



central midlands audit partnership

Head of Paid Service Update

Derby City Council – A52 Transport Improvements Scheme Investigation

Final Audit Report

Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

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1 Introduction

1.1 Issue

- 1.1.1 On 12th May 2018 the Council's Strategic Director of Corporate Resources formally requested that the Central Midlands Audit Partnership carry out an investigation into the reasons for the significant increase in the Scheme costs, from the already revised Scheme costs of £14.906m noted by Council Cabinet (from here on referred to as Cabinet) on 13th July 2016, to an expected cost in the region of £30m. The latest figure agreed by Cabinet on 12th September 2018 is now estimated to be at least £33m. An accurate final forecast of the overall cost was scheduled to be taken to Cabinet on 12th September 2018, but this deadline, and another in December 2018, were missed and the forecasted overall cost of the Scheme at the time of releasing this report (17th January 2019) is still unknown.
- 1.1.2 It was unanimously agreed by the then Acting Chief Executive and Leadership for the Council to carry out an investigation into the reasons for such an increase in costs to occur, to learn lessons and to gain assurance for the remainder of the project.
- 1.1.3 We were requested to investigate and report back to Senior Management and Cabinet on the following areas:
- the design and specification of the works, including preliminary works to discover the nature of the subsurface; (appropriateness of the design)
 - the appointment of the contractor through the Midlands Highways Alliance (MHA) Framework and the award of the works to the contractor that offered the best fit to the criteria set; (appropriateness of framework and Contractor)
 - a robust challenge and check of the costings provided by the prospective Contractor before the contract was let; (accuracy of cost estimates)
 - the project management arrangements in place that allow for validation and authorisation of works and any contract variations; (verification of costs & works)
 - the governance arrangements in place for decision making on each of the four preceding bullet points; (approval)

- the governance arrangements in place for monitoring of the performance and delivery of the contract with any shortfalls being identified and rectified; (reporting arrangements –costs/progress).

1.1.4 Internal Audit has reviewed how the Scheme has been progressed to date and has sought to identify the issues that have contributed to the project failings and resulted in a significantly adverse financial position.

1.2 Scope of Investigation

1.2.1 The investigation has focused on the systems, policies and procedures in place for awarding and managing the contract and reviewed the performance monitoring arrangements over the delivery of the Scheme.

During the investigation we have confirmed, or otherwise, that:

- the contract tenders and original cost estimations were soundly based;
- there were adequate governance arrangements in place to facilitate monitoring of the contract;
- contract monitoring arrangements were in place which aimed to identify shortfalls in performance and resulted in remedial action being taken at the earliest opportunity;
- management information was accurate, timely and fit for monitoring the contract and, additionally, to whom such management information was or ought to have been made available to, why, and for what purpose;
- procedures for the authorisation of variations to contracts were in place, robust and operating.

1.2.2 We have:

- Retrieved and examined supporting documentation relating to these matters.
- Interviewed Officers and Members, as required, to establish the facts pertaining to these issues.
- Established and secured the necessary evidence to support our findings.
- Formally reported our findings to Senior Management, who will inform Cabinet.

1.3 Distribution and Communication

- 1.3.1 This draft report was issued to Don McLure, Strategic Director of Corporate Resources, for comment.

The final version of this report has been issued to Carole Mills, Chief Executive and Head of Paid Service, with a copy to:

- Don McLure, Strategic Director of Corporate Resources.

- 1.3.2 This report has been produced to provide management with a detailed account of our findings in order to decide on whether any further action should be taken. Internal Audit was not asked to investigate allegations against specific officers /councillors involved in the management and overview of the A52 Scheme, therefore this report itself will not recommend action against specific individuals. We will, however, be highlighting the areas where failings can be attributed to project roles played by individuals and/or groups involved in the project delivery.
- 1.3.3 This report was produced by Group Auditor and Head of Internal Audit (DCC) & Head of Audit Partnership. Any enquiry concerning the content of this report or associated issues may be made to the Group Auditor on 01332 643 292.

2 Findings

2.1 Introduction

- 2.1.1 The A52 Wyvern Transport Improvements Scheme was designed to provide significant highway benefits on a congested part of Derby's principal road network. The design also provided for new and improved access for sustainable transport modes and for new employment opportunities on the Derby Triangle development.
- The Scheme supports the vision within the Derby City Council publication "A Different Council" - our Council Plan 2016-2019" that Derby is a place where jobs and businesses are growing and that the infrastructure is in place to create a city for the future. It also supports the priority outcome for 'improving housing, supporting job creation and regeneration'.
- 2.1.2 In December 2016, Cabinet approved the commencement of the A52 Wyvern Transport Improvements Scheme. The Council entered into a contractual arrangement with Galliford Try (Principal Contractor) for delivery of the works, with Scheme costs expected to be £14.906 million.
- Since the main project works started on site circa October 2017, there has been a significant increase in the Scheme costs. At the time of releasing this report (17th January 2019), many of these costs have already been committed, if not actually spent. It is forecast that there will be further cost increases before the project is complete. There are additional works that it is necessary to add into the Scheme. Estimates suggest a final cost upwards of £33 million (as per Cabinet Report on 12th September 2018). An accurate cost forecast was due to be taken to Cabinet on 12th September 2018, and again in December 2018, but is still unknown at the date of this report.
- 2.1.3 The Council could choose to terminate the Construction Contract and abandon the Project; however, to do so could have significant legal and financial clawback implications for the Council under the Construction Contract and the Grant Conditions. Furthermore, a failure to deliver the Scheme could cause significant reputational damage to the Council and potentially jeopardise future funding bids.

Taking the foregoing into account, Cabinet agreed to continue with the Scheme on 13th June 2018 and a further £7 million was allocated to the Scheme from the Budget Risk Reserve. In the circumstances, it was unanimously agreed by the Acting Chief Executive and Leadership for the Council to carry out an investigation into the reasons for the increase in costs, to learn lessons and to gain assurance for the remainder of the project.

Internal Audit has sought to review how the Scheme has been progressed to date and to identify the issues that have contributed to the project failings that have resulted in an adverse financial position. We have also reviewed the governance arrangements to date and recommendations will be made in a separate Systems Weaknesses report to the Audit and Accounts Committee. The results of this investigation have been reported to Senior Management, who will inform Cabinet.

We have found no evidence through the course of the investigation to suggest that any fraudulent activities have taken place.

2.1.4 The following individuals have been formally interviewed as part of the investigation:

- Strategic Director for Communities & Place (Strategic Director*).
- *Former* Director - Strategic Partnership, Planning & Streetpride (*former* Director*).
- A number of other officers involved in the Project; these officers are referred to as Officer A, Officer B etc. for data protection purposes.
- A representative of the Principal Contractor (Principal Contractor Representative*).
- Councillor A, Derby City Council.
- Councillor B, Derby City Council.
- Councillor C, Derby City Council.

** The designation in brackets designates the title referenced in the main body of the report.*

Contemporaneous notes were taken at these interviews and individuals were required to sign and date these transcripts to confirm that they are an accurate record of the meeting. Individuals were also asked to provide formal

documentation, where required, to substantiate their answers to particular questions.

2.1.5 We have further spoken to /contacted a number of current and former officers, on a fact finding basis.

2.1.6 A number of officers have left the Council during the course of this Project, including the *former* Director and Officer D. Where possible we have secured the email accounts of former employees.

This proved difficult in respect of Officer D, as Audit were informed by the Council's Infrastructure Team, which look after the e-mail servers, that they now only retain backups for a period of 6 weeks. This officer's mailbox had been deleted and a copy could not be restored from backup. However, our specialist Auditor was able to recover the required OST files from the C:\ drives of 2 of the 3 laptops previously used by this officer while in post. The OST files represent an 'offline copy' of the user's mailbox, which would have been representative of the user's mailbox from the last time Officer D used that machine.

We were then able to interrogate these officers' e-mail accounts using key search criteria.

2.1.7 We have tried to speak with Officer D to discuss some key issues relating to the investigation and prepared a set of questions. Whilst third party contact has been made, this former Officer remained reluctant to speak with us directly. The former Officer has acknowledged our written questions and provided a short statement via email, which we have covered in the conclusion. Officer D has however declined to answer any of our questions and the Council have no legal jurisdiction to pursue this matter further.

2.1.8 Arrangements have been put in place, via the Midland Contract Audit Group, with Birmingham City Council, to utilise a Consultancy Framework for procuring engineer support on an ad-hoc basis, for advice or clarification on technical matters concerning the detailed designs and specifications of these works. We have however, not sought to engage these services at this stage, as our enquiries have not identified disputes where this service could be beneficial. It has been largely accepted that the designs were not sufficiently mature to progress this project at

the outset, as opposed to technical matters being held in dispute. These arrangements however remain in place, should these services prove to be required following the issue of this report.

- 2.1.9 Although the main focus of the investigation has been to identify the project failings that have resulted in the adverse financial position, we have endeavoured to comment on improvements noted since the formation of the newly formed Project Board (July 2018) in order to provide some assurance. We must stress that all instances of potential improvements may not be reflected in the main body of the report as this was not our main objective.
- 2.1.10 Throughout this investigation we have been providing regular verbal updates to the Strategic Director of Corporate Resources, who has in turn provided External Audit with regular updates on our progress and matters as they have unfolded.
- 2.1.11 A number of acronyms have been used throughout this report; these have been explained in Appendix B for reference.

2.2 Contract Tenders and Original Costings

This section deals with the design and specification of the works, including the topographical surveys, the appointment of the contractor and the agreement of the Target Price for the construction works.

Design and Specification

Design and Specifications Issues

- 2.2.1 We have identified that issues with the design and specifications of the works were prevalent, including the maturity of design at the time the Principal Contractor was appointed, the checking of designs, and matters relating to the retaining wall along the A52, Raynesway to the Wyvern slip roads. Further issues, relating to initial costings, survey data and Early Contractor Involvement (ECI), have been assigned specific sub-sections within this report.

We have not sought to engage consultancy services for advice on technical matters concerning the detailed designs and specifications, as all officers spoken

to accepted that there were significant weaknesses in this area and have provided information as to the probable reasons for such issues.

- 2.2.2 We spoke to Officer E, who became more involved in the Project in April 2018, to identify the extent of the issues in this area. In summary, at April 2018 when they picked up the design work, big sections of it remained incomplete. There were no full drawings for the Derwent Parade works and the Principal Contractor was still working to partial models. Furthermore, various elements of the design did not fit together and previous issues had been dealt with in isolation, without consideration for how these changes would affect the entire model.

While ascertaining who was responsible for defining the detailed scope /design of the project Officer A stated *“I suppose that probably comes down to [Officer D]. It was the (Project) team’s group responsibility, but we relied on his expertise.”*

Evidence therefore leads us to conclude that reliance for this entire section of work was placed on a single officer who was working in isolation, and evidence suggests that this was the biggest project that this officer had worked on. Officer E told us that additional resource was required to work up the design in order to meet Principal Contractor deadlines, but these were generally not being met, which often led to further problems. These issues have been covered further throughout the main body of this report, including the maturity of the design at ECI stage.

- 2.2.3 We spoke to the Project Team concerning their responsibilities in respect to checking the designs and whether it was intended for this to be hands-on, or whether they were looking for them to be verified by either external consultants or even the Principal Contractor. Officer B stated that *“This is obviously now known to be one of the key issues. We never set this out anywhere but I saw this as [Officer D’s] responsibility to get it checked, just as it’s my responsibility to get my own work checked re the Cabinet reports. Obviously they would have needed an engineer to check the designs. I assumed they used the same checking process as Engineering. You’d think [Officer D would] want reassurance to cover their own back.”*

We enquired who was supporting Officer D from a technical background and were told by Officer B that *“I think there was a gap there. We were paid to a level to deliver and I don’t issue work without getting it checked so expect [Officer D]*

shouldn't either. I'm confused by his relations with the Engineering Design team, I don't know what that was."

We spoke to Officer E regarding Officer D's interaction with Highways Engineering regarding the checking of designs and were told that nothing was passed to their section to be checked and verified. Officer E did identify that Officer D did work with them on the footbridge designs, but further stated that Officer D was taking more and more control over the working up and checking of these designs. Although Officer E made it clear that the footbridge designs were subject to Cat 3 design checks.

- 2.2.4 In reality nobody had been assigned the role of checking the designs and this therefore appears to have fallen to Officer D to perform. Officer A stated that the checking of the designs *"were in house which probably is a weakness. I think [Officer D] has done a lot of that which I am not sure is a good thing."*

Officer C further confirmed that they had expected to see traffic management staging from Officer D once the contract had commenced, but they did not get the schedule as early as they would have expected.

- 2.2.5 Officer B stated that *"The NEC 3 contract enabled us to start without full designs. Contractors may have flagged to [Officer D] that designs were not progressing. This was not flagged to anyone else."*

The former Director stated that he *"was acutely aware when the commitment was made to hit the go button that elements of design still needed to be refined, but I was not aware of just how many detailed designs. In conversation with [Officer D], [Officer D had] set themselves timescales to ensure the contractor got the right information, [Officer D] had a plan when it would be done and I felt that Officer A and [Officer D] in particular, could meet those deadlines. It was not apparent at that time that there was no plan for completing this."*

The former Director advised us that *"I was told that delays in designs were increasingly becoming a project risk and would have a significant impact..... It was only February time (2018) I started to recognise just how far away we were in getting detailed designs to the contractor. I assumed we were much further forward."*

- 2.2.6 The Strategic Director confirmed to us that she believed that there were mature designs in place when works commenced and this was also the understanding of Members.

The Strategic Director further commented that *“Somehow we have relied on [Officer D] to project manage everything, and to also be the designer. It was always my understanding that there were people and consultants and checking processes in engineering, and to not proceed without designs.”*

- 2.2.7 **In Summary – Key Finding 1** – There was strong evidence that there was a degree of unreasonable reliance placed solely on Officer D for both defining and checking the detailed designs and specifications for the Scheme. The role of drawing up the designs should not have been left to a single officer and independent checks should have been performed over the detailed designs before instructions were issued to the Principal Contractor. We have confirmed that when Highways Engineering assumed responsibility for the Scheme in April 2018, large sections of design works remained incomplete. Without full drawings, the Principal Contractor was still working to partial models, and various elements of the design did not fit together, as previous issues had been dealt with in isolation, without consideration for the entire model.

Although the *former* Director has acknowledged that he was aware that detailed designs were not available when the Scheme commenced, he did not appreciate the extent of the problem until February 2018 and had not identified that there was no plan in place for redressing this situation. Although it had been left solely to the Project Team to try to and manage this situation, formal concerns were not raised by them until it was too late.

Although it was clearly not the case, the Strategic Director has confirmed to us that she believed that there were mature designs in place at the time of works commencing and this was also the message being relayed to Members.

URS Costings

- 2.2.8 The 'URS Infrastructure and Environmental UK Ltd' Option Assessment report, dated January 2014, identified and evaluated 6 (+1) road layouts for consideration to address the various transport issues, with Option 6 being the preferred proposal.

The costing for the last 3 options considered in the second stage of the assessment process were varied, with the preferred Option suggested to be some 60% to 80% cheaper than the other 2 Options, along with the caveat that the values were merely there to provide a comparison.

We questioned the Project Team as to why more detailed costings were not drawn up for the preferred Option at this early stage and were informed by Officer A that *“The issue would possibly have been due to the low amount of funding for the project at the time. Capital costs were at the Council’s expense ... It’s a matter of what budgets are available at that point in time.”*

Officer B stated that *“I can’t remember when we got further detailed costs as I relied on our engineer [Officer D] to update costs as the scheme went along”* adding that *“URS were not really in a position to give anything other than a ballpark cost which is what we asked for. You need to spend a lot of revenue to get a detailed cost.”*

- 2.2.9 The Financial Business case, draft document dated May 2017, identified that the ‘estimate for the construction costs carried out by URS ... did not adequately reflect the complexity of a compact site with multiple constraints’ and as such ‘many of the early assumptions and design rational were not suitable’ explaining that detailed costs would be arrived at through the ECI stage.

Therefore the ECI stage was heavily relied upon for arriving at revised costings for the Scheme, once the Principal Contractor had been appointed. When we questioned the Project Team why an independent study had not been undertaken prior to the tender exercise, for informing potential contractors prior to engagement, Officer B stated that *“ECI gets a contractor in to look at the practicalities of constructing the scheme so were best placed to provide a detailed costing.”* Adding that it was not their role to *“project manage the construction side of the scheme”*

When the Project Team were asked about additional costings not included within the URS costings Officer B stated that *“The URS design was a sketch ... which meant the scope expanded over and above what URS sketched out.”* and went onto say that *“The footbridge was originally £1.2 million and there was no better estimate at that time due to a lack of information. At this stage, when we wrote the business case, we (the Project Team) thought the cost of construction was*

covered.” When discussing the URS costs Officer B stated that “It is unfortunate that we didn’t have the best information.”

2.2.10 Evidence suggests that there were a number of changes made to the original URS proposals and additions made that were not even costed within the original report, but no further costings were worked up for these adjustments. Instead, the Principal Contractor was appointed and the Project Team relied on the ECI stage for arriving at the detailed construction costs.

