresolved issue is when we go public with the cost figures.

How can the Committee gain assurance that all of the checks that come on a risk have been dealt with in a comprehensive way; and that someone has a handle on where the Local Authority stands on the project at any particular time?

- In terms of the level of control the Council has over the project, the Government arrangement for management of these types of scheme has been updated. Regular meetings take place with ION on their work programme so we are confident once the drawings are approved by Network Rail we will be in a good position.
- The Council had delivered hundreds of projects successfully, so it has a track record. With this programme you can expect it may incur more costs. The dilemma is when should Senior Management release to members the cost figure for a project.

Resolved:

1. That the lessons learned action plan be received.
2. That the Committee oversee the implementation of the lessons learned action plan over the next 12 months and to receive a quarterly update report on progress with implementing the lessons learned.
3. That the actions taken to date be supported which include:
 - a To improve programme and project management
 - b. To ensure better financial modelling
4. That the Managing Director's decision to make the report an open report to ensure maximum transparency be noted.

5. That Ian Cotterill, following discussions with Subeagh Singh and Andy Moran submit a short report to clarify the issue on paragraph 4.1.7 of the lessons learned report.

5 **Civic Halls Refurbishment - Lessons Learned**

Keith Ireland, Managing Director presented the third of three reports he had commissioned from Audit Services on a lessons learned review on three capital projects in the city. This report related to Civic Halls refurbishment.

Member of the Committee reported that they were shocked and horrified with what had happened on the project. It was not in keeping with the way the Council now operated and it was felt that the reputation of the Council had been damaged as a result. Members also felt that the Council had not received the level of service expected by contractors on the project and that there were issues of competence, particularly in respect of the costings.

The Managing Director supported by the Strategic Executive Board and other senior officers of the Council responded to the Committee's questions and observations, the details of which are summarised as follows and should be read in conjunction with the detail in the lessons learned report

It does seem that there has been a responsibility issue that has come out from the report. How has the management team been managed?

- Detail on the action taken in relation to council employees accountability and responsibility for the project could be discussed in private session.

(The Chair commented that he would like as many questions answered on the open session of the meeting. If there were any questions that could not be responded to in open session, then the meeting would move into closed session)

- The Council had not accepted what has happened on the project and a number of things have happened to improve the Council's services over recent years.
- The project comprised two schemes. One to do with capacity of the Civic Halls and the other to do with the building. The project had slipped through the net and it had not been picked up sooner.
- We know we need a Project Director, and top advisors. At the time the Council did not get the right advisors.

Whether legal proceedings against the external advisors/ contractors who had failed the Council on this project.

- Meetings have taken place to determine whether grounds exist for claims and the value of claims against external firms. Employees were exploring the Council's ability to cover costs and legal activity was being pursued

Why did the project fail?

- It is complicated what was going on. In 2010 no one employee owned the project. I did not ask questions about Civic Halls because it was not part of my area. Things were not done and the Council received bad advice on the project. No one asked if the intrusive survey work had been undertaken. There were

competence issues. There is evidence that the project was never on track and was being under categorised in its risk rating. The third Project Manager came in and identified issues with the project. The project was then categorised as red risk.

- The first the Senior Management Team became aware of the issues was when it received a limited assurance report from the Council's Internal Audit service. Since then changes have been made to the management of the project. When the Strategic Director for Place looked into the project he identified that there were issues and the project needed to be revisited.

Why intrusive work on the building had not taken place at the outset of the project?; why the fabric of the building was in such a state of repair?; why the Council's own building repairs/ maintenance programme failed to point out the problems with the building?; and whether a structural survey had now been undertaken.

- At that time the Council had a £60 million backlog of repairs and record keeping in this area was poor.
- As part of our due diligence the structural survey of the building is being carried out by the new Project Manager.

The accountability and management responsibility for the project?

- In terms of governance of the project, the responsibility for the spend and financial aspects of the project rested with the Council. The physical construction works will be left to the Project Manager.

Whether the Council's fiduciary duty been compromised.

- There were no breaches to Councillors fiduciary duty.

Why an experienced Project Manager had not been appointed to manage the project at the outset; has an experienced Project Manager now been appointed; what will their responsibility be; and how convinced are we that the new Project Manager would deliver the project on time and to budget?

- We know we need a Project Director, and top advisors. At the time the Council did not get the right advisors. We are bringing in a new Project Manager to look after the scheme. The new Project Manager was at the early stage of their work. We feel they are the right people to deliver the project.

