MINUTES OF A MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD BY TEAMS LIVE ON FRIDAY, 8 OCTOBER 2021

PRESENT
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County Councillors JG Morris (Chair), M J Jones, K Lewis, DW Meredith, WD Powell, D A Thomas, R G Thomas, T J Van-Rees, A Williams and J M Williams and Mr J Brautigam

Cabinet Portfolio Holders In Attendance: County Councillors A W Davies, R Harris and R Powell

Officers: Nigel Brinn, Corporate Director, Economy and Environment, Jane Thomas Head of Finance and Clive Pinney, Head of Legal and Democratic Services

Other Officers In Attendance: Ian Halstead, Millie Jones and David Hill, SWAP, David Burridge, Audit Wales and Jim Swabey, HOWPS

1.	APOLOGIES

Apologies for absence were received from County Councillors M Barnes, D R Jones and R Williams

2.	DECLARATIONS OF INTEREST

There were no declarations of interest.

3.	Y GAER

Documents:

- SWAP Project Review of Y Gaer (Lessons Learned)
- Service Response to SWAP report

Discussion:

- The Chair reminded the Committee that they were to consider the lessons learned from the Y Gaer project to ensure future projects such as 21 Century Schools, Mid Wales Growth Deal and GCRE were all subject to good governance and strict project and financial management. The role of the Committee was to seek assurance that the Action Plan was adequate for future projects. A key role was to scrutinize the financial affairs of the Council and ensure value for money particularly bearing in mind that the vast majority of spend on such projects was public money.
- The Assistant Director, SWAP, informed the Committee that this had been a difficult review which had taken considerable time. He wished to thank everyone involved particularly the Lead Auditor for undertaking the work during challenging times.
- The Assistant Director took the Committee through a timeline of events and highlighted that the review considered budgeting, capacity and capability, tendering and procurement, the construction phase and engagement with users and stakeholders.

- He confirmed that he had had unfettered access to people and available records but noted that a number of officers had changed over the lifetime of the project which had had an impact on accessing some records.
- **Project Initiation and Planning** - a number of options had been considered but the offer of a grant had been the key driver. Clear aims were in place which followed the Regeneration Strategy and became more focussed in the later stages. The project execution plan remained stagnant as the project rapidly evolved and was not live enough to enable a speedy response. The lack of continuity of officers was also of concern. Planning lacked formalisation which negatively impacted in the later stages. The absence of a business case contributed to unrealistic proposals and the Council demonstrated an unrealistic bias.
- **Funding** – this had been integral and influential. An application for a Heritage Lottery Fund Grant had not been successful in 2008 but the scope had been improved and £2.1 was awarded in 2010. £5.1M of the £8.4M project was to be provided by the Council with several options under consideration including a LABV, property sales etc. The LABV was not pursued. Consideration had also been given to not proceeding. Ultimately the Council committed to the grant in 2013 but was uncertain regarding the remaining funding. Finance Officers raised concerns. Prudential borrowing was identified if no other options were available. However there had been no indication of cost. It was considered that the Council was overly concerned with external funding.
- **Governance** – it was concluded that governance was in place initially but that roles and responsibilities were not clearly defined. There was a complex and lengthy chain of command. Information improved post 2016 but was very technical in nature. No delegated powers were defined. Visibility and transparency were not clear when elements of the project were failing. There had been no training for those with governance roles. In conclusion the governance process was variable making it difficult to address key challenges. There was a reliance on officers resulting in a lack of visibility. Too many silos were in operation, for example funding and construction – the project would have benefitted from single oversight.
- **Risk** – mitigation had been overly optimistic to downgrade risks
- **Staffing resource** – management skills were found to be lacking. External contractors were engaged but there was no internal capacity to monitor. The project was too reliant on agency staff. Project teams were also working in silos. Relationships were not clearly understood. Those responsible for oversight were not trained. Lottery rules resulted in elements being separated.
- **Contracts** – contracts were let in accordance with Council rules. A change was made to the fixed price contract during the project resulting in less risk but increased costs. The transfer to HOWPS further complicated the process and led to less oversight.
- **Conflicts of Interest** – no conflicts of interest were identified but the opportunity for them to arise was perceived
- **Performance, Control and Compliance** – there was heavy reliance on external project managers with a lack of reporting. The design of the building was identified as a key early failure eventually leading to delays and increased costs. The main contractor missed key deadlines and snagging was unnecessarily protracted. The complex chain of control did not aid agile decision making. The increased costs were attributed to

inflation, inadequate contingencies, and additional works all of which contributed to an increase in fees.