2.2.11 Matters concerning the design and specifications relating to the retaining wall along the A52, Raynesway to the Wyvern slip roads, have been specifically cited as a point of interest. The Principal Contractor stated that *“When we originally tendered...we did a presentation where we highlighted retaining walls...They assured us there was enough room to batter slopes back. We talked about it early on. [Officer D] concluded it could fit in, so from our point of view the designer said it could fit in.”*

Officer A stated that Officer D was optimistic that the retaining wall along the A52, Raynesway to the Wyvern slip roads, was not required and could be designed differently. Officer D told us that *“[Officer D] thought ... they could increase the slope and have a greater embankment, but I don’t think anyone would think that in hindsight. There are elements you could have got away with, but there might have been better solutions.”*

We further spoke to Officer E about the design requirements for this in detail to evaluate this from a technical perspective and were told *“I do not understand where they came to that conclusion from.”* A view that was also shared by the former Director who told us that *“I was under the impression that when [Officer D] left they had a solution that meant the retaining wall would not be needed. This came from Officer A. I don’t know what [Officer D] thought [Officer D] had up their sleeve.”* Adding *“It is a real shame. It seems [Officer D] took on a lot of work and didn’t put their hand up and ask for help. When they left ... It became apparent how much detailed design had not been completed.”*

2.2.12 **In Summary – Key Finding 2** – Initial URS costings (URS Infrastructure and Environmental UK Ltd) drawn up in January 2014 for the preferred Scheme

were taken on face value by the Project Team, despite these being some 60% to 80% cheaper than the other 2 options available, and without commissioning any further studies or evaluations of potential costs. We have been told by Project Officers that this was due to the budget available to them at this time, explaining that detailed costs would be arrived at through the Early Contractor Involvement (ECI) stage.

Evidence suggests that there were a number of changes made to the original URS proposals, although these additions were not even costed and no adjustments were made. Instead, the Principal Contractor was appointed and the Project Team relied on the ECI stage for arriving at the detailed construction costs. We cannot confirm where the decision was ultimately taken to rely on the ECI stage for detailed costings.

In respect to the building of a retaining wall along the A52 (Raynesway to the Wyvern slip roads), evidence suggests that this matter was raised early on by the Principal Contractor, but Officer D had been optimistic that they could produce designs that did not require such a wall. Although this was accepted by the Project Team and the Principal Contractor at the time, there is clear evidence that this was never achievable and should subsequently have been addressed and costed by management much earlier in the process than it was. Issues with management of the project have been dealt with later in this report. Officer D has declined to speak to us, so we are unable to comment any further on this issue.

Topographical Surveys

- 2.2.13 Issues have been identified by the Principal Contractor in respect of the content of the topographical survey data provided on this Scheme and the Council has since commissioned revised surveys.
- 2.2.14 We were told by the Principal Contractor Representative that “*The initial survey station check was ok. But there were anomalies in levels, these became apparent when things were not tying up, going back to probably 5th April 2017, we raised a TQ to say the survey doesn’t align to GPS; the co-ordinates were not tying up. There were a whole raft of anomalies we found before the main works kicked off...The main TQ’s were querying inconsistencies in levels...*”(The Principal

Contractor Representative referred to document now ref: GT (GL) 1). *Not all things might be on this; it's an itemised list, setting out of levels on there."*

Inspection of document ref: GT (GL) 1, as at August 2018, confirmed that the Principal Contractor had identified a number of issues across the whole site, and had raised over 40 Technical Queries (TQ), 30 Early Warning Notices (EWN) and 8 Compensation Events (CEs) associated with these issues. Issues raised included designs and instructions not having been received; problems with levels across many parts of the site, including Pullman Road, the Sidings, the footbridge and Stanier Way roundabout; and works on hold due to relevant permissions not having been obtained by the Council. The document also states that there was a re-survey due by Mapmatic (who did the original survey) which could lead to an 8 week delay (*'4 weeks before attendance on site then minimum 4 weeks to check and redesign by DCC'*).

The Principal Contractor Representative further reiterated *"It is now apparent that two or three separate surveys were undertaken by DCC...When we identified issues we flagged those and raised TQs...There were a lot more problems than usual, we don't usually get the scale of problems that we've had here that affect the whole of the scheme. The issues were very significant compared to what you normally expect."*

- 2.2.15 We spoke to the Project Team concerning the Topographical Surveys that the design works were based on and whether these were verified for accuracy before drawing up the tender requirements.

Officer A stated that *"[Officer D] would have dealt with this. ... My understanding was that yes we did a topographical survey but we subsequently, in the last 6 months, found that it was cobbled together so have re-done them. These were combined with the old ones. The contractor raised issues about levels, so it was prudent to do another. There were some issues, but they weren't massive."*

When asked how these surveys were verified for accuracy, Officer A told us that they did not know whether Officer D would have done any checks to make sure that the various surveys fitted together adding *"It is one of those things you expect to be right."* We have not been able to identify who was responsible for undertaking such checks from the available project documentation.

There are clear disparities concerning the extent and severity of this issue between Officer A and the Principal Contractor. There is, however considerable evidence to suggest inaccuracies with the information provided to the Principal Contractor. Further clarification was sought from Officer E concerning the extent of the situation in respect to survey data and we were told that when tying sections together even minor differences in levels can cause massive issues with infill and excavation. Whether these are out, height wise or cantered differences, this would most likely lead to sections of the model not lining up, some can be feathered in, but only to a point.

- 2.2.16 **In Summary – Key Finding 3** – There is considerable evidence to suggest there were inaccuracies with the topographical survey data provided to the Principal Contractor. Information from a number of separate surveys had been tied together to cover the entire works area. Officer A has identified that the verification of this information, along with accuracy checks, was again left to Officer D and was not subject to any secondary review or follow up by management.

Revised surveys commissioned by the Council have identified issues with these former surveys. While Officer A has stated that there were not massive differences, further evidence demonstrates that when tying sections together, even minor differences in levels can cause massive issues with infill and excavation which can in turn greatly affect costings.

Appointment of the Principal Contractor

Midland Highway Alliance

- 2.2.17 The A52 Improvements Scheme was added to the Council's Capital Programme in January 2014 with costs ranging between £10.44m and £12.14m, as reported in February 2014 to Council Cabinet, along with Delegated Authority to proceed in June 2015, being granted by Council Cabinet.
- 2.2.18 The Midlands Highway Alliance (MHA) is a Partnership of 21 Local Authorities who have a common aim to work together to improve performance, share best practice and make efficiency savings in the delivery of highway services. MSF2 (the second iteration of the MHA Medium Scheme Framework) was used to appoint the

Principal Contractor for the A52 Project. The standard NEC 3 Target Price contract forms part of this framework. The MHA and the MSF2 have both received industry level recognition and commendations which demonstrates that they are sound mechanisms for delivering cost effective solutions.

Using the MHA Framework Agreement, three contractors were available for medium schemes with a value between £5 million and £25 million pounds. All three were subject to a *'mini-tender'* by the Council before the contract was awarded.

From inspection of the above process we are, in the main, satisfied with the appointment of the Principal Contractor via the MHA Medium Schemes Framework (MSF2) contract, along with the use of the standard NEC 3 Target Price contract and agree with Officer A's comments that this vehicle *"was seen as the most appropriate vehicle to procure this contract. We've used it previously and we pay into it, so it's the best use of resources."* However, Officer A also acknowledged that they had *"Not a lot of involvement"* with the NEC contract and Target Costs and that they *"relied on [Officer D] for that."*

- 2.2.19 We tested the process followed to appoint the Principal Contractor (through review of documentation, the MHA website and discussion with the Alliance Framework Manager at the MHA) and were satisfied that this was in line with the scheme requirements, as described in the MHA Framework Information Lot 2 document.

We requested documentation to support the evaluation of potential contractors during the tender process. Officers were unable to locate the evaluation documents for the entirety of the tender process. We were however, able to locate a scoring document for presentations given by the three shortlisted contractors. Review of this document showed that the winning contractor was in second place based on the scoring of the presentations. The presentation element of the tender assessment accounted for 35% of the total score.

We requested the presentations given by the three shortlisted contractors, however, we were only provided with two in hard copy, and the winning contractor presentation was not provided by the Project Team. Project officers stated the winning contractor may have provided their presentation electronically, but this could not be located by the Project Team. We approached the Principal Contractor

and were able to secure a copy of the presentation they gave the Council in September 2015. The presentation of the Principal Contractor lacked detail and based on the content of the slides alone, we cannot concur with the scoring of the presentation given by the officers evaluating the contractors.

We were able to take some assurance from the interview with Officer C (who was a member of the presentation assessment panel) who observed that the Principal Contractor was one of two that "*understood the issues in hand and the nature of the environment*". Officer C also reported that, during the presentation the Principal Contractor had identified a technical issue that they were concerned about and proposed a solution to the problem.

Although there is insufficient evidence to conclude that the winning contractor was the best for the project from the evidence held on file, the Contractor in second place went into liquidation during 2018, so the Council may or may not have found itself in a worse situation. We can however conclude that the document retention of the Project Team in this regard to be wholly inadequate, as with a contract under seal, such documentation should be retained for a period of 12 years.

That said, we have further obtained tender assessment scores from MHA and can confirm that overall, the correct process was followed and the contract award was valid.

- 2.2.20 We reviewed the documentation available regarding the appointment of sub-contractors to the Project. Whilst the Principal Contractor would assess potential sub-contractors using their own internal tender process, the Council would be expected to approve the appointment of the winning bidder. Copies of the Sub-Contractor Request for Authorisation and the summary of bids for each package were on file but there was no evidence that these had been authorised by the Council (the Principal Contractor indicated that they had been tabled at a weekly commercial meeting in November 2017). These documents were all signed by the Principal Contractor in November 2017 but it was clear that they had not been added to the Project's folders until September 2018, after acceptance by Officer G.
- The tendered prices for the 5 sub-contracts on file account for £1.4m, but this had risen to an estimated liability of £3m at October 2018. Also, significant costs

associated with the contract were not, in the first instance, properly assessed and/or authorised by the Council, as retrospective authorisation was later given.

- 2.2.21 **In Summary – Key Finding 4** – From inspection of the above process we are reasonably satisfied with the appointment of the Principal Contractor via the Midland Highway Alliance Medium Schemes Framework (MSF2) contract, along with the use of the standard NEC 3 Target Price contract. We do have reservations with the Council's evaluation of the tender presentations (which accounted for 35% of the overall assessment score) as no evidence could be produced to support the Assessors' scores. However, evidence retained by the MHA for the other elements of the assessment scoring mechanism does validate the award of this contract to the Principal Contractor.

Additional issues were identified in respect to the Council's authorisation of the appointment of sub-contractors by the Principal Contractor. However, this matter has since been rectified by Officer G.

Setting of Target Price (Costings)

Early Contractor Involvement

- 2.2.22 Evidence in this section suggests that over reliance was placed on the Early Contractor Involvement (ECI) stage to arrive at detailed construction costs. Evidence suggests that stretched Council resources and budget constraints may have resulted in more accurate costings not being derived prior to this.
- 2.2.23 When questioned why the ECI stage was solely relied upon for arriving at revised costings, Officer A stated *“That was probably thought to give the best certainty of costs, to work through the deliverability of it to give cost of construction and pin down all the risks.”* Adding that it was expected this process would *“provide the detailed costing. If you have the designs down you can pin down costs. However, the level of detail was not pinned down.”*
- “The idea was that the ECI process should have reduced costs or at least got it as close as it was going to be. We didn't quite make that and, in hindsight, it was not as well progressed as it should have been, this should have been addressed.”*

We were told by the Principal Contractor Representative that *“The information should be further along when we target price it. We were regularly assured they (the Project Team) would provide information the next day, the next week and so on, but it did not happen.”*

“The information came in a piecemeal way. On a job like this, it’s usually minimum 95% designed at the point it is target costed, otherwise there is a risk. A lot of information was not in there. Large sections of work were removed from scope.”

We have a record of a meeting between Officer D and the Principal Contractor which covered Early Contractor Involvement. This document states: *“Currently DCC have not taken full advantage of the ECI period, largely due to delays in the production of design information.”*

When asked what had caused these delays, Officer A stated that *“No other than that is a resource issue. My understanding was that we did take advantage of the ECI stage but designs were not ready ... I guess what [Officer D] is saying is that if we started later we could have got these in place.”*

- 2.2.24 The Principal Contractor Representative said they spoke to “[the former Director]. There were a couple of phone calls with him, then it reverted back to talking to [Officer D]. We were not encouraged to talk to others. [Officer D]’d say they’d have to go back and speak to people, so we knew it wasn’t only them dealing with these things – that was the impression we got.” In our interview with the former Director he stated that he could recall only one phone conversation with the Principal Contractor which was during the initial target costing stage. The former Director explained his intention behind this phone call was to communicate that the Council expected the project to be delivered in budget.

- 2.2.25 The Principal Contractor Representative went on to explain that some estimates were produced *“based on assumptions and guestimates ... and ... We gave input and advice, detailed lighting, etc. but this assumes basic fundamental information was available – this wasn’t the case with this scheme, the detail wasn’t there.”*
- “There were lots of gaps and no works information...Large amounts of information were missing, so we made assumptions...looking back we were 6-12 months away from starting, but there was political pressure to get the scheme started...For the*

advance works we didn't get a full package – it was drip fed to allow us to continue with it."

"[Officer A] was involved in the costing of the scheme, to get the scheme started."

In August 2018, we asked the Principal Contractor to provide a ball park figure of the maturity of the design they were presented with for the target costing stage.

The Principal Contractor Representative stated *"Around 60% I would say, certainly no more than 60%."*

- 2.2.26 Officer D emailed the Strategic Director in June 2017 and explained that designs were incomplete and that works had to be added in to the advanced works via Compensation Events. The Strategic Director was asked about this at interview and said her understanding of this email was that, as there were no additional costs to the Scheme associated with this, it had not raised any concerns regarding project management at that time. On balance, Internal Audit would have expected this to have raised at least some concerns, or possibly flagged the potential for costs to increase in the future.
- 2.2.27 The Strategic Director also said that the Principal Contractor and the Project Team provided target costs based on the estimates and designs available and she questioned how they could do this if they thought they did not have the required information. There was however no evidence to suggest that this was identified or questioned by her at the time. The Strategic Director stated she was not aware that the Principal Contractor found the situation problematic.
- 2.2.28 When provisional target costs were provided during the ECI stage, these greatly exceeded the available construction budget and essential works were removed from the Scheme in order to make the target price fit the budget. The next section deals with the de-scoping of these works and who was made aware of this. At this stage, it could be said, as suggested in an e-mail to us by the current Deputy Leader, that the design was 'underspecified' in order to fit the approved budget.
- Evidence suggests that the intention was to undertake a value engineering exercise over the de-scoped works to provide revised designs that would bring down the costs of these works. There is evidence that there was a degree of optimism by Officer D over this exercise. It was also hoped that additional funding

could be sourced to fund these works when they were re-introduced as Compensation Events at a later stage. In reality the required savings were not achievable through value engineering alone and additional funding could not be secured.

It was further reiterated, on several occasions, by Officer B that the Project Team *“were told to manage the cost within this £14.9m envelope.”*

- 2.2.29 There is evidence that costings provided by the Principal Contractor during the ECI stage were checked by Project Officers and challenged /reduced accordingly, but this could not bridge the gap between the available budget and a realistic cost of construction.

Once project funding had been secured, the Council was under pressure from the LGF/D2N2 for funding to be spent within the required financial years. This was a contributory factor in the Project Team pressing on with the works they considered they could progress with, rightly or wrongly, without there being detailed designs in place (even where these had to be raised via Compensation Events because they were out of sync with the original work plan).

We identified that, as at June 2016, the contingency element of the £14.906m funding allocation was £665.4k, which equated to less than 5% of the whole Scheme cost. It is our opinion that this was particularly low with this being a brownfield site, with the potential for unforeseen ground conditions, and considering that the Government Green book guidance for contingency on highways projects is 44%. When questioned, Project Officers could not provide a clear explanation of how this contingency figure had been derived and acknowledged that, in hindsight, it was rather low. Officer A stated that *“There was an issue with grants in terms of contingency (in that the providers of) grants don’t like to pay for contingency”* within the costs. Officer B also could not recall how the contingency figure had been derived, but said it had *“...been quite fluid...”* and had been reduced as issues emerged.

- 2.2.30 **In Summary – Key Finding 5** – Evidence suggests that over reliance was placed on the Early Contractor Involvement (ECI) stage to arrive at detailed construction costs as budget constraints may have resulted in more accurate

costings not being derived prior to this. Officer A considered that this approach would give the best certainty of costs once the designs had been “*pinned down*.” However, this process was greatly hampered due to the fact that they did not have mature designs in place and as such the Council did not take full advantage of the ECI period. The Principal Contractor stated that designs are usually around 95% complete at the point of target costing, but on this Scheme they were only around 60% complete.

Evidence also confirms that there were continual delays with the Council providing required information to the Principal Contractor. Officer A has stated that delays were down to a resource issue, but no evidence has been identified that this matter was formally escalated. As a direct result cost estimates from the Principal Contractor were based on assumptions and guesswork, with them stating they were really “*6-12 months away from starting*”.

The Principal Contractor has stated that they contacted the *former* Director by phone to escalate their concerns. The *former* Director could only recall one phone conversation, in which he communicated that the Council expected the project to be delivered within the construction budget (which had been derived from the original URS costings). When provisional target costs were provided during the ECI stage, these greatly exceeded the available construction budget and instead of going back to Members with revised costs, essential works were removed from the Scheme in order to make the target price fit the available budget so the Scheme could be progressed. Once project funding had been secured, the Council was under pressure from the LGF/D2N2 for funding to be spent within the required financial years.

We identified that, as at June 2016, the contingency element equated to less than 5% of the whole scheme cost. We believe that this was particularly low with this being a brownfield site, with the potential for unforeseen ground conditions, and considering that the Government Green book guidance for contingency on highways projects is 44%. Project Officers could not provide a clear explanation of how this contingency figure had been derived.