On the reporting to elected members and the timeline of events (P93), could action have been taken at the time if Cabinet Members had flagged up any concerns.

- The Cabinet Member for Resources regularly grilled officers about the state of the project and expenditure on the project and officers had to justify the spend. The view that Councillors did not interrogate the officer about the project is incorrect. As far as we knew the scheme was progressing well.

Has any work taken place into the impact of the closure on the city centre economy?

- Work on the impact of the closure of Civic Halls on the city centre economy has not taken place. Work on the growth aspects could take place once the building is refurbished.

How confident are you that the current cost figure is accurate that the project would be delivered on budget and on schedule?

- Once the assessment reports are available we can come back and say if we are confident or not that the project would be completed on time and on budget. We cannot give a guarantee on the delivery of the project until the assessment reports are available. It is anticipated that the assessments would be available later in the year around in October 2018.

Is there scope for seeking external financial support to assist in the delivery of the project, including English Heritage Funding.

- It has been made clear that the Council is expected to secure external funding for the project. This was being explored but there was no guarantee that external funding would be secured. We need to wait for the results from the surveys. The English Heritage option is something being considered. However, it might be too late in the day to try and secure that funding.

Should the Committee have a site visit to Civic Hall

- A visit by the Committee to the Civic Halls site would be welcomed.

Resolved

1. That the lessons learned action plan be received.
2. That the Committee oversee the implementation of the action plan over the next 12 months and to receive a quarterly update report on the progress made in implementing the lessons learned.
3. That the actions taken to date be supported which include:
 - a. To improve programme and project management
 - b. To ensure better financial modelling
 - b) To ensure partners deliver their commissions to the right quality and specification.
4. To ensure the right people are appointed to the right roles including appropriate project managers and/or a programme director for large scale capital projects
5. That the Managing Director's decision to make the report an open report to ensure maximum transparency be noted.

6 Action Plans - Lessons Learned

The Committee received the report which brought the three action plans from the lessons learned reports together in a single document to provide an overview of the Council's intended actions to improve in the future. Keith Ireland, Managing Director reported that the action plans would set the Committee's agenda for the future.

The Committee noted that the recommendations from the Markets Relocation Action Plan were in place, however the action plan did not include any timescales. The Chair asked that the Council's Projects and Programmes Manager be invited to future meetings of the Committee as appropriate to provide an update on projects.

The Chair of the Committee said that while it was not the role of the Committee to micro-manage large scale capital projects, it would continue to monitor the risks associated with such projects – predominantly through the strategic risk register, but would welcome support from the Council's Projects and Programmes Manager if it was flagged that such projects were not meeting financial or completion targets. The Committee would also focus on ensuring that the recommendations made in these reports were being implemented in a timely manner and he stressed the importance of ensuring that these are achieved.

The Committee was informed that the Audit function was taking a larger role and was now more integrated within project management boards than in the past. The model the Council now had for managing major capital projects was the right one. In the future Mr Bob Hide from Equib would be attending meetings of the Committee, as appropriate, to provide the Committee with independent audit assurance on major projects and programmes.

Resolved:

1. That the lessons learned action plans be received.
2. That the Committee oversee their implementation over the next 12 months and to receive a quarterly update report on progress with implementing the lessons learned.
3. That the actions taken to date be supported which include:
 - a. To improve programme and project management
 - b. To ensure better financial modelling
 - c. To ensure partners deliver their commissions to the right quality and specification
 - d. To ensure the right people are appointed to the right roles including appropriate project managers and/or a programme director for large scale capital projects
4. That the Managing Director's decision to make the report an open report to ensure maximum transparency be noted.

7 **Exclusion of the press and public**

Resolved:

That in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business as they involve the likely disclosure of exempt information falling within the paragraphs 1, 3 and 5 of Schedule 12A of the Act.

8 **Action Plan - Lessons Learned**

In response to further questions and comments from the Committee on the lessons learned reports, the Committee was informed of:

- Action taken to hold employees and contractors accountable for their shortcomings on the Civic Halls refurbishment project.

- Capacity existed within the Council's Legal Services and external legal support that could be secured to ensure the Council's interests are protected.
- The role Verto project management system in providing the Council with the information it needs to manage projects.
- Deep dives that would be taking place into projects to check and provide independent assurance to the Committee on the state of projects and programmes.
- The Director of Finance's expectation that her team would be involved at the outset on any capital programme project group set up by the Council.

Resolved:

That the verbal report be noted.