- **Stakeholder engagement** – better communication with stakeholders was identified. The level of influence they could have expected should also have been communicated.
- **Lessons Learned** - a number of scrutiny committees had identified significant issues, but these had little impact and valuable lessons were lost. Tracking of scrutiny recommendations should be in place. Post implementation reviews should take place throughout the project
- The Corporate Director, Economy and Environment acknowledged the volume of work and thanked those involved. The importance of Y Gaer should also be recognised, not only in Brecon but for the county as a whole. It was recognised that the project had been expensive but £4.5M of external support had been brought in from numerous services. The improvements in the project post 2016 were recognised as the project became better managed and better governed. HOWPS had been instructed to provide the client-side project management, but their role appeared to be causing confusion.
- The Vice Chair questioned whether project boards as they are currently constituted were a potential source of weakness. In December 2016 a Cabinet report highlighted the lack of political oversight but the capital allocation was still increased. The contract was amended in May 2018 to eliminate risk, but it appeared that the Council had paid for most of the risk before that date. The Vice Chair had questioned the reconciliation of the budget figures included in the report. An explanation had been provided prior to the meeting identifying an additional £600K from a Welsh Government grant that had not been mentioned in the report.
- The Vice Chair summarised that one of the main concerns was the lack of project management. The project only came in control with the appointment of an agency Project Manager. He was also of the opinion that it was perverse to appoint Jacobs on a sliding fee scale as it proved to be in their interests to increase costs. It was hoped this would be resolved when the function returned to Council control. The Vice Chair was not yet assured that other projects were under control with over expenditure occurring with Welshpool Schools. He awaited the review of another major project to assess whether improvements had been made to processes.
- Whilst the end product was something the Authority could be proud of, the report reflects the culture of the Council at that time. Audit Committee, Scrutiny Committees and Finance Panel had all expressed concerns. The LABV could have been considered to be over ambitious and the S151 Officer had noted that. Finance Panel have often expressed concern regarding transparency although Members were pleased to note this was improving with the current S151 Officer.
- The Committee questioned the total amount of borrowing for the project and what impact this had had on the MRP. The impact on the revenue budget had to be recognised. The Head of Finance responded that the Authority did not borrow for individual projects. However, the impact on the revenue account for this project can be estimated at £326K pa until 2054 and £68K thereafter.
- Project Management was a highly skilled, professional job and generic training for Council officers may not be sufficient. General project

management skills and awareness training had been carried out with 126 officers having taken part.

- Further concerns were raised that a grant had been applied for on a submitted scheme rather than an approved scheme. There was a need to understand the totality of the project. Offsite improvements had influenced the project.
- The project was based upon a listed building, and it was questioned whether the Authority had the skills in place to accommodate the additional requirements. The Corporate Director indicated that a third party could be engaged to provide specialist support if there was insufficient capacity in house.
- Conflicts of Interest had also been referred to, but it was emphasised that this was a perception of a conflict of interest and not an actual conflict. A separate internal audit had been conducted into officer conflicts of interest and the Monitoring Officer assured the Committee that recommendations made were being implemented.
- The Committee noted that no litigation or redress had been made against those agencies which were considered to have performed poorly. The Monitoring Officer noted that it would not be appropriate to discuss specific aspects during the Committee but agreed to reconsider. He stated that the reasons for increased costs were not related to contractual breaches.
- **Way forward** – Governance and Audit Committee have commissioned further work to provide assurance that current arrangements are effective. The first of these reports will be considered at the next meeting in November 2021.
- The Capital Governance framework has been introduced requiring a five-case business model for every project detailing roles and responsibilities.
- Project Management arrangements have not been sufficiently well explained and further information will be provided. This will include costs, arrangements for managing and approving cost changes and how risk is built in from the start of a project. The work commissioned by the Committee should provide this evidence.
- Asset Management and sales will be integral moving forward and the Property Review report has been awaited for some time. Once that has been received it may be possible to take a view on the feasibility of using capital receipts to support the Capital Programme. The Head of Finance reported that significant work on the review had been completed over the summer. It was necessary to understand the cost of assets, use of assets and ongoing maintenance costs and benefits from those assets. Where benefits are not being achieved or assets not used effectively, they could be considered for release.
- It was intended to implement Post Project Reviews for all capital and transformation projects.
- A Senior Reporting Officer should be identified for all projects to provide appropriate oversight
- External legal support is employed for contract work – recruitment for an internal resource has not yet proved successful
- The Chair concluded by saying that some assurances had been given but the lack of management of the Y Gaer project was a concern. Good management was essential to ensure value for money for council tax payers. The cost, including the prudential borrowing for the capital, was

£17m. The Committee had raised concerns regarding the affordability of the 21 Century Schools project and further assurances were needed regarding the affordability of projects in future. The Head of Finance emphasised the need for a robust business case from the outset. With regard to the school estate, she noted that there was a lack of transparency around the costs of retaining the existing estate against the costs of new projects, but this was being worked on. The Capital Programme as currently approved was affordable as demonstrated through prudential indicators. Future schemes and the level of ambition would have to be considered through the process in order to draw down external funding.

- A key element of the business case would be to recognise the revenue costs arising from a project
- SWAP indicated that further assurance could be obtained by additional work by SWAP. It was noted that all projects had their own risk registers and consideration should be given to the Committee considering any significant risks on individual projects in addition to their regular monitoring of the Strategic Risk Register.
- An independent review of the Bro Hyddgen project had been undertaken and it was expected that once this review has been released the Committee would gain assurance that improvements had been embedded
- The Integrated Business Planning process which is in place will ensure that the wider plans deliver both service and council objectives.

Outcomes:

- **The Committee gained partial assurance from the report and awaited the peer review into Bro Hyddgen to ascertain whether improvements have been embedded**

County Councillor JG Morris (Chair)

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