De-Scoping of Works (to fit budget)

Project Team Actions

2.2.31 We have identified that the initial Target Cost was received from the Principal Contractor in August /September 2017. This was in the region of £14.9m against an initial budget of £8.849m. In order to progress the Scheme the Project Team undertook to de-scope works which brought costs down to £9.17m, which could be accommodated within the original Cabinet approval of £14.906m. This was however only delaying the costing issues that would later arise as many of the de-scoped works would need to be re-introduced back into the project, which in turn led to costs increasing.

2.2.32 The Principal Contractor Representative was fully aware of the de-scoping exercise through his dealings with Officer D. When we asked what the driving factor for the de-scoping of works was the Principal Contractor Representative replied *“To get it within budget and give the opportunity for DCC to value engineer works that were unbuildable and to reduce costs...from our point of view, that’s the cost, but in order to get started they de-scoped works to get it down to budget figure. Key elements were removed, e.g. they had taken out surfacing and the Derwent parade junction – without those you haven’t got a scheme. They were always part of the works. They awarded within the budget for the scope of works, but it doesn’t cover the whole scheme. It was a paper exercise. They removed works that were needed to deliver the scheme. [Officer D] was talking with [Officer A] on this. [Officer A] was around, as they were now involved in the Project Board Meetings. Works were de-scoped to get the works started.”*

The Principal Contractor Representative was asked what was de-scoped from the programme. The Principal Contractor Representative answered *“I know the Derwent Parade junction and Wyvern slip roads and the attenuation tank were removed, but would go back in later, possibly in different format.”*

“Large elements of works required, were removed for a budget exercise. They were partly removed to be redesigned so they would be fit-for-purpose and then reintroduced via compensation events.”

“But there is a risk that if they remove information and redesign and don’t give us the information when required, it will lead to project delays and further costs.”

2.2.33 We asked Officer B how funding had affected the 'de-scope' and were told that *“It affected it. As in starting the contract to meet the programme originally set,*

resulted in detailed designs being de-scoped, and so we needed additional funding. When things were de-scoped [Officer D] gave the impression we would make savings. I don't remember how that could possibly be the case. At the same time, we were trying to seek additional funding through conversations with the LEP and Highways England."

- 2.2.34 Officer A stated that *"The decision was taken to remove parts of the project until we had sourced funding for them and then re-approve them and put them back in through compensation events or PMI's"*. Adding that *"The intention was not to mislead members."*

As part of the investigation we asked the former Director whether his authorisation was sought for this he told us *"Yes. My authorisation was sought by [Officer A] and I briefed Councillor A on it."* We will deal with Councillor understanding of this issue later in this section, although the briefing of Councillors on this issue could not be substantiated with any evidence.

- 2.2.35 We asked the former Director whether he had been fully apprised of the de-scoping of works by the Project Team, in August /September 2017, and he stated *"Yes, that goes back to my point about project content and scope. We intended to address the key risks and determine which elements we were able to delay, defer or not deliver to keep costs down. I think when we got the £14.9m that put us in the position to report to [the Strategic Director] and [the former Finance Director] and we said we'll do further design work, that's what was in Appendix 4."* The Delegated Decisions Report (known as Appendix 4) is dealt with in detail later in the following section.

- 2.2.36 We have further evidence from our interview with Officer B that their understanding was that key elements of the works were de-scoped or redesigned to meet the approved construction budget, and referring to Officer D, they stated *"I knew [Officer D] was in a difficult position as we needed to start the contract because of LGF1 (LEP) funding programme."*

- 2.2.37 When asked if he was consulted about the project pressures the former Director stated *"Yes, I was consulted in terms of timescale. I consulted [Officer A] about the issue and whether we were ready to move forward. We raised this to [the Strategic*

Director] and [the former Finance Director] in a report I believe you have (The Delegated Decisions Report - Appendix 4). The report stemmed from a presentation [Officer A] did to Members and from Infrastructure Board discussions around timescale and costs. All of this was reported to [the Strategic Director] and [the former Finance Director]”. We will deal with Appendix 4 later in this section.

- 2.2.38 The Strategic Director could only recall general discussions around project costs until Appendix 4 was documented. She could not recall any pressures on the project to progress without appropriate designs being in place and because she believed mature designs were in place and had therefore not made Members aware of the situation. The Strategic Director stated that if she had been approached about pressures, she would have helped the Project Team to find a way forward. *“My understanding was that what I was being presented with was a target price that allowed us to deliver the outputs required for the project. Whatever elements that needed to be redesigned would be done within that target price. It was not my understanding that anyone thought we couldn’t deliver an appropriate scheme, to deliver on project outcomes, within the target price.”*

“My understanding at the time is that, within the target price, [Officer A] and [the former Director] advised that the target price allowed us to deliver this project and its outcomes. And therefore this target price would include budget estimates for re-designed work.”

- 2.2.39 There were clearly differences in the understanding of the de-scoping of works amongst Project Team members. This included the former Director, who understood that this exercise was merely undertaken to enable the Scheme to progress, and the Strategic Director, who believed that the target price included budget estimates for re-designed works. This has been dealt with further, along with Appendix 4, in the following section.

- 2.2.40 **In Summary – Key Finding 6** – We have identified that the initial Target Cost was received from the Principal Contractor in August /September 2017. This was in the region of £14.9m against an initial budget of £8.849m. In order to progress the Scheme the Project Team undertook to de-scope works which brought costs down to £9.17m, which could be accommodated within the original

Cabinet approval of £14.906m. Officer B stated that the Project Team were of the understanding that they had to “*manage the cost within this £14.9m envelope*” as instructed by the former Director. This was however only delaying the costing issues that would later arise as many of the de-scoped works needed to be re-introduced back into the project, which in turn led to costs increasing.

[The Head of Paid Service has sought clarification regarding this paragraph.

The £14.9m Target Cost and the £14.906m Cabinet approval are not directly related. It is just coincidental that both figures round to £14.9m. The management of costs within the £14.9m envelope includes all other costings for the Scheme in addition to the construction costs.]

This was described by the Principal Contractor Representative as “*a paper exercise*” undertaken by the Project Team in which “*Key elements were removed ... that were needed to deliver (the) scheme ... to get the works started*” with the intention that these would be “*reintroduced via compensation events*” following possible redesigns and the sourcing of additional funding. Officer A confirmed that “*The decision was taken to remove parts of the project until we had sourced funding for them and then re-approve them and put them back in through compensation events or PMI’s*” with the former Director confirming that their authorisation was sought, and informing us that they had briefed Councillor A. The briefing of Members on this issue could not be substantiated with any evidence.

The former Director also advised us that he appraised the Strategic Director and the former Finance Director through the completion of the ‘*Delegated Approval form – Appendix 4*’, this matter is however disputed by the Strategic Director who has stated “*It was not my understanding that anyone thought we couldn’t deliver an appropriate scheme, to deliver on project outcomes, within the target price.*” There were clearly differences in the understanding of the de-scoping of works amongst Project Team members. This included the former Director, who understood that this exercise was merely undertaken to enable the Scheme to progress, and the Strategic Director, who believed that the target price included budget estimates for re-designed works. This matter, along with Appendix 4, has been covered in the following section.

Financial Procedure - Delegated Approval – Appendix 4

2.2.41 The Strategic Director explained her understanding of the reasons for the Delegated Decisions report – Appendix 4. *“It relates back to the December 2016 Cabinet Report that approved the £14.9m which gave delegation to myself, the S151 Officer, Monitoring Officer and the appropriate Cabinet Member to enter into the contract.”* Therefore, this document, which formed part of the Council’s Financial Procedure Rules, gave the delegated approval to enter into the contract for the delivery of the main works pursuant to the A52 Wyvern Transport Improvement Scheme.

2.2.42 From inspection of this document we identified that it stated the following:

‘In August 2017, the contractors returned a target price above the costs estimated in the reported £14,906,000. We have been working with the contractors to reduce construction costs and where it has not been possible to reduce construction costs further the scope of the project has been reduced ... target price is now approximately £9,170,000 ... The reduction in construction target price has been achieved by the following:

- *Redesign of Crossroads and associated drainage network*
- *Redesign of South access ramp*
- *Redesign of Underpass*
- *Redesign of Bridge Wingwalls*
- *Redesign of A52 Drainage*

(... then over the page ...)

Due to the timescales required to start the scheme in September 2017 it is not possible to supply the full redesign information to the contractor in order to reduce the target price, therefore, works expected to significantly change in scope have been left out of the target, this will be rectified once the redesigns have been formally issued and costed, this is expected to be November 2017.

When costed projections are confirmed there is a risk they could increase ... There is also potential for costs to come down’.

Our understanding of this document was that the works that were being re-designed had been removed from the agreed project costs and the target price, in

order for a contract to be entered into with the Principal Contractor for the actual works to commence. Additionally, and most importantly, identifying that costs would then increase when these works, which had been re-designed and were subsequently added back into the Scheme.

- 2.2.43 As previously referenced in the Project Team Actions section, this was not the understanding of the Strategic Director who made it clear that both Officer A and former Director had advised her that the target price allowed the Council to deliver this project and its outcomes.

We sought the following clarification from the *former* Director – *"Just so we can be clear, the Delegated Decision Report – Appendix 4 and the conversations that you had with [the former Finance Director] and [the Strategic Director] made it clear that the works being re-designed had been removed from the agreed project costs and the target price, and that costs would increase when these works had been re-designed were subsequently added back into the project?"* The *former* Director answered *"Yes. At that time we were hoping for additional costs around the £1m figure, but costs were going to increase. Categorically at that time, we said that we could use the LTP and other sources for funding, but costs were going to increase."*

We sought further clarification with the *former* Director on what exactly was discussed with these officers concerning the Delegated Decisions report – Appendix 4 and were told *"At the time when we spoke to [the former Finance Director] and [the Strategic Director] we expected additional costs, but they were not known. Categorically at this time we were saying that the project could not be contained and would be subject to additional costs. We did not expect the increase in costs that we are looking at now. Discussions with [the former Finance Director] and [the Strategic Director] at this point, were around obtaining additional funding."*

"For absolute clarity, the stuff we took to [the Strategic Director] and [the former Finance Director] at both stages ended up in formal reports. I am not able to recollect what exactly was discussed in September (2017) and then in December (2017)."

Officer B was also aware that the Delegated Approval (Appendix 4) was authorised by the Strategic Director in September 2017, as a copy of this document was held on the electronic A52 folder. When questioned however whether the Strategic

Director was aware that de-scoped items, to make savings, were essential to the Scheme and would have to be re-introduced at a later date she stated that *“I can’t be clear on that.”*

Following the clear disparity between the accounts of these officers, further enquiries were undertaken with the remaining signatories of the Delegated Decisions report (Appendix 4), which were the *former* Finance Director, the *former* Chief Executive (signing in lieu of the Monitoring Officer) and Councillor B. The findings were as follows:

- The **former Finance Director** confirmed that the Strategic Director believed that the project could be managed within budget stating *“My recollection was always £14m whole scheme costs ... (there were) ... clear risks of overspend ... (but) ... Both [the Strategic Director] and I were reasonably comfortable whilst there was a risk of overspend, project engineering would mean it would be fine.”* Adding that *“We were given assurance risks can be managed and delivered in budget otherwise we would go back to Cabinet and move money around in the Capital Programme to deliver.”*
- The **former Chief Executive** stated that [the Strategic Director] and the *former* Finance Director brought the form to him and asked him to sign under the Constitution. He reiterated that nobody had come to us saying that it would be significantly over the £14.9m and that was certainly not the message he was getting from the Strategic Director and the *former* Finance Director.
- We explained the differing accounts to the Councillor A and the issue that costs would increase when the de-scoped works were added back into the Scheme and were told *“I can’t remember having this explained at the time, I had understood it to be keeping to the £14.9m budget.”* Adding that *“My understanding in August 2017 was that the target price was above budget and officers worked with contractors to bring this back into budget. So I heard that the redesigns would bring this back into budget ... I would have expected major increases to have been brought up and for Officers to have come back to us.”* Councillor A went onto say that *“Even small details if flagged could have raised this. I cannot recall any occasion where issues were raised ... it is ... sometimes possible to hide things in committee reports and that’s where briefings come in with Officers.”*

When we asked the Strategic Director whether she believed that she was correctly advised back in September 2017 by the *former* Director and Officer A she replied *“Not if they are now saying that those re-designed elements were not included in the £9.168m. It was clear in my mind approving the project would deliver on outputs. If I had understood that there was no budget cost element allowed for in the target price I would not have been able to sign the delegated approval (Appendix 4).”*

We identified from e-mail evidence between the Principal Contractor and Officer D, dated 4th August 2017 that the higher cost estimates of £14.996m did not include all essential project works. We asked the *former* Director if he was aware of this and he stated he did not know.

We asked Officer A about the increase in project costs between August /September 2017 and January 2018 and Officer A explained that *“The additional works going back in is why it has gone up.”*

We identified from e-mail evidence, dated 8th September 2017, that the Principal Contractor had made it clear to Officer D that the revised cost was £9.168m at that stage but that *‘this would increase again when the de-scoped elements are reintroduced’*.

The Strategic Director stated that *“I could not have signed it off and the Section 151 and Monitoring Officer could not have signed it off if we did not believe the project made sense within the budget. It also talks about increase, a further review of specification and scope to take place. If there was really nothing in the target to cover these – how could they write that there was potential to reduce the scope and for costs to come down.”*

“The explanation that I took away was that we have re-designed and removed some elements; got the target cost down and that we can deliver within the budget set...If it was going to cost more we would have had to go back to Cabinet and secured more funding. They said we were delivering the key outcomes and said we’d deliver, so there was no need to go back to Cabinet for more money.”

2.2.44 **In Summary – Key Finding 7** – The Delegated Decisions report –

Appendix 4, which formed part of the Council’s Financial Procedure Rules, gave

the delegated approval to enter into the contract for the delivery of the main works pursuant to the A52 Wyvern Transport Improvement Scheme.

From inspection of the wording of this document, our understanding was that the works that were being re-designed had been removed from the agreed project costs and the target price, in order for a contract to be entered into with the Principal Contractor for the actual works to commence. Additionally, and most importantly, that costs would then increase when these works had been re-designed were subsequently added back into the Scheme. See [Appendix A](#), in this report. Although this view was shared by the *former* Director and the Project Team, this was not the understanding of the Strategic Director who made it clear that both Officer A and *former* Director had advised her that the target price allowed the Council to deliver this project and its outcomes within the approved budget. .

Following the clear disparity between the accounts of these officers, further enquiries were undertaken with the remaining signatories of the Delegated Decisions report (Appendix 4), which were the *former* Finance Director, the *former* Chief Executive (signing in lieu of the Monitoring Officer) Councillor B. Evidence from the three remaining Senior Officers /Member signing the form at the end of September 2017 was in agreement with the Strategic Director's account, confirming that the message they were getting from Officer A and *former* Director was that whilst there was a risk of overspend, project engineering would mean that the Scheme could be generally delivered within budget. The general consensus was also, that without the assurance that risks could be managed they would not have been able to sign as further approval from Cabinet would have to be sought. The case in point however, is that this document was signed and therefore authorised by all parties concerned and on the face of it, the onus was on the signatories to the document to satisfy themselves, prior to signing it off, that they fully understood the detail it set out and, effectively, that they agreed to what was being proposed.

There was strong evidence from interview, project documents and email that members of the Project Team were fully aware that costs would increase at this stage, although they had no indication of any respective value.

Councillor Briefings

- 2.2.45 We have identified the de-scoping of works around August /September 2017 to be the key turning point where matters with designs, funding and the overall balance of the project changed direction. With that in mind we sought to identify the level of Councillor briefings on those matters to determine the extent to which information was shared with Members.
- 2.2.46 We were told by Officer B that *“Cabinet were informed as we went in July 2017. [Officer A] briefed Councillor B and maybe Councillor A on the de-scoping, and that the intention was to re-scope when the funding was secured. Then the January 2018 meeting (with the Strategic Director and former Finance Director) was about how do we report this and take it forward?”*
- 2.2.47 The former Director was of the opinion that when the ECI stage identified that costings would be considerably higher than those originally envisaged the matter was immediately brought to the attention of senior management stating that this was *“initially verbally and then followed by the [Strategic Director] and [the former Finance Director] report (Appendix 4).”* Adding that *“I briefed Councillor A somewhere around this time verbally that there were issues with costs and that elements were to be de-scoped and funded through the Local Transport Plan. This would have been at one of his Wednesday briefings around September 2017.”* The former Director could not however provide any evidence to verify that the Councillor had been briefed.
- 2.2.48 We then asked the former Director if it was highlighted to Cabinet that cost of works would be more than approved budgets and he replied *“Relating to that part, no because we didn’t believe they were in addition when I spoke to Councillor A about this report (Appendix 4) in September 2017. I did specify that there would be additional costs to bear that, at that time, we thought could be managed in some way.”* Councillor A stated at interview that although they had meetings with the former Director they were not made aware about the increase in costs. They were further able to provide notes from a number of these meetings which made no reference to potential cost increases.
- 2.2.49 The former Director was then asked if the risks associated with these decisions were reported to Members and he replied *“Not formally. The only discussions with*

Members were briefings with Councillor A. In my view Members had no role in the project and sought no role in the project. At no point did Members ask questions or seek to be involved.” Interviews with Members found a consistent message that their involvement with the project was at a high level and that they relied on officer briefings and the Corporate Pledge monitoring to keep them informed.

2.2.50 We asked Officer B if Members were being misled with the changes to the project scope and costs, around the key period of de-scoping works, and they stated “*We didn’t have costs so I don’t know how you would have gone to Members without revised costs.*”

2.2.51 Additional findings concerning Member involvement have been recounted in the Reporting to Members section, later in this report. These matters should also be considered in conjunction with this section.

2.2.52 **In Summary – Key Finding 8** – We have identified the de-scoping of works around August /September 2017 to be the key turning point where matters with designs, funding and the overall balance of the project changed direction. We sought to identify the level of Councillor’ briefings to determine the extent to which information was shared with Members. There was clear evidence that there were mechanisms in place for Members to be briefed on project developments, such as regular meetings and Corporate Pledge monitoring processes. However, it appears to be the case that officers did not use these mechanisms to provide Members with a frank appraisal of the issues arising; instead, officers appeared to provide verbal assurances that the project was being suitably managed and that the risks to the Council were being minimised. Project Officers have further stated that at that stage, they did not have any revised costings to report to Members and did not envisage the prospect of such massive increases.

De-Scoping of Key Elements

2.2.53 When asked why critical elements had been de-scoped in August /September 2017 Officer A stated “*We probably felt that because there was an opportunity to go ahead we thought we would be able to deal with that later. It was always the intention to go with the best project outcome. I don’t think they were critical*

elements, just bits that could be redesigned to give us the best outcomes. We met the budget at the time and then sought additional funding, where possible, to meet the full scheme requirements – whether funding was external or internal, it would be whatever could be agreed.” We again asked why essential elements had been removed and were told that it was “To get us back to something we could deliver and get construction underway. To move the project forward.”

Discussions were also held with Officer B about the criticality of de-scoped works in August /September 2017, they told us that *“I think it was non-critical but also had critical elements, things like surfacing. The lack of information... we thought we were de-scoping what wasn’t being used. We had no idea on the detail and nature of what had been de-scoped which is a massive issue.”*

- 2.2.54 When asked why items essential to the project had been removed Officer B stated *“This was as [Officer D] informed us that we could take them out and make savings then add them back in. I flagged before that these works were essential to the scheme. This was based on information given by [Officer D] had no reason to doubt [Officer D] at that time.”*

“[Officer D] wholeheartedly believed elements could be taken out and redesigned to make savings. This was fed up to [Officer A] and [the former Director] among others in September 2017 and it went again to Infrastructure Board in December. We didn’t sit there and do nothing but a lot of information we’ve now got wasn’t concrete at the time.”

Officer B further stated that issues concerning the de-scoped works were *“taken to the Infrastructure Board but not in any great detail because it wasn’t available.”* Adding that *“[Officer D] was the one with the understanding, and [Officer D] presented a simplified list - what they should have done is give a real list so a decision was better informed.”*

- 2.2.55 When asked who made the decision to remove key elements of work Officer A identified that *“[Officer D] put them forward and then that went through a process of agreeing through the project team, at least [the former Director], and the Infrastructure Board.”* We have looked at the papers from the Infrastructure Board around this time and are unable to confirm from the minutes that the Infrastructure Board were made aware of, or discussed the removal of key elements of work. We

can however confirm that in December 2017 the Infrastructure Board received a draft version of the report taken to DMT (dated January 2018).

The former Director stated *“I recall the discussion around this at the Infrastructure Board. I can’t remember the exact detail but it was around de-scoping and re-designs to keep costs down. The increase in the Principal Contractor’s cost was drastic and I still don’t know the reason why. I had always assumed the £9m came from them and was based on early involvement in the project. A shift from £8m or £9m to £14m is a shift of 50% for no significant change to the project.”*

Commenting on the former Director's understanding at this stage, the £9m costs referred to was from the flawed URS costing dealt with in the earlier *URS Costings* section. This was the first point that detailed costings had been worked up by the Principal Contractor.

2.2.56 The former Director went on to say *“that the de-scoped elements were more critical than I was led to believe. I had a discussion with [Officer D] and [Officer A] about whether the Toys ‘R’ Us roundabout works (Derwent Parade) were needed and they said no, they were not critical. That was where they were in August and September 2017, but it transpired, by Spring this year (2018), that this was not the case. The redesign of that roundabout had not been possible.”*

2.2.57 The former Director was then asked: Did no one consider that removing and re-introducing elements would have cost and time implications? He answered *“Yes. myself, [the Strategic Director] and [the former Finance Director] all had concerns and asked questions to the Project Team.”*

“I was surprised myself that options to remove or rework these elements was not available and were now being explained as critical.”

2.2.58 We identified from e-mail evidence that the Principal Contractor had made it clear that the redesign options would introduce significant programme delays. When we asked why, when this was known, were the redesign options pursued, Officer A told us that the *“Cost savings outweighed the delays.”*

When asked why the redesign exercise that was expected to result in savings has resulted in an escalation of costs Officer A replied that was *“Because we haven’t*

got there, so there are cost overruns and the revised designs are not in place. We will not be far away from going with the original designs.”

We were told by the former Director that *“I think at that point there was optimism around re-engineering such as the Toys ‘R’ Us roundabout (Derwent Parade). Other elements of de-scoped work were in the ballpark of £2m - £2.5m. I discussed with [the Strategic Director] and [the former Finance Director] that the project would increase in cost but that we would seek to allocate this from the Local Transport Plan (LTP), so corporate borrowing may not be needed. But the available solution suggested we may need to look for borrowing for £2m - £2.5m, but we were optimistically hoping that costs around £1m could be reached.”*

When asked why the Project Team did not consider that removing and re-introducing elements would have cost and time implications Officer B stated *“It was difficult to quantify as the advice from [Officer D] at the time was that it would make savings. There were equally cost implications for not progressing the scheme.”*

In relation to the de-scoping of works it was made clear to Officer D by the Principal Contractor that the redesign options would introduce significant programme delays. This point was however not relayed through to the Project Team. Officer B stated *“Significant delays were not known to the team. It was always March 2019 but kept slipping the odd month. We are now looking at Christmas 2019.”*

- 2.2.59 The Strategic Director communicated her understanding of Appendix 4. She stated she understood that when works were de-scoped to be re-designed, a cost estimate remained in the target price (of £9.170m) for these works, and that once the redesigns had been completed, the revised cost figure would replace the cost estimate and this would result in an updated target price. She also understood that if the updated target price was then greater than £9.170m, there would be a further review of specification and scope to get costs within budget; if however, the updated target price was less than £9.170m, there would be opportunity to re-introduce items removed from the scope of the works.

She also explained that when she was briefed by the former Director, she gained assurances that with the changes to scope set out in Appendix 4, the core outputs of the project would still be achieved (within the total Scheme cost estimate of £14.906m). This is further supported by email evidence. She further challenged the

[illegible]

2.2.61 **In Summary – Key Finding 9** – There is clear evidence that Officer A and the former Director were following direction from Officer D on the elements to be de-scoped and we have been told by Officer B that Officer D “*wholeheartedly believed elements could be taken out and redesigned to make savings ... (and that)*”

... This was fed up to [Officer A] and [the former Director] among others in September.”

Officer A and the *former* Director were keen to believe this, as this enabled them to commence the project and deal with the other matters later. Evidence further suggests that neither officer fully understood nor appreciated how critical to the success of the Scheme some of the elements were which were being de-scoped by Officer D. Furthermore, there is evidence that information provided to Officer D from the Principal Contractor, concerning significant programme delays (which could in turn increase costs) was not relayed through to the Project Team. In January 2018, it had transpired that a number of de-scoped areas would need to be brought back in scope and the project costs had increased as a result.

- 2.2.62 Additional evidence supplied by the Strategic Director demonstrates that she gave due consideration to the elements being de-scoped before signing and advised on the need for speed cameras, in order to support key deliverables of the project.

2.3 Governance Arrangements

This section deals with the governance arrangements in place to facilitate effective monitoring of the project from the top down, and covers the roles of Members, Senior Managers and Project Officers.

Cabinet Reporting (including D2N2 Funding & s278 Agreement)

Reporting to Members

- 2.3.1 Evidence suggests that key Cabinet Members made themselves available to officers for discussions on the A52 project, but that the level of information fed back to them was consistently not in sufficient detail or in fact an accurate representation of the situation as it actually was. Evidence suggests that this was because the project team did not have a complete understanding over the project themselves and felt that if they raised the risks and issues in that forum that they would be unable to provide the answers to questions asked.
- 2.3.2 The former Director told us that *“There were not great discussions with Members about the project. The previous Members had the option to join the Infrastructure Board but withdrew and just took all the information from short briefings. I met*

Councillor A and briefed them on the project a couple of times, but I don't think they really had knowledge of what was going on."

"I began to feedback to Councillor A when it became part of the pledges around 2016. This was done at a broad level due to the relationship we had with Members at that time."

"I emailed Members Services when updates (on the pledges) were requested, this was broad brush, bland updates."

- 2.3.3 Councillor A informed us that *"We met with them (Heads of Service /management) on a Wednesday to discuss the 6 pledges ... These slots on Wednesday were always available to discuss issues ... and were an opportunity for officers to report problems to me."*

"My understanding from a Councillor's perspective is that Cabinet Members have strategic responsibility, not operational. We only had [the former Director] and [Officer C] as contacts and we spoke to them to get updates about how things were going."

"I would have liked to have thought that those Senior Officers and Directors would have been kept informed and kept Members up-to-date about projects."

- 2.3.4 The Major Scheme Business – Management Case, dated January 2017, stated at Section 2.4 that 'Progress against the project milestones and outputs will be regularly reviewed'. We asked Councillor A what their expectations of the Project Team were for measuring and monitoring progress with the Scheme and were told *"That is what the purpose of the weekly meetings was. This should have been raised there. People brought obstacles to the pledges to my attention, similar to that on [another Officer's] project, but with the A52 it was all green lights."*

"Officers had ample opportunity to meet with me and to inform leadership group and Cabinet, but the issues never came out, it was green."

Councillor D added *"Because the pledges were so important they were monitored closely. As far as we were concerned; if it was blue or green, we were ok and all we got was blue and green."*

2.3.5 When asked why the pledge continuously rated as “green”, the former Director stated *“I assume because that reflected the nature of the measures that were there. The project outcome measures were recorded rather than finances or anything else.”*

“If we were reporting about deliverability which I think is what the measures that were set out on the pledge say; at the time we thought the project was still deliverable on time. But after August /September 2017 we suspected there could be more slippage – there could have been more reporting of risks I suppose. There certainly was not intent to hide information or mislead. I don’t think we were in a position where we could provide information as we did not know the answers. We couldn’t be clear to people where the project stood financially, I don’t think we knew the answers about how much it is going to cost.”

2.3.6 While discussing the Wednesday briefings held with Councillor A the former Director stated *“There were a number of times where these Wednesday meetings did not take place – they were infrequent and often cancelled. Members were not particularly engaged in the project, it was on the Labour party’s list of 50 pledges but they were not aware of the detail. The information taken to Councillor A was very broad brush – we’ve got issues arising but can deal with them. Councillor A would not have been aware that there was more to it, neither was I at that time.”* (September 2017)

2.3.7 We further discussed the information fed back to Cabinet Members with Councillor B. Councillor B confirmed that *“It was [the former Director] really who was the key contact. Any questions went to [the former Director] who would then report back up.”*

“I think we were kept informed. Whether we were being given the correct information is a different matter. The first time I was made aware of issues was May 2018 and if these issues were there it is disappointing that Members were not kept informed so that they could be in a position to take remedial action.”

“We viewed this as a low risk as we were being told that funding was in place, so as far as I was concerned things were on track and progressing as planned.”

Adding *“There is a formal process for considering risks through Cabinet reports*

and officers raising issues as they came along. I expected to be kept up to date on risks.”

“I feel that the members were not kept informed or up to date on what was happening and when.” Councillor B further identified that “we were unaware of major issues with the project until May 2018.” This point was corroborated by Councillor A’s interview, with Councillor A adding “we can only go by the reports presented to us. We trust officers are there to do the job, and know what they are doing.”

- 2.3.8 The former Director was then asked if he drew Members attention to any issues, he stated *“The clarification of information we had at each of these occasions was not very good so I was not confident giving them actual figures. In August /September (2017) I told them there were issues but that we could manage through LTP and design elements of the scheme. In January /February (2018) expected costs were greater and quantified and we would have to ask for more money.”*
- 2.3.9 Councillor E stated that *“There are parallels to the OCOR (Our City Our River) project, but on that project, and other projects, Members were kept well informed and were able to make decisions based on information that had been made available.”*
- 2.3.10 Councillor B was asked if the need for increased corporate borrowing to fund the higher project costs was known and understood by Members and Councillor B referred to the ‘Delegated Decisions report – Appendix 4’ and that the corporate borrowing need was included in there. Councillor B confirmed that Councillor B was not aware that works were being de-scoped in order to fit funding and stated that they had an expectation that major changes would be communicated to Members. Councillor B also confirmed that their understanding was that the s278 funding from St Modwens had been negotiated and secured, and the agreement just needed signing.
- 2.3.11 From inspection of the ‘Delegated Decisions report – Appendix 4’ we identified that the following was stated (See Appendix A):

*‘Resolution of final issues is dependent on external organisations;
however, we anticipate final issues will be resolved*

September/October 2017. The main considerations for the s278 are: ...

... 3. Risk in terms of securing contribution are primarily:

- o The Section 278 has been agreed in principle and is close to being completed, however, there is a risk arising from the possibility that the agreement isn't completed and the council will not receive the £2,665,000 developer contribution. ...*

... it is recommended that approval be given to commencing the main contract, in anticipation that the s278 agreement will be in place shortly. This would negate any further programme costs likely to be incurred should any elements of the project be postponed.'

Our understanding of this document was that the s278 agreement had not been signed and therefore £2.665m of funding was not in place. However, officers recommended that approval be given to commencing the contract in spite of the apparent risks of not having secured all funding. This document was approved by Councillor B.

2.3.12 In Summary – Key Finding 10 – Evidence suggests that key Cabinet Members made themselves available to officers for discussions on the A52 project, but that the level of information fed back to Members was consistently not in sufficient detail or in fact an accurate representation of the situation as it actually was. The former Director told us that this was “*done at a broad level due to the relationship we had with Members at that time.*” Further stating that these meetings “*were infrequent and often cancelled ... (and that) Members were not particularly engaged in the project, it was on the Labour party's list of 50 pledges but they were not aware of the detail.*” Evidence demonstrated that the pledge was continuously rated as 'green' due to the nature of the reporting tool and the measures that were in place, concerning final outcomes, and not actual delivery.

Evidence also suggests that the Project Team did not have a complete understanding over the project themselves, with the former Director telling us that “*The clarification of information we had at each of these occasions was not very good so I was not confident giving.....actual figures.*” We very much got the

impression that officers felt that if they raised the risks and issues in that forum, that they would most likely be unable to provide the answers to questions asked.

Accuracy of Information to Members

2.3.13 Through the investigation and the inspection of the various reports and discussions held between Project Officers, including the former Director, it has become clear that the information being relayed to Members was often watered down and deliberately evasive. This was, in part, due to these officers not being in possession of clear facts and figures, so therefore unable to provide an accurate representation of the situation as it was.

2.3.14 We were told by Councillor A that “Reports were coming back to Cabinet and going out to Leadership. All members had access and they were going to the Executive Scrutiny Board and Cabinet.”

From our enquiries we can confirm that reports regarding the A52 project have been taken to Cabinet, spanning the period April 2013 to date, evidence suggests that the correct process had been followed for producing, checking and signing off these reports.

2.3.15 Officer A was also of the opinion that Cabinet were kept fully informed of the external funding (s106 and s278 agreements) and grant funding (D2N2, GHF) “as there are lots of cabinet reports with that in all of them – that was made clear. The s278 funding was the biggest risk item but there was a paper on that and a delegated approval.” (Appendix 4)

Adding “the LGF is an issue as we have a problem with the 3,000 jobs output” going on to say “We have spoken to them and they are not threatening us at this point. They have empathy for us. It is a 10-20 year plan so is not a big rise.”

Officer B outlined that there were pressures to spend funding, stating “*It was when we were programmed to receive the LEP and GHF funding in 2017/18 we were having to spend it in the financial year just gone.*”

The former Director stated that “*There was pressure from D2N2 to spend the LGF and the same from Highways England, which was also time limited. Lots of*

pressure to make sure funding was not lost. I've been to other D2N2 meetings where other authorities were at risk of funding being clawed back."

Adding that he was involved in the St Modwens and Network Rail negotiations and that *"These were a source of considerable frustration on all sides and ... If there was not so much pressure from D2N2 we would have waited to secure the s278 agreement."* This put additional pressure on the Project Team to press forward with the works, despite the fore-mentioned reservations that certain Project Officers had.

- 2.3.16 We asked why works had been allowed to commence without the signed s278 agreement and were told by the former Director *"I think it is the same reason we commenced without final designs. From discussion with [the Strategic Director] and [the former Finance Director] we agreed to start the project otherwise we would risk losing funding from D2N2 and possibly from Highways England, but that was considered to be less risky, there was no project without the funding. We thought that if we put the time in with St Modwens it could be provided at a later date."*

Officer A stated that *"In hindsight the delay of the grant may have been a better idea, but this may not have been an option. There has been an immense amount of pressure from the LEP to spend their £6.7 million. There was a discussion with [the Strategic Director] and [the former Director] about what to do. If that £6.7 million had gone then the opportunity to do the project would have gone. If we had waited the project would have gone smoother but this may not have been an option."*

- 2.3.17 The Strategic Director informed us that *"Over the last few months I have met with Network Rail and St. Modwens."* [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

This has only come up now, to my knowledge St Modwens were in the meeting and had an understanding of Network Rail's situation."

We were informed by the Strategic Director, at interview, that there was still an expectation that the Council would get some contribution from St Modwens, however, it might not be at the £2.7m level.

- 2.3.18 We were informed by Officer B that all government funding was, at the time, job focussed, just like the GHF funding is focused on housing and growth. Highways England had no clawback on their £2.6m, but there was pressure from the GHF and the LEP for funding to be spent within specific timescales.
- 2.3.19 We asked Officer B if they could confirm that Members were kept informed, when information was shared with Members and in what forum(s) and were told that *“This is where we were heading at the December 2017 Infrastructure Board and the meetings in January and March 2018. We told managers of the situation at that point for them to inform Members.”*
- 2.3.20 Evidence in the following section (Escalation of Matters – December 2017 / January 2018) identifies that Senior Management were clearly appraised of the increased project costs in January 2018, while the earlier section on De-Scoping of Works (to fit budget) identifies that this was known by the Project Team, including the former Director, as early as August 2017. With this knowledge it’s hard to conclude anything other than Members were not provided with a clear understanding of the situation or escalating project costs, as they were not appraised of any of this until May 2018. This is considered to be a key issue.
- This may also explain why the information was available to inform the Local Enterprise Partnership of increased costs in March 2018, before this was reported to Members.
- 2.3.21 **In Summary – Key Finding 11** – Through the inspection of the various Cabinet reports and discussions held with Project Officers, including the former Director, there is evidence that Cabinet reports have appraised Members of ongoing issues, particularly concerning external funding (s106 and s278 agreements) and grant funding (D2N2, GHF). It is however clear that the information being relayed through to Members was often dumbed down and deliberately evasive concerning contentious issues. This was, in part, due to these officers not being in possession of clear facts and figures, so therefore unable to provide an accurate representation of the situation as it was, particularly in respect to the ongoing works. This was despite the fact that, from what we have seen, it

appears that appropriate processes and procedures were being adhered to, for the production and submission of Cabinet reports.

Evidence in this report identifies that Senior Management (Strategic Director and *former* Finance Director) were clearly appraised of the increased project costs in January 2018, while this had been known by the Project Team, including the *former* Director, as early as August 2017. We therefore have to conclude that Members were not provided with a clear understanding of the situation or escalating project costs, as they were not appraised of any of this until May 2018. This is considered to be a key issue.

It was clear from discussions with the Project Team, including the *former* Director, that there was considerable pressure from D2N2 (LEP) to commence the Scheme so that funding would be spent within the required timescales to address the potential risk of funding being clawed back. This was in contrast to the negotiations between the Council, St Modwens and Network Rail to sign the s278 agreement, which were constantly hampered by continual delays and disagreements between parties. The delay in signing of the s278 agreement was considered by the *former* Director to be less risky, opposed to the possibility of losing the D2N2 funding, as without that money the Scheme could not have gone ahead. Officer A told us that *“In hindsight the delay of the grant may have been a better idea, but this may not have been an option.”* This put additional pressure on the Project Team to press forward with the works, despite the aforementioned reservations that certain Project Officers had.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Project /Infrastructure Boards (including Escalation of Matters)

Governance

- 2.3.22 The Strategic Director provided an explanation about the management of the capital programme; she outlined that there were 4 or 5 programme boards that

monitor blocks of the capital programme. For the A52 project the monitoring of this fell to the Infrastructure Board. Project Teams are required to report any issues, developments and risks to the Infrastructure Board. Lead officers have a level of delegated responsibility and are tasked with project delivery.

A Project Board was established in the initial stages of the project, and evidence suggests the first meeting was in June 2014. We have not been able to locate any Terms of Reference for this Project Board. We asked Officer A if there was a terms of reference for the A52 Project Board and Officer A was not sure, but suggested that the terms of reference may be covered within the PID. We were however, not provided with a copy of the original PID and were merely told that this was being amended at the time of interview (August 2018).

- 2.3.23 The Project Board initially reported to the Infrastructure Board, but was later absorbed into the Infrastructure Board. We have seen Terms of Reference for the Infrastructure Board, dated 2016-17, the metadata from this document shows that it was created on 29th June 2016. We understand these to be revised Terms of Reference, but have not been provided with a copy of the preceding Terms of Reference for the Infrastructure Board.
- 2.3.24 Core Members of the Infrastructure Board included Directors and Heads of Service from relevant areas across the Council, including Highways, Finance and Planning. A review of the nine Infrastructure Board meeting minutes for the period April to December 2017 indicated the meetings were generally well attended although representatives from Accountancy and Planning sent apologies for four and three of the meetings respectively. Review also found that there was a lack of evidence of the A52 Scheme being discussed consistently at the Infrastructure Board and/or evidence of any decisions being taken.
- 2.3.25 We were told by the former Director that “*The primary role (of the Infrastructure Board) is to manage the Highways and Transportation Capital Programme ... Its primary purpose is to ensure funding commitments from Cabinet each year are delivered in accordance with expectations and in right costs. This was a programme management group not a project management group.*”

This expectation was shared by the Strategic Director who stated that she “*would expect to see reporting for the Highways and Transportation, programme information from the Corporate Capital Programme Board, signed off by the Infrastructure Board that is. Spreadsheets are submitted with any deviation on spend profile and risks to programme delivery or budget risks would be reported through.*”

This was at odds with the revised Terms of Reference for the Infrastructure Board, dated 2016-17, which outline the responsibility of the Infrastructure Board to take ownership of the A52 project delivery rather than undertake a financial monitoring role. In reality, this board operated as per the understanding of the *former* Director and the Strategic Director and should never have been given project management responsibility over this Scheme. The *former* Director also stated that “*From an Infrastructure Board perspective we are there to manage the capital programme, not the detail, it is more a financial overview. There is a question there of whether we had the right board for this project.*” This is considered to be a significant weakness as the Infrastructure Board should have either refused to take on this new responsibility or taken full ownership over the operational project management of this Scheme, in order to address emerging issues and take key decisions.

- 2.3.26 In respect to the effectiveness of the Infrastructure Board over the project management aspect of this Scheme Officer B told us that “*It’s the same as with all project boards – they are set up and you go and they look at you blankly as they have little knowledge and don’t understand. [The former Director] was always switched on, engaged and offered support. [The former Director] chaired the Infrastructure Board and in hindsight it would have been best to go and bore 8 people so that we’ve relayed information, but the practicalities were that they all look bored and had no opinion. I suppose that we should have gone to the whole board, regardless of whether the members were bored.*”

At interview the *former* Director, who also used to Chair the Infrastructure Board, stated that he did not think the Infrastructure Board had been effective and fulfilled its role in respect of the A52 Project. He acknowledged that the remit of the Project Board differed significantly to that of the Infrastructure Board. There is clear

evidence to suggest that the Project Board should never have been absorbed into the Infrastructure Board.

The Strategic Director said that she was satisfied '*at the time*' (circa December 2017) that project management arrangements were robust: she could see information on the project coming through the Corporate Capital Programme Board and through the Corporate Pledges. She also had confidence in the capability of the Infrastructure Board. Therefore, there was an expectation that these mechanisms would identify any issues or emerging risks with the project. She also had an expectation that the *former* Director and Officer A would escalate any issues to her.

However, the Strategic Director was asked at interview if she thought the Infrastructure Board has fulfilled its role and been effective in the A52 project. She replied "*It is difficult to argue that it has given where we are.*"

- 2.3.27 The Strategic Director (the then Acting Chief Executive) stated at the Executive Scrutiny Board in June 2018 that she personally intended to lead a strategic board that would include representation from the Project Team, Finance and Procurement. The Strategic Director was asked about this at interview and she said "*we have setup an A52 Project Board and a Corporate Project Board.*" The Strategic Director was chairing the new Boards, and we confirmed it included a cross section of officers from both within and external to the Council. The Strategic Director confirmed that supplementary briefings were also being given to Cabinet Members. Also, additional officers had been asked to provide administrative support.

The Strategic Director also took on the role of SRO on 10th September 2018 as she felt Officer A was no longer able to perform the role in such difficult circumstances. She also wanted to have greater direction over the project, and felt that by taking on the SRO role it would have a beneficial impact on the governance arrangements.

- 2.3.28 We obtained a draft 'DMT report' (Departmental Management Team), dated January 2018, and we were told by Officer B that it was circulated to the Strategic Director and former Finance Director to aid understanding and discussions around

the increased project costs and re-introduction of de-scoped items back into the project. Officer B said the reports contents were intended to outline how the Project Team planned to manage the situation.

We asked the *former* Director why this was the only update taken to the DMT on the A52 project. He stated *“I don’t think Communities and Place DMT particularly managed projects. It was not within their scope and expectation.”* He added that *“Unless projects are falling out of scope it’s not their DMT’s place, this report went by exception at that time. Projects were not routinely monitored.”*

- 2.3.29 The Strategic Director explained that this was not the first large scale, multi-million pound highways project undertaken by the Council that involved some members of the A52 Project team and their line management. The Strategic Director had expectations that given the relevant experience of the *former* Director and Officer A, they would have been aware of how the Council manages its projects and the expectations placed on them. The Strategic Director stated that there was a culture of reporting to senior managers on exception. She further believed that the former Director attended regular briefings with Councillor A to provide updates on the corporate pledge for the A52. We confirmed with the *former* Director and Councillor A that briefings did take place, however, the regularity and content of these were questionable due to conflicting evidence from both sides. The Strategic Director stated if issues had been raised by the *former* Director to Councillor A, then the Councillor would have contacted her to seek further action. However, the Councillor did not contact the Strategic Director and therefore, the inference is that the Councillor was not suitably briefed on the issues or that the Councillor failed to understand the implications of what they were being briefed on or that they failed to strategically challenge the assumptions, if any, upon which the briefings were given.

- 2.3.30 **In Summary – Key Finding 12** – There appeared to be a lack of good governance around management of the original Project Board and we could not be provided with the initial Terms of Reference by the Project Team. The Project Board initially reported to the Infrastructure Board, but was latterly absorbed into the Infrastructure Board in May 2016, this should not have happened as these boards had different remits, the Infrastructure Board is a programme management

group responsible for overseeing the Highways and Transportation Capital Programme, and the Project Board was a project management group overseeing operational matters. This is considered to be a significant weakness, as specific project management issues could never be effectively managed at this level and Senior Management oversight was required in January 2018, due to the failures of these arrangements. The Infrastructure Board should have either refused to take on this new responsibility or taken full ownership over the operational project management of this Scheme, in order to address emerging issues and take key decisions. As stated, matters were escalated to Senior Management, namely the Strategic Director and the former Finance Director, concerning the escalating project costs and issues regarding the de-scoped works, these matters have been dealt with elsewhere in this report.

We have seen that the Strategic Director has put in place *newly formed* Project Board arrangements (July 2018) which has now made considerable improvements to the governance arrangements in place.

Escalation of Matters – December 2017 / January 2018

- 2.3.31 When the Project Team became aware that project costs had significantly increased, they looked to escalate this matter. Officer B stated “*My memory is the £2.4 million only crystallised around December 2017 or January 2018. This initiated the cost escalated to the Infrastructure Board and DMT were subsequently notified.*”
- 2.3.32 Officer A advised us that “*everything was escalated, to the Infrastructure Board and to DMT*” around December 2017 and “*We had conversations with [the Strategic Director] and [the former Director].*”
- 2.3.33 We sought to identify the precise date of the DMT meeting and obtain relevant meeting records to substantiate what matters were discussed and who was in attendance. However, we were told by Officer B that “*This was not a specific DMT, I think what we wanted to do was get senior management advice, so a meeting was set up with [the Strategic Director] and [the former Finance Director]. This was not a formal DMT. It was attended by [Officer D], [Officer A], [the former Director] and myself.*” Officer A confirmed that the meeting took place in January 2018, and

that the former Finance Director and the Strategic Director intended to bring funds forward from the Local Transport Plan to cover the additional costs.

2.3.34 When asked how the Infrastructure Board responded to the increased costs Officer B stated “[the former Director] has got a very practical approach but generally the board had no view on it. Other than [the former Director] it was brushed off.”

2.3.35 The former Director explained at interview that the discussions at DMT suggested putting £2.5m through the Local Transport Plan and borrowing for any additional financial shortfall to cover the escalated costs. When we spoke to the former Director about whether the need for increased corporate borrowing to fund the higher project costs was known and understood by Members he stated “No, that’s from when we spoke with [the former Finance Director] later – this was part of the briefing note that we took to [the Strategic Director] and [the former Finance Director] (Dec 17 /Jan 18). At that time there was an expectation that additional costs and funding would be required.”

2.3.36 The increased project costs were not formally reported to Members until June 2018, although we understand from the evidence available that some Members (namely Councillor B, Councillor A and Councillor C) were briefed on the situation shortly after the 3rd May 2018 elections. We spoke to the Strategic Director about the discussions held in January 2018, regarding the increased project costs, and she stated “As these were emerging issues we felt we should do the Easter working and then get a more robust overall scheme cost estimate. This would allow us to give comprehensive feedback to the Cabinet Members when we could make sense of the situation. We felt we could make inroads, so would bring the consolidated message back when we knew.”

2.3.37 **In Summary – Key Finding 13** – Although the Project Team, including the former Director, were of the understanding that project costs would increase, information concerning actual costings did not start to materialise until December 2017. It was at this point that the Project Team reported the increased project costs to the Infrastructure Board, the Strategic Director and former Finance Director. The Strategic Director and former Finance Director were in agreement that additional funding could be sought, and as these costs were just emerging, decided to wait

until after the Easter 2018 works had been undertaken, to get a more robust estimate of the overall Scheme costs and decide on an appropriate way forward, before briefing Members. We are of the understanding, that while some Members were briefed on the situation in May 2018, the increased project costs were not formally reported to Members until June 2018.

Risk Management

Risk Management Arrangements

2.3.38 We reviewed the risk management arrangements in place for this Scheme, from inspection of the risk registers, information recorded in the various committee reports /Cabinet reports and through officer interviews.

2.3.39 The Cabinet Report from the Strategic Director, dated 31st March 2016, stated: 'The project would be subject to the Council's risk and project management procedures.'

Interviews with officers and Members identified there was little appetite for risk taking, although none could identify where this had been decided. Officer B stated at interview *"I don't think we ever identified a risk appetite"*.

The Council's Risk Management Handbook (2018) stated *'As the impact of the budget cuts is felt, the Council will inevitably be forced to have more of an appetite for risk in that it 'cannot do everything' and will face 'hard choices'.'* The Handbook instructs the plotting of risks on a 4x4 matrix, to help to establish where risks sat within the Council's risk appetite. The 2018 Handbook supersedes a previous document, the Project Risk Management guidance (dated 2010). However, we understand through previous Internal Audit work that the methodology for determining risk appetite remained the same, although the 2010 methodology applied a 5x5 matrix. We found the A52 Project Team were in possession of the Project Risk Management guidance (dated 2010).

We found that the Project Team initially used a different methodology for scoring its risks and utilised a 4x6 matrix to plot its risks – Officer B confirmed that this was the standard highways engineering format. Comparison of the Council's matrices (4x4 and 5x5) with the Project matrix (4x6) identified that the appetite for risk taking

appeared greater within the Project than for the Council's overall risk appetite, based on the format of the matrix.

We noted that the latest version of the Project Risk Register (dated October 2018, and compiled by the *newly formed* Project Board (July 2018)) utilised a 4x4 matrix, which was in line with the Council's risk appetite. Prior to this there was clear evidence from the documents inspected and interviews undertaken that the risk appetite for the Scheme had not been adequately defined and communicated and was seemingly at odds with the Council's appetite for risk taking during the period of concern. Had the correct process been followed and had its outcomes been properly flagged, reported and acknowledged at the Infrastructure Board, this may have led to a different outcome. We cannot comment whether this was due to a lack of understanding by the board or a lack of ownership, but we consider there to have been significant weaknesses in this area.

2.3.40 We asked whether the potential for increased costs was recorded in the risk register at the time of de-scoping the works in August /September 2017 and were told by Officer A that *"I don't think it was enough."* We also asked whether the risk register was reported to Members and were told *"I am not quite sure we got to that detail."* We further asked where the increased risks had been reported and were told *"It was escalated to the Infrastructure Board and then DMT."* However, the *"Infrastructure Board focussed on issues rather than the register itself."* The escalation of matters to DMT was not until December 2017 /January 2018.

2.3.41 **In Summary – Key Finding 14** – There was clear evidence that the risk management arrangements on this Scheme were underdeveloped and ineffective and should this have been identified by the Infrastructure Board this may have led to a different outcome. There is strong evidence that the Project Risk Register was not well managed, appropriately disseminated or successfully utilised, in order to effectively manage a project of this scale and nature. We cannot comment whether this was due to a lack of understanding by the board or a lack of ownership, but we consider there to have been significant weaknesses in this area. That said, there is evidence that risk management arrangements are improving under the newly formed Project Board (July 2018), in line with the Council's overall requirements.

Project Risk Register

2.3.42 When questioned what the risk appetite of the project was Officer A told us that “*I am not sure we felt we had much appetite for risk. It has been a struggle from day one due to funding and cost pressures meaning we are always behind the curve.*” This was in contrast to the Strategic Director who considered “*I don’t think, other than the general risks you’d expect, for example ground conditions and unforeseen risks, there was a higher than normal risk appetite*” on this Scheme.

2.3.43 We identified four different versions of the A52 Project Risk Register which had been presented in two different formats.

Review of the documents presented in the first format, identified that they had been updated in January 2017 and April 2018, with changes made in this 15 month period being minimal:

- Only 2 mitigation measures had been amended, but these had not resulted in any change to the mitigation score.
- 2 further risks had been closed.

We question the appropriateness of such minor changes, as neither related to increasing costs and/or the adding back in of the previously de-scoped works, and bearing in mind the significant increase in costs and delays to programme during this period.

Further review of these documents also highlighted:

- For 2 risks the impact scores increased after mitigation, without apparent reason. This is indicative of ineffective mitigating actions or a lack of understanding by the project officers and the Infrastructure Board allegedly providing oversight.
- We believe that two of the risks had been realised during the 15 month period and that the cost assigned to one of these realised risks was significantly understated.

From review of the documents presented in the second format, we found one version appeared to be an incomplete draft, so no further checks were made. We considered the complete version, dated April 2018, and found the following:

- 2 likelihood scores increased after countermeasures (mitigation) had been put in place.
- 2 impact scores increased after countermeasures (mitigation) had been put in place.

Both of these matters are indicative of ineffective mitigating actions or a lack of understanding by the project officers and the Infrastructure Board allegedly providing oversight.

2.3.44 Comparing the different Risk Registers for the Scheme, we found the following:

- There were 39 risks listed on the first format and only 23 risks listed on the second format.
- Only 5 risks had similarities between the two formats and despite the scoring methodologies being the same, the scores assigned to those risks differed between registers.
- One format did not have space to record the individual risk owners. On the other format, 5 of the 23 risks identified, did not have a risk owner assigned. We could therefore not identify who had responsibility for managing these risks.
- We noted that 8 out of 23 risks had been closed on the second format. However, we question the appropriateness of closing 2 of these 8, concerning 'land negotiations' and 'project costs' based on the fact that some land had still not been acquired and project costs were still unknown and escalating.

2.3.45 We did not identify any revised Risk Registers being prepared around the period of September 2017, when the works were de-scoped and the project was entering a heightened period of risk.

2.3.46 Following formation of the newly formed Project Board (July 2018), a revised risk register has been created. From review of this revised register we are satisfied that this provides a considerable improvement on previous versions inspected, although it was still clearly in the process of being developed. We have further noted that there was a risk workshop held in August 2018, and the subsequent register was circulated and reviewed, in September 2018, by the A52 Project Board. It is however, too early to conclude that this register has been kept under review and updated during the remaining life of the project.

- 2.3.47 **In Summary – Key Finding 15** – We have found Project Risk Registers to contain a number of significant inaccuracies, in terms of project risks that were materialising at the time. Although the Project Team made efforts to identify and document the risks, there was no evidence of risks being formally considered and documented between February 2017 and March 2018, which was a key period for project planning and commencement of on-site works. Furthermore, the documenting of risks was irregularly undertaken, inconsistently documented and not in line with the Council’s methodology for Risk Management. We can acknowledge that under the newly formed Project Board (July 2018) initial evidence suggests that this situation is under improvement.

Risk Review & Escalation

- 2.3.48 We identified that within the Management Business Case for the Project, it stated that ‘Risks are regularly monitored /updated and escalated to the appropriate level’ and that ‘The A52 Project Management Team keeps an internal Risk Register, owned by Officer B. It identifies an owner for each of the risks together with the proposed mitigation measures to manage the risk...The Risk Register is continually and regularly reviewed and updated at Project Management Team meetings...Where appropriate, risks are discussed at Project Board and referred on to Infrastructure Board as necessary.’
- 2.3.49 We identified through interview with officers that risk management was not the responsibility of the Infrastructure Board, but instead was the responsibility of the A52 Project Team and A52 Project Board. Officers were unable to produce a Terms of Reference for the A52 Project Board, so we have had to conclude that this responsibility had not been formally documented. However, we noted that the Risk Management Handbook (2018) stated that: ‘At project level, monitoring is undertaken by individual Project Boards supported by the relevant Project Manager’. (Doc Ref: WP1h)
- 2.3.50 However, this matter becomes complicated when we consider that the A52 Project Board was absorbed into the Infrastructure Board after May 2016. The then Chair of the Infrastructure Board stated that the Infrastructure Board did not have responsibility for reviewing Project Risk Registers and Officer A told us that risks

were escalated “*through to (the) Infrastructure Board. This was just the issues and not the whole register*”, adding that there were never any challenges to the risk registers.

When questioned how often project risks were considered and by whom, Officer A told us that it was “*The Infrastructure Board, but I am not sure we went into that much detail. It is an area we could have worked on and this should have had more time spent on it, but there was always something else to be done. We certainly spoke about it and looked at it, but we could’ve shared it with more people and it could have been a standing item on the agenda.*”

We are therefore of the opinion that there was insufficient oversight of the project risks, following the absorption of the Project Board into the Infrastructure Board.

2.3.51 We reviewed records of both the A52 Project Board and the Infrastructure Board throughout the life of the project and identified instances which demonstrate consideration of project risks. These include:

- On the 18th September 2014 the ‘risk log’ was an agenda item for the Project Board. Meeting notes reflect that it was considered and that there were no significant changes.
- On 11th May 2015 the ‘risk log’ was an agenda item for the Project Board. Meeting notes reflect that it was considered.
- On 16th March 2016 three significant current risks to the project were reported to the Infrastructure Board.
 - Lack of certainty over match funding.
 - Failure to progress negotiations to buy land.
 - Not able to secure LEP funding.
- The 18th May 2016 Infrastructure Board meeting notes reflect the risk of D2N2 funding may have to be paid back.
- The 21st September 2016 Infrastructure Board meeting notes reflect funding risk discussions having taken place.
- On 19th October 2016, the meeting records for the Infrastructure Board reflect that risk taking had been discussed: ‘*...we need to take risk and be positive it will come together*’.

- We have not identified any consideration of Project Risk Registers during the 2017 Board meetings. Officers in the A52 Project Team stated that the Infrastructure Board received updates on risk at key points during the project, though the Risk Register may not always be taken in its own right. The former Chair of the Infrastructure Board could only recall two occasions when risks were brought to the Board, and verbally confirmed that the Board acted on both occasions. Officer B stated that the risk register was taken to the Infrastructure Board in January 2018, but we have not seen any evidence of this.

2.3.52 Officers interviewed stated that project risks were reflected in the Cabinet reports. Members interviewed stated they were not in receipt of Project Risk Registers, but expected that the Cabinet Reports would reflect any relevant risks. Our review of the Cabinet reports has shown that these reports attempted to highlight risks and that the Risk & Safeguarding section (Appendix 1 – Implications) required approval by key officers. Although, these were generally completed to summarise the risks covered in the main body of the report, we are of the view that the risks were alluded to rather than being explicitly stated, and that Cabinet was not provided with a clear understanding of the emerging risks and the mitigating controls over those risks. We are also aware that due process ensures that Cabinet reports are considered and approved by Senior Officers from key areas across the Council. Whilst we have not formally considered this process as part of this investigation, we should be mindful that there has been the opportunity for the consideration and challenge of these reports.

2.3.53 **In Summary – Key Finding 16** – Although there were mechanisms in place for review and escalation of project risks, these were not consistently adhered to, and as such, it would have been possible that risks were not adequately considered and escalated. When questioned how often the project risks were considered and by whom, Officer A told us that it was “*The Infrastructure Board, but I am not sure we went into that much detail. It is an area we could have worked on and this should have had more time spent on it, but there was always something else to be done.*” We are therefore of the opinion that there was insufficient oversight of the project risks, following the absorption of the Project

Board into the Infrastructure Board. This is considered to be a significant weakness.

Members were not in receipt of the Project Risk Registers, but officers interviewed believed that project risks were reflected in Cabinet reports. Although we could see that certain risks were included within these reports, we do not consider this to have provided for a comprehensive review over project risks.

We have however identified that the *newly formed* Project Board (July 2018) have taken responsibility for oversight of the Project Risk Register. We believe Senior Management have taken steps to improve the risk management arrangements for the project, although we are, at this stage, unable to offer an opinion about the adequacy of these arrangements.

Contractor Risk Register

- 2.3.54 We identified that the Principal Contractor had produced two versions of their Risk Register – one dated August 2017, the other September 2017. We have not identified any other versions of the Contractor Risk Register prior to or since this period in 2017. We were told by the Principal Contractor that the Risk Register was produced as part of a design workshop, which Officer D attended. Other officers within the A52 Project Team confirmed that they were unaware that a workshop had been held and could not confirm if Officer D had attended on behalf of the Council. However, we noted that those same officers had signed the Financial Business Case, dated June 2017, which stated: ‘To establish a cost for risk as part of the scheme a joint workshop was established with the principal contractor, sub-contractors, designers and the client. The workshop was designed to collate all construction related risks and prioritise them in order to highlight the most likely impact of them. From this workshop a risk register was drawn up by the contractor and costs estimated were made.’
- 2.3.55 The Principal Contractor Representative, when asked about the Contractor’s Risk Register, explained “*we’ve got a pot of money for our risks, so if they occur we’ve got money to deal with.*” The Principal Contractor Representative went on to explain that when the cost of risk was reduced on the Contractor Risk Register “*You should see the client risk register going up a bit at the same time.*”

2.3.56 We noted that at the time of producing the Contractor Risk Registers, there had been significant changes to the design and specification. There was no evidence that the Contractor Risk Registers had been shared with anyone at the Council other than Officer D and we could find no evidence that Officer D had shared this key document with colleagues. We found evidence that the Principal Contractor had emailed Officer D in August 2017 to outline updates to the Contractor Risk Register, including 3 risks that should be deleted. However, we could not identify any evidence of further discussions regarding the Contractor Risk Register after this point.

2.3.57 From review of the two versions of the Contractor Risk Register we can confirm that they were consistent in format and content. The only differences being:

- The date of the documents;
- The minimum, maximum and likely costs of the risks;
- The percentage of the Tender Activity Schedule; and
- 1 risk had been closed on the September 2017 version that was ongoing on the other Contractor Risk Register.

We also noted that only 1 of the 3 risks flagged for deletion by the Principal Contractor in the August 2017 email had been closed: the other 2 were still listed as ongoing risks.

2.3.58 Review of the Contractor Risk Register showed a maximum cost associated with risk 32 ('Risk that constraints on A52 and required working widths require more works than planned to be undertaken during night/weekend.') of £939,800. This was also scored as a low risk. We have identified that this is a low valuation of the cost of this risk – actual costs incurred from night working were £2.4m. When challenged at interview, the Principal Contractor Representative stated: *"It was scored low based on the perception at that point in time and based on information we had at that time" and that the costs specified on the risk register for night working were "probably low...£900k is on the low side for impact on it ... It's certainly not generous, probably on low side. It was a fairly low risk at that point."*

[REDACTED]

[REDACTED]

2.3.59 Through discussion with members of the A52 Project Team and review of the Contractor Risk Registers alongside them at interview, it was felt that the risk register mostly contained low risk issues, which officers felt were not indicative of the nature of the Scheme and issues that they have been dealing with.

2.3.60 **In Summary – Key Finding 17** – Although the Principal Contractor made efforts to identify, document and quantify risks associated with the Scheme, there was no evidence that the Contractor Risk Registers had been formally reviewed by the Council and we have seen no evidence that they have been updated and disseminated post September 2017. We are therefore of the opinion that there were ineffective risk management arrangements in place between the Principal Contractor and the Council.

[REDACTED]

Management by Project Officers

Single Point of Failure

2.3.61 Fact finding sessions and formal interviews have identified that Officer D worked in isolation and did not share information and knowledge readily with his colleagues in the Project Team. We have further identified that management and colleagues did not know Officer D's work programme /activities in order to provide comprehensive support. The inability of the Project Team to share information and provide the required support was clearly a failing within the Project Team.

2.3.62 We asked the Principal Contractor Representative who their key contact was in the Council, the Principal Contractor Representative replied "[Officer D]. [Officer D] attended right from the outset...It was a bit unusual that it was generally only [Officer D] that we saw...there would be no new information from the previous months. It made it limited as to what we can do practically in terms of budgets and programme. Everything was [Officer D], it was unusual that they were in control of everything, we did not see back room people."

"Everything went through [Officer D]. When we've worked with other Councils this hasn't been the case. We didn't see background people, so this was unusual."

"[Officer D] mentioned they talked to [Officer A] and someone else - but we didn't have any contact with those people. They didn't have a visible presence in the initial target cost phase."

We can further confirm from e-mail evidence and other documentation that Officer D attended meetings with the Principal Contractor in isolation, unaccompanied by any other officers from the Council. This was clearly a failing on the part of the Project Team.

2.3.63 It was generally accepted within the Project Team, as stated by Officer B that "[Officer D] was very hard to get information out of. It was just how [Officer D] was, it wasn't underhand, [Officer D] took things on and retained control of information and tried to manage things themselves." Adding that Officer D did not even copy in other Project Officers to enable their joint attendance of project meetings. Officer B went on to say "I remember when [Officer J] had access to [Officer D's] email and found that [Officer D] going to the Principal Contractor's lead office unsupported."

[Officer D] never raised this anywhere and the meetings just happened without minutes or feedback. We only knew if it was in their diary. Team members were never given the opportunity to attend or support. It didn't seem appropriate and [Officer J] offered to go but we didn't know what support [Officer D] needed. I discussed this with [Officer J], not [Officer A], but [Officer D] had opportunities to inform [Officer A]... Team members were not given the opportunity to attend meetings with them [Officer D]." We can further confirm that risks relating to staffing matters and resources were not documented in the Project Risk Registers inspected.

- 2.3.64 Officer A stated in reference to the project management meetings with the Principal Contractor that *"I don't think we asked [Officer D] to do that. [Officer D] didn't tell us they were taking place. I wasn't there. I felt that I should have attended and I did raise it with [Officer D] but by that time things had moved on. This was done face to face. [Officer D] often arranged these things when I was not available."*

"I definitely, on more than one occasion, offered [Officer D] additional resources. [Officer D] said no, I just need to do this and that. I probably should have been more firm. Definitely, on more than one occasion, I said that to [Officer D]. In hindsight I wish we had been more firm." The fact that Officer A felt the need to keep raising this with Officer D indicated that Officer A was consciously aware that this officer did not have the capacity to deal with the required workload.

- 2.3.65 We have further evidence from interviews that Officer D was offered additional support by Officer A, but that this offer of help was declined. Evidence also confirms that the other members of the immediate Project Team were supported by Officer A and Officer B told us that they *"had regular catch-ups, team meetings and MIPs. Feedback was provided regularly"* and went on to say that *"[Officer A] was in the office and always makes themselves available. We would chat every day and have regular team meetings which [Officer D] attended as well."*

- 2.3.66 To balance out these findings the Principal Contractor Representative further stated that *"[Officer D] seemed to be lacking support. [Officer D] was their own worst enemy, they would do everything themselves. [Officer D] was a one stop shop for everything. There was no resource that was our perception. It was difficult to determine the support that [Officer D] was getting in Derby. Usually we*

see more senior people to occasionally sense check and ensure on track and ensure everyone was aware of issues and challenges. We were only dealing with one person – who had lots of knowledge – but we were not sure if it was all being disseminated – we got concerned.”

- 2.3.67 When asked who was supporting Officer D on the management of the A52 Scheme, the former Director stated “*As it transpires, nobody, though at the time I assumed [Officer D] was getting support from their entire team.*” We sought to identify what additional support was offered to Officer D and were told “*I am aware that [Officer A] talked to [Officer D] on several occasions and offered [Officer D] additional resources. Until the end of 2017 the view from [Officer D] was that they had a lot to do but did not need any help, they were capable of getting on with it.*”

In summary, the former Director told us that “*I have lots of regrets on this project, but I think it was due to [Officer D] trying to do everything on their own that caused a problem. I don’t know how this was allowed to happen, it doesn’t happen in any other projects. Where were [Officer D’s] line managers in the project, I don’t know. From my humble view, [Officer D] was a conscientious and diligent officer and I don’t believe they were obscuring information intentionally or deliberately attempting to mislead or deceive. Maybe I, and the other managers, should have asked more questions. [Officer D] didn’t offer up information voluntarily.*”

- 2.3.68 The Strategic Director confirmed at interview that she was not aware that Officer D was meeting with officers from the Principal Contractor on their own, and that the former Director and Officer A had not informed her of this.

- 2.3.69 We also explored whether there was sufficient cover in place for Officer D’s role and were told by Officer A that “We didn’t really have any cover for sickness /absence /holidays /etc.”, but added that “They weren’t off sick.” It could be said that this later compounded problems as this officer’s role had become a single point of failure and when this officer left the Council’s employment in April 2018 there was a lack of awareness and understanding of Officer D’s role, and their knowledge had not been adequately shared with the rest of the Project Team.

- 2.3.70 Officer A told us that “*after [Officer D] left it all unravelled. It was dubious whether [Officer D] knew things were going wrong but did not escalate.*” When asked why

this was not picked up through the project governance arrangements Officer A replied “*We picked it up at the same time that [Officer D] was leaving. Issues were crystallising, like the night time working.*” Adding: “*I think [Officer D] was giving us numbers and timescales which were not realistic, [Officer D] was very optimistic. It is now taking an inordinate amount of time to go backwards, in order to move forwards again. It did not feel critical at the time.*”

Officer B confirmed that there was a short handover period when Officer D left the Council, and that they believed at the time that they had provided all of the documents for the Project. However, an inability to locate key documents during this Investigation suggests that some key documents may have either not been shared, been misfiled or may not have existed in the first place.

Officer A told us that there was no formal hand-over “*it was just difficult as there was an overlap in holidays so it was only short discussions. [Officer D] was on 8 weeks’ notice, they had 2 weeks off, others had 2 weeks off and I took 2-3 weeks to recruit someone. Even after [Officer D] left we requested information and sought advice from them. This got more difficult as issues emerged.*”

- 2.3.71 We sought further oversight into Officer D's role, after leaving Highways Engineering for the secondment onto this project, and were told by Officer E that Officer D had very little interaction with them from this point onwards, other than dealings in respect of the footbridge designs (referenced earlier in this report). Officer F continued to undertake Officer Ds MIPs for a short period of time, prior to these moving over to MiPeople, when this role was picked up by Officer A.
- 2.3.72 The Strategic Director stated at interview “*In hindsight there were never sufficient resources from an engineering perspective to deliver the project. That would be my take on it.*” Had effective project management oversight arrangements been in place, the lack of resources may have been identified and suitable action taken prior to matters escalating, i.e. by the Project Board, Infrastructure Board or Senior Management.
- 2.3.73 **In Summary – Key Finding 18** – Evidence is very strong that Officer D worked in isolation and did not share information and knowledge readily with his colleagues in the Project Team. There is further evidence that Officer D repeatedly

attended meetings with the Principal Contractor as the sole representative from the Council, when there were often several representatives supporting the Principal Contractor with specialisms across the required areas. We have further identified that management and colleagues did not know his work programme /activities in order to provide comprehensive support. This was clearly a failing on the part of the Project Team. There is clear evidence that Officer A offered additional support to Officer D on a number of occasions. When these offers of help were continuously declined by Officer D this was not actively followed up by management and even Officer A admits that “In hindsight I wish we had been more firm.”

This situation is best summed up by the comments of the *former* Director who told us that “*I have lots of regrets on this project, but I think it was due to [Officer D] trying to do everything on his own that caused a problem. I don’t know how this was allowed to happen, it doesn’t happen in any other projects. Where were his line managers in the project, I don’t know ... Maybe I, and the other managers, should have asked more questions. [Officer D] didn’t offer up information voluntarily.*” The Strategic Director has confirmed that she was not aware that Officer D was acting on his own, and identified that the *former* Director and Officer A had not appraised her of this.

We have also identified that there was insufficient cover in place to cover Officer D’s role in their absence and there was not a proper hand over by Officer D when they left the Council’s employment. Evidence further suggests that key information may have been lost and reference to key documents may have been missed. Officer A further told us that “*after [Officer D] left it all unravelled. It was dubious whether [Officer D] knew things were going wrong but did not escalate.*” The Strategic Director also stated “*In hindsight there were never sufficient resources from an engineering perspective to deliver the project. That would be my take on it.*”

Senior Management Overview

- 2.3.74 The Strategic Director felt that the former Director and Officer A had relevant experience and skills to be able to deliver on a project of this size and nature. Because of this, the Strategic Director felt she did not need to be more closely involved in the management of the A52 project. That may accord with Corporate

Practice, but the extent to which this was underpinned by ‘adequate’ check and balance measures could not be established. Our use of the word ‘adequate’ expects that a view on the robustness of those measures (i.e. the ability of effective challenge over the management of the Scheme) would be taken.

2.3.75 The Strategic Director confirmed that she had one-to-one meetings with the former Director, however, stated these did not constitute regular briefings on the A52 project. From the Strategic Director’s perspective adequate monitoring arrangements had been put in place by the former Director, as he had regular briefings with Councillor A to update them on the Corporate Pledges, weekly Communities & Place directorate team meetings, where issues and developments could be shared, as well as the aforementioned one-to-ones.

2.3.76 We have only been able to identify one instance where matters have been escalated to Senior Management, namely the Strategic Director and the former Finance Director, this was in January 2018. As this escalation of matters has already been covered in the Governance Arrangements section of this report, we do not intend to revisit it here.

2.3.77 **In Summary – Key Finding 19** – the Strategic Director felt that the former Director and Officer A had relevant experience and skills to be able to deliver on a project of this size and nature and did not therefore, monitor the Scheme or these Senior Officers more closely. That may accord with Corporate Practice, but the extent to which this was underpinned by ‘adequate’ check and balance measures could not be established. Our use of the word ‘adequate’ expects that a view on the robustness of those measures (i.e. the ability of effective challenge over the management of the Scheme) would be taken. There was only one occasion identified where the former Director and/or Officer A escalated matters to the Strategic Director and the former Finance Director, this was in January 2018.

2.4 Contract Monitoring

This section deals with the contract monitoring arrangements in place for the effective management of the construction contract.

Monitoring Arrangements

Monitoring by the Project Team

2.4.1 The contract monitoring undertaken over this Scheme has been continually hampered by too much responsibility being undertaken by Officer D and this situation not being redressed by Officer A and the former Director. This has been further compounded by key issues with the delivery of the works, due to issues with the original topographical surveys (also tied in with unknown ground conditions) and issues with the maturity of the designs, along with the knock on effect of these issues with the Council's relationship with the Principal Contractor. These matters have largely been dealt with in earlier sections within this report.

2.4.2 The Principal Contractor e-mailed Officer D in May 2017 with suggestions for the workings of 'a Senior Management 'Project Board' or steering group' citing best practice they have employed with other Local Authorities. We had concerns why the Principal Contractor was taking the initiative on the Council's Project Management arrangements and raised this during interviews.

Officer B stated *“Good point, why were they? It is the communication thing again, communication was not [Officer D's] strength”*

Officer A stated that *“I wouldn't say they were taking the initiative They've got more resources so it's easier for them to organise than us.”* A point which we would not necessarily agree with as there are definite cost implications, specifically the situation that the Council now find themselves in.

The Principal Contractor Representative confirmed that the reason was that they had become *“concerned whether information was getting across to the client's project team and communicated further up the chain. We wanted them to be aware of status and felt we needed forum to speak to those above [Officer D] so that they were aware of things.”*

“We had communicated to [Officer D] on cost increases but wanted to communicate further and the only way could do that was with formal meetings. We spoke with [the Strategic Director]'s predecessor, the former Director. We wanted to make sure everyone was aware.” Especially as at *“The target price meetings, the only person there from the Council was [Officer D].”*

2.4.3 We identified various e-mails between the Principal Contractor and Officer D concerning Target Price meetings where it was apparent that there were often several officers from the Principal Contractor and only Officer D representing the Council. When we questioned Officer B about one such meeting they stated *“They’ve not copied [Officer A] in as SRO or anyone else. Poor isn’t it? You wouldn’t do it, would you? Alarm bells should have been ringing from [the Principal Contractor], I don’t remember that being raised in any of these meetings. I don’t understand why they didn’t.”* This officer's opinion was in contrast to that of the Principal Contractor, for which evidence suggests they were taking the initiative concerning communications, however, as there were no formal notes from these meetings we cannot substantiate this /prove this either way.

2.4.4 When asked if Officer D should have had some additional support Officer B stated *“Yeah definitely, but it is just how the Council is now. We’re meant to be experts in procurement, legal, everything. Everyone’s busy. We all seek advice but sometimes get turned away which is an issue. We tried to do the project on a shoestring and its cost us.”*

Officer B stated that *“I was not only working on this. I had a bid in for the bus station and I am only contracted for 30 hours, and I therefore worked additional hours. [Officer A] was the SRO and was dealing with this in conjunction with his other job. This is obviously not sustainable and I welcome this investigation, as it is not the way we wanted to work.”*

We can further confirm that risks relating to staffing matters and resources were not identified and flagged in the Project Risk Registers inspected.

2.4.5 Officer E had more recently flagged that they were now having to deal with issues stemming from the designs, and from Officer D missing key dates for providing information to the Principal Contractor, due to their workload. Officer E told us that when Officer D left there were a lot of unanswered Compensation Events and that they were still playing catch up.

Officer E also stated that the original site team consisted of Officer D and two Supervisors and that this was not sufficient to manage the size of the works, deal with the NEC contract requirements and the required level of design changes. Further stating that *“additional options being thrown in have increased the*

wholesale redesigns which exacerbated pressures on key deliverables” when referring to the de-scoping and re-scoping of works.

- 2.4.6 Evidence suggests that Officer D was struggling to keep on top of project management and subsequent issues were materialising that were rapidly getting out of hand. Matters were not sufficiently escalated by Officer D, and possibly also Officer A, to either the former Director or Strategic Director in order for effective remedial action to be taken.

The *former* Director was asked if it was usual for a project of this size and significance for there not to be more regular catch-up meetings with more senior officers and he answered “*To be fair we don’t usually do this type of project. I would assume [Officer A], [Officer B], and [Officer D] were attending regular meetings.*”

- 2.4.7 The Strategic Director was asked about the project management arrangements in place from the ECI stage to date. She stated that she was not sure but imagined there would have been regular Project Team meetings with the Principal Contractor and that any issues would have been taken to the Infrastructure Board and then flagged upwards.

- 2.4.8 **In Summary – Key Finding 20** – The contract monitoring undertaken over this Scheme has been continually hampered by too much responsibility being undertaken by Officer D and this situation not being redressed by Officer A and the former Director. This has been further compounded by key issues with the delivery of the works, due to issues with the original topographical surveys (also tied in with unknown ground conditions) and issues with the maturity of the designs, along with the knock on effect of these issues with the Council’s relationship with the Principal Contractor.

Evidence suggests that Officer D was struggling to keep on top of project management and subsequent issues were materialising that were rapidly getting out of hand. Matters were not sufficiently escalated by Officer D, and possibly also Officer A, to either the *former* Director or Strategic Director in order for effective remedial action to be taken.

Officer E has flagged that, at the time of compiling this report (December 2018), that they were still playing catch up on a number of unanswered Compensation Events inherited from Officer D. Officer E also stated that the original site Team consisted of Officer D and two Supervisors and that this was not sufficient to manage the size of the works, deal with the NEC contract requirements and the required level of design changes.

Traffic Management & Night Working

Night Working

- 2.4.9 There was confusion between the Principal Contractor and officers within the Council in respect to the original intentions for traffic management arrangements. The Principal Contractor Representative stated the intention was for there to be narrow lanes into Derby and one lane closure coming out of Derby to accommodate the on-site works, however, Officer C stated *“The original plan was to do the majority of the widening work and reconstruct the central reservation with 2 narrow lanes during the day with potential lane closures and some full closures in the night.”*
- 2.4.10 Officer C believed that traffic management information *“went into the contracting pack, so contractors were aware.”* However, we were not provided with evidence that substantiated this belief. Officer B said at interview that the Principal Contractor provided costs based on an inbound lane closure. However, the Principal Contractor Representative stated at interview that *“One main problem was there was no specification document that included TM constraints – it didn’t exist. We had discussions and the target price was based on TM constraints assumptions.”* The Principal Contractor Representative went on to say that *“...you usually get a design doc on what you can and can’t do – this is a key arterial route, so normally constraints set in stone, but not on this occasion...We went through various scenarios and closures and DCC came up with an acceptable time constraints doc – narrow lanes into Derby and one lane closure coming out of Derby. I think target price was based on those parameters. Need to check as soon after, there were different TM constraints.”* We have not identified a document that set out the traffic management constraints, nor have we been provided with

any contract or procurement documentation that demonstrated clear guidance or instruction had been given to the contractors prior to on-site works.

- 2.4.11 Officer C confirmed that the key members of the A52 Project Team whom Officer C had discussions about traffic management “*were with [Officer D] and a little bit with [Officer A], [Officer E] and [Officer B]. I also spoke a little bit with the likes of [the former Director] as well. It was mainly with [Officer D] as they drew up the contract documents and led the procurement process.*” This indicates that the Project Team sought consultation with appropriate parties on the traffic management arrangements prior to any on-site constraints. However, Officer A stated at interview “*Right at the start, before they started. The original plan may have had the lane removal in but I did not know. [Officer D] said they had spoken to Network Management, but I do not believe this was the answer they actually received. [Officer D] decided that it was okay to price on that basis, but nobody else knew about it, [Officer D] just decided to go ahead. I think the contractor had set out to work in narrow lanes, but it didn’t work out like that and so resulted in a lane closure (for night working).*” Officer B also indicated that Officer D may have acted in a manner inconsistent with the advice given by Officer C as they stated at interview that they believed “*there was a communication breakdown between [Officer D] and Traffic Management to think closing a lane of the A52 was ok when it wasn’t.*” This view was also confirmed by Officer A in a subsequent interview.
- 2.4.12 We noted that the Contractor Risk Register addressed the ‘*Risk that constraints on A52 and required working widths require more works than planned to be undertaken during night /weekend*’ and scored this as low risk. We discussed the scoring of this risk with the Principal Contractor’s Representative and Council officers. Officer C explained that the thinking at the time was that the original plans for on-site works were viable, based on the understanding of the lane widths available, and that there was no indication from any of the Contractors bidding that the roads were too narrow to allow for narrow lane working. However, during the course of on-site works, it became clear that narrow lane working was not acceptable due to health and safety matters, and that lane closures during the day would have a detrimental impact on the city.

Officer C expressed at interview that there was no appetite for undertaking the work in a manner which would have a detrimental impact on the city. Officer A consulted Officer D and officers from Network Management via email (on 14th September 2017), and set out four options for how to proceed. We discussed Option 1, concerning a permanent single lane restriction eastbound, which did not have any cost implications, and Officer A told us that was what the Principal Contractor “*priced on. This was not taken because of the impact within the city, and in hindsight, it would not have worked anyway, as they needed to remove the inbound lane anyway during night closures.*” Therefore, the decision was taken to close the A52 eastbound from Eastgate overnight. Officer B when asked who made this decision replied “*It was made by [Officer A] from discussions with [Officer H], [Officer C] and [Officer I]. The decision by [Officer D] to close a lane permanently had not been consulted on.*” Officer B explained the reasoning behind the decision as “*This is because of the huge congestion it would have caused outside school holidays. [Officer D’s] decision for a single lane closure was made by [Officer D].*”

From the email that set out four options (on 14th September 2017), Officer A also explained “*We sorted that through the Network Management and the Project Team. Prior to that, I spoke to [Officer C] and [the former Director]. We asked what was acceptable to Officer C and then the Project Team made the decision to go with that one as it was the most cost effective.*” Officer C agreed that night working was the best option and explained that the night working was to cover the building of a central reservation, start the widening and the required earthworks. We have found no evidence, or gained any assurances, that the cost of overnight working was agreed at the time of taking this decision (September 2017). We would have expected the cost implications to have been ironed out by the Project Team before the go-ahead was given. The former Director stated “*My recollection was that moving to a different method of working meant that works would be done quicker and that there would not be a cost implication. I certainly asked [Officer D] and [Officer A] at the time ‘what would this do to the cost?’ and was told that it would have no negative impact and may even save money. I can’t understand how we made assumptions at that time without any evidence.*” The former Director added that “[Officer A] came to me with all the information which included that there would

be no cost implication. That was just an error at that time. I regret, at that time, not pushing harder on 'are you sure?' I presumed this was the right method for the economic impact on the city."

2.4.13 We asked Officer B why the increase in costs for night working were not reported to Cabinet and Officer B explained that the cost implications were generally not known by the Project Team at the time the decision was taken, but the decision was necessary as it allowed for works to progress. We also asked Officer A why the costs associated with the switch from day to night time working was not reported to Cabinet and were told "*I don't think it had crystallised – costs were not known. We closed the carriageway off going eastbound so they could work more efficiently.*" The standard process for dealing with Compensation Events and agreeing additional payments have been covered later in this report.

2.4.14 By January 2018 it became apparent that the cost of the overnight working had reached £2.4m. This was reported to the former Finance Director and the Strategic Director at that time. We understand that the cost of moving to overnight working was not identified at the time the decision was made by Officer A, in September 2017, however Officer C stated at interview that they had a reasonable expectation that night working would increase costs. Officer A stated "*I don't think we understood what was the cost was at that point and they were on site so we had to make a decision. Other than that I think we were always going to make the decision as it was the best for Derby, the economic impact on the city centre, it was the most cost effective, acceptable solution.*"

We discussed the decision to close the A52 overnight with Officer C who explained that "*closing the road is the easiest message to communicate to the public and to manage in terms of traffic using adjacent routes. A full closure is quicker to set to, so there's more working time, compared to setting out lane closures, where long linear lengths of cones have to be placed to secure a safe working area.*" Officer C went on to explain that "*For night closures, if we take the central reservation out then there will be a lot of space for movements of labour and materials. This should also allow bonus and multiple jobs working in parallel. The usual loss in productivity from night working should be alleviated by the amount of space available. I am surprised with the jump in programme.*" Therefore, the expectation, from his

perspective, when agreeing to the overnight working, was that there would be more efficient working taking place, as a number of jobs could be undertaken at once.

As per the *Contractor Risk Register* section, the maximum cost associated with the 'Risk that constraints on A52 and required working widths require more works than planned to be undertaken during night /weekend' was £939,800. Officer B said *"That is under half what it actually did cost."* The Principal Contractor Representative was also asked about how the costs associated with night working compared with the actual costs incurred from this risk being realised. The Principal Contractor Representative stated that it was *"Probably low, it has a significant impact moving everything to nights."*

- 2.4.15 We have identified a further e-mail between the Project Team where it identifies that 'Night working has restricted the hours worked leading to a 7.4 week increase to the programme to 40.4 weeks – a 33% increase'. We asked whether this was known before hand and Officer B stated *"I don't think so, no. We certainly weren't given a 7.4 week increase to my knowledge."* Officer A stated *"the night working was 8pm-6am, so I think it was the capacity to work, not the time, due to the winter conditions."* Adding *"I think we knew it would take longer but not that the reduced hours would have such an impact. We didn't have that detail at the time. We got this after, way into it."* Further adding *"we didn't know this level of detail in advance."*

- 2.4.16 **In Summary – Key Finding 21** – The original plans for onsite working included reducing the A52 from a dual carriageway to a single lane. We could not be provided with any evidence to demonstrate that clear guidance or instruction had been given to the Principal Contractor, prior to on-site works, and there is strong evidence to suggest that Officer D may have acted in a manner inconsistent with the advice given by Officer C concerning traffic management. However, following a period where single lane working was in operation (over the Easter 2017 holidays) concerns were raised about the adverse impact on the city. These included severe congestion on the A52, trunk roads and surrounding streets, as well as the potential economic and environmental impact on the city, in conjunction with objections from Highways England. Therefore, in September 2017, officers made the decision to move to night working as it was understood that the Principal

Contractor required a temporary restraint system to protect the workforce and provide space to safely offload /pick up materials. Evidence suggests that this decision was made by Officer A, in discussion with various officers (including the *former* Director), but without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes being known. In January 2018, Senior Management were informed that the move from day to night working formed £2.4 million of a Compensation Event totalling £2.65 million.

[REDACTED]

Speed Cameras

2.4.17 Section 3.5 of the Financial Case states, in respect of speed limit enforcement cameras:

‘A key element of the Scheme is to improve safety along the A52, this is achieved by a combination of improvements to the highway standards and a reduction in speed limit. The Scheme includes for a 50 mph speed limit being placed on the A52 to the city boundary including an average speed camera enforcement system.

The system has been costed based on a formal quote received from Vysionics, a Home Office approved supplier for average speed cameras’.

The Financial Case therefore stated that the original intention was to have average speed cameras on the A52 and that the cost of these had been included within the original Scheme costs (at a total cost of £512,500). However, average speed camera enforcement was amongst the works de-scoped in September 2017 (see *De-Scoping of Key Elements* section) with the Delegated Approval document stating that the average speed camera enforcement *‘Will be replaced with fixed cameras should we not get the funding for the average camera scheme’*.

We asked officers why speed cameras were de-scoped from works and were told by Officer A *"That was for average speed cameras which is the best option, but there were cheaper alternatives, such as static cameras and interactive signs. There was no legal requirement to have cameras"*. Officer B explained *"You can vary what enforcement you provide such as fixed cameras, which are a lower cost, but we would prefer average speed cameras. The estimate of £500k for average speed cameras could come down, this will be put to members."*

Officer A explained at interview that the intention was to still have permanent traffic enforcement measures in place. There was however no requirement for the enforcement measures to include average speed cameras.

Although the Financial Case was submitted as part of grant applications, average speed cameras were not specifically mentioned in grant agreements for the Local Growth Fund (LGF) or for the Growth & Housing Fund (GHF). Subsequently Officer A was confident that there was no potential for clawback from these funding bodies by not actually providing average speed cameras.

2.4.18 Officer E has stated that the preferred option is still for average speed cameras, stating that a procurement exercise for the provision of safety cameras is currently being consulted on, by Officer A and Officer C.

2.4.19 **In Summary – Key Finding 22** – A key element of the Scheme was to improve safety along the A52, which was to be achieved, in part, by speed limit enforcement cameras. The Financial Case stated that the original intention was to have average speed cameras and such costs had been included in the original Scheme costs. However, average speed camera enforcement was amongst the works de-scoped in September 2017, to be replaced with fixed cameras, should we not get additional funding.

Officer A explained that the intention was to still have permanent traffic enforcement measures. However, there was no requirement for these measures to include average speed cameras. We have reviewed the Financial Case, submitted as part of grant applications, and can confirm that, as average speed cameras were not specifically mentioned, we are confident that there is low risk of any

clawback against this issue, from either the Local Growth Fund (LGF) or the Growth & Housing Fund (GHF).

Performance Indicators

Corporate Pledge and LGF Milestones /Measures

2.4.20 During the course of the investigation, we were supplied with the last version of the Project Initiation Document (PID) which was being reviewed and updated by the newly formed Project Board (July 2018). The version inspected was V3.3, dated June 2018, and was still marked as a 'draft' document. On page 4 of this document it stated under the heading of Monitoring:

'Project milestones and outputs will be agreed at the project outset in the project delivery plan. Progress against these milestones will need to be reviewed regularly with the monitoring officer. Progress updates are required quarterly for milestones, outputs and expenditure

If a milestone or output slips into a future quarter or year, it needs to be recorded as delayed and highlighted in the new quarter /year in which it has slipped to. This delay, the reasons behind it and mitigating actions need to be discussed with the monitoring officer and should be reflected in the project risk summary report if the delay will result in greater risk to the project. There should be a more detailed set of milestones and deliverables set out for the current financial year in question.'

2.4.21 The Council was required to report on progress to the LGF each quarter, as part of the conditions of the £6.72m funding awarded to the Scheme. The monitoring forms used to report to the LGF included the following performance measures:

- Unlocks 3,300 jobs
- Unlocks 23 hectares employment land
- 21,160m² of new carriageway
- 21,740² of reconstructed carriageway
- Replacement foot /cycle bridge

- 23 new crossing facilities at junctions
- 2,500m² of shared use foot /cycle paths
- 55,000m² of drained area directed through sustainable drainage systems
- Creation of over 5,000m² of wetland habitat

Reporting had been undertaken, since Q2 2017-18, though no actual progress was forecast until 2018-19 at the earliest.

We noted that the first two performance measures were not forecast to commence until Quarter 4 2020-21 and were forecast to be achieved by 2028-2029 and 2029-2030 respectively. However, the LGF Pre-Compliance funding – Grant Confirmation Document made clear that the Scheme will only be monitored until March 2021. Therefore, the first two performance measures did not appear to carry any risk of financial clawback to the Council if not achieved.

Evidence identified that performance measures were linked to outputs from the project, rather than specific works, so these did not facilitate the ongoing monitoring of the project's progress.

2.4.22 When asked about performance monitoring arrangements, Officer A told us that performance information was being completed quarterly, by Officer B in consultation with Officer D, and that this information was considered by Officer A and Accountancy. Officer A also confirmed that there was monthly reporting and monitoring on expenditure which went to the Corporate Capital Programme Board and to the LEP each quarter. Officer A further stated monthly meetings were held with the Principal Contractor at the site offices – historically this was attended by Officer A and Officer D on behalf of the Council, though more recently we understand that Officer E has been in attendance. There were also weekly project meetings which covered construction issues.

2.4.23 We further identified that the Council had established a Corporate Pledge relating to the Scheme: 'SPPT 02 (NPP PL03) The Council will improve the A52 to keep Derby moving (Timeframe March 2019)' and understood that there were Monthly Pledge Monitoring Reports produced during 2017-18, which were taken to Cabinet.

A review of these updates found that the Pledge was continuously reported as 'On Track' and 'Green' by Officer C, who was responsible for providing updates on the

DORIS system. When asked about the continual green rating this officer stated *“It was an optimistic view in the benefit of hindsight”* but that the reporting of progress on the DORIS system, against the Corporate Pledges, was *“...quite a blunt tool for something as complicated as this.”* Officer C further stated that *“at this point I still did not have a direct involvement with the whole project detail. In hindsight, I was probably not best placed to be reporting into DORIS”*. When the former Director was asked why the Pledge was continuously rated as ‘Green’ he stated *“I assume because that reflected the nature of the measures that were there. The project outcome measures were recorded rather than finances or anything else.”*

2.4.24 We understand through discussion with Councillor A, that Councillor A held weekly meetings that Heads of Service and/or Directors could attend, to provide briefings on developments /issues in their service areas. A review of meeting notes provided for 3rd, 14th and 17th May 2017 and 7th February 2018, showed that officers reported no significant concerns to Councillor A. Councillor A told us that *“People brought obstacles to the pledges to my attention...but with the A52 it was all green lights.”* However, comment was made by the former Director that most of the weekly meetings were cancelled and did not take place. Councillor B stated at interview *“At the time I felt we were being kept informed, but obviously all these issues have come to light so looking back it is clear we were certainly not kept informed in reality...”*

2.4.25 **In Summary – Key Finding 23** – Through interviews and review of evidence, the only performance indicators identified were those linked to the Local Growth Fund Grant. These were linked to outputs from the project, rather than specific works, and so did not facilitate the ongoing monitoring of the project’s progress. On review of these performance indicators, it was noted that some would not fall to the direct responsibility of the Council, i.e. ‘unlocks 3,000 jobs’. There is a potential for clawback of external funding if the project is not perceived to have met its full remit.

The Corporate Pledge and reporting and monitoring process was not sufficient to inform Members of any issues arising from the Project and did not require Officers to provide anything other than, brief headline information. The wording of the Pledge itself was extremely narrow, not directing Officers on which aspects of the

Scheme Members were most interested in. Whilst some opportunity was given for Officers to brief Councillors on any issues with the project, Officers did not use the opportunity to fully appraise Councillors, instead preferring to give brief updates and reassurances that all matters were in hand.

There were no performance measures identified during the course of the Investigation that would provide a structured approach for measuring and monitoring project progress, in any tangible way. More robust and detailed performance measures could have provided an opportunity for better monitoring and more informed decisions being taken by Members and Senior Management. This is considered to be a significant weakness.

2.5 Management Information

This section deals with the management information used to monitor the project to ensure that it was accurate, timely and fit for purpose.

Project Management

Council Officers' Key Roles

- 2.5.1 We reviewed the key roles of Council Officers in the Scheme, to determine the project management structure, including whether officers were a dedicated resource or had other work responsibilities.

The Strategic Director confirmed that the officers she liaised with directly “would be [the former Director] or [Officer A] depending who was available”, with Officer A stating that “*I was not officially appointed, it was just added to my duties. First it was [the Strategic Director] as the Senior Responsible Officer (Owner), then [the former Director], then me.*” The Strategic Director stated that initially “[Officer A] was asked by [the former Director], with my support, to become the SRO, based on his previous experience of project and programme delivery.’

Officer D and Officer B reported through to Officer A, the three of them formed the Project Team. We asked Officer A about the appointment of Officer D and Officer A stated “*There were 3 – 4 candidates and [Officer D] was the best. ... [The Director – Streetpride] and I discussed it and perhaps [the Director – Streetpride]*

was better to assess these competencies and behaviours. We agreed that [Officer D] had the right abilities.”

We confirmed with officers that this was an accurate representation of the reporting structure. Officer A was later replaced as the Senior Responsible Owner in September 2018, by the Strategic Director, due to the ongoing escalation of matters.

In respect of the responsibilities of Officer D and Officer B, Officer D was a dedicated resource to the project, while Officer B was also dealing with a bid for the bus station, in conjunction with the A52 Scheme. It is also worthwhile noting that this officer was only contracted to work 30 hours a week.

- 2.5.2 We intended to assess the robustness of the appointment of Officer D, but we have been unable to locate any documentation.

We set out to establish what the Council’s requirements were for documenting the recruitment and appointment process, and how long documents of this nature should be retained. We consulted with the Council’s HR team who confirmed that *‘It is the responsibility of the recruiting manager to hold these documents locally for 12 months after the appointment decision has been made, these documents are not kept by the recruitment team or stored on MiPeople.’*

Officer D was appointed to post late 2014. There is therefore no longer a requirement under Council Policy for evidence of the decision to appoint to still be held by the recruiting manager. We asked Officer A (who was one of two recruiting managers) to provide any evidence they still held for the appointment, however, no evidence could be provided, nor did our investigation uncover any relevant documents. Officer A has confirmed that both Officer A and the other manager involved in the decision to appoint, agreed that Officer D had the right abilities. The other recruiting manager no longer works for the Council and was therefore not available to be interviewed. We have not pursued this line of enquiry further.

- 2.5.3 As identified earlier in this report, we have reservations regarding the management of Officer D by Officer A and the *former* Director. In particular, we do not believe that Officer D was subject to the appropriate scrutiny or management review while

in this role. These concerns have been aired by other officers and we consider this to be a contributing factor to a number of weaknesses identified.

2.5.4 We discussed the process of performance management with Officer G and Finance Officer and confirmed that there were monthly meetings taking place between the Principal Contractor and representatives from the Council. We were provided with the Contractor's Progress Report for September 2018 and were satisfied that this included the areas of performance that we would expect to be monitored.

2.5.5 **In Summary – Key Finding 24** – The Strategic Director confirmed that she liaised with the *former* Director and Officer A for information concerning this Scheme. These officers were overseeing this Scheme in conjunction with other management responsibilities. Officer D and Officer B reported through to Officer A, the three of which formed the members of the Project Team. Officer D was the only dedicated resource to the project, as Officer B was also dealing with a bid for the bus station, in conjunction with the Scheme and was only contracted to work 30 hours a week. We consider this lack of resource to be a key weakness for the management of this Scheme. We confirmed with officers that this was an accurate representation of the reporting structure in place.

We intended to assess the robustness of the appointment of Officer D, but we have been unable to locate any documentation which substantiates his appointment in order to verify this process. The manager involved in the appointment has however confirmed that they had no concerns regarding this candidate or his abilities to do the job. On the balance of evidence, we do not believe that Officer D was subject to the appropriate scrutiny or management review while in this role by either Officer A or the *former* Director, we further consider this to be a contributing factor to a number of weaknesses identified within this report.

Officer A was later replaced as the Senior Responsible Owner in September 2018, by the Strategic Director, due to the ongoing escalation of matters and problems.

Reporting to the Respective Boards

2.5.6 We were told that the Project Team had regular meetings and attended a Project Board, there was however little supporting documentation to evidence these

meetings taking place, the matters discussed and decisions taken. The Project Board, which reported through to the Infrastructure Board, was later absorbed into the Infrastructure Board in May 2016. Officer A told us that “When it was the project board people didn’t turn up or kept sending substitutes in their place hence why it became the Infrastructure Board.”

When we asked the Strategic Director about her involvement with the project, she stated that *“I felt I should be one-step removed from this. I’d see Cabinet papers and they’d raise issues with me ... So, at key points, I’d be aware of what’s happening.”*

- 2.5.7 We identified that the Principal Contractor had emailed Officer D in May 2017 with suggestions for a working group (a Project Board or steering group); this appeared to be the Principal Contractor taking the initiative on the Council’s project management arrangements, which we later confirmed to be the case, this matter has been covered earlier in this report. The former Director understood that the Project Team were meeting with the Principal Contractor on a regular basis and assumed these meetings had been arranged by the Project Team.

Key officers from the Principal Contractor were not however represented at the Project Board or Infrastructure Board meetings. We discussed project management arrangements with Officer A and asked why the Principal Contractor had not been included on the Project Board. Officer A stated *“We should have invited them to go on the project board as the senior supplier role. We’ve now revised project board arrangements to include them.”*

- 2.5.8 We identified that there was not a register of declarations of interest for the project for either Council officers or the Contractors and neither party were required to make such declarations when attending meetings where there could be potential conflicts.

- 2.5.9 We interviewed officers about the overview and monitoring of the Scheme, and asked specifically about costs. Officer A stated *“I think they were escalated as soon as the project team knew about them. We were going to the Infrastructure Board monthly. We would talk to [the former Director] if something came up.”* The Strategic Director explained that *“[the former Director] and [Officer A] would have*

been managing the delivery ... they would have to make sure we had the right funding in place and that the project be delivered to time and budget – or to raise concerns with more Senior Officers if there were issues.” She went onto say “I would expect that if [Officer A] and [the former Director] had any concerns or issues they were not comfortable with, that I would have been informed so I could step in.” However, the former Director stated “*I certainly did not take an overview of the project from a Director’s perspective and I don’t think anyone above me did.”* And when asked about what monitoring he had undertaken over the team he stated “*Very little, unfortunately, that is where I feel culpable. Other than the IIB (Infrastructure Board) I had very little direct involvement.”*

2.5.10 We also asked the *former* Director about how he ensured that the project was progressing and that information flowed between relevant parties – he replied, “*Largely I didn’t*” and further stated at the end of his interview “*The only thing I would like to add is that I feel culpable in my role as Senior Manager as a lot of issues have been caused through lack of oversight. If I had my time again, there is more I could’ve done – monitoring project performance through the Infrastructure Board or through [Officer A] or others. Before August 2017 I was told that everything was ok and felt that [Officer A], [Officer D] and [Officer B] were capable of managing risks and delivering within the rough budget that the Council had set.”*

2.5.11 In July 2018, a new Project Board was established and headed by the Strategic Director as it was recognised that inadequate governance arrangements were in place.

2.5.12 **In Summary – Key Finding 25** – There was very little supporting documentation to evidence meetings of the Project Team and/or the Project Board for us to substantiate matters discussed and decisions taken. The Project Board was absorbed into the Infrastructure Board in May 2016, this was considered to be a retrograde step, as dealt with in the Project/Infrastructure Board - Governance section. There was also evidence that the Principal Contractor was taking the initiative on the Council’s project management arrangements by arranging regular meetings with the Project Team, as they had already identified this to be a weakness, this has been dealt with in the Monitoring by the Project Team section.

The former Director was however unaware that these arrangements had been put in place by the Principal Contractor and not the Project Team.

It was evident that key officers from the Principal Contractor were not represented at the Project Board or Infrastructure Board meetings. Officer A conceded that *“We should have invited them to go on the project board as the senior supplier role.”*

This has since been rectified by the *newly formed* Project Board (July 2018). We further identified that there was not a Register of Declarations of Interest for the Scheme, for neither Council officers nor Contractors, and neither party were required to make such declarations when attending meetings.

The *former* Director told us that *“I certainly did not take an overview of the project from a Director’s perspective and I don’t think anyone above me did.”* When asked about what monitoring he had undertaken over the team he stated *“Very little, unfortunately, that is where I feel culpable. Other than the IIB (Infrastructure Board) I had very little direct involvement.”* We also asked the *former* Director about how he ensured that the project was progressing and that information flowed between relevant parties – he replied, *“Largely I didn’t”*. And further stated at the end of his interview *“The only thing I would like to add is that I feel culpable in my role as Senior Manager as a lot of issues have been caused through lack of oversight. If I had my time again, there is more I could’ve done – monitoring project performance through the Infrastructure Board or through [Officer A] or others.”* In July 2018, a new Project Board was established and headed by the Strategic Director as it was recognised that inadequate governance arrangements were in place.

Project Management Issues

- 2.5.13 Officer D stated in an e-mail from June 2017 that *‘We placed an order to get the Advanced Works started in February (2017) however as a number of items were either not yet designed or not yet finalised we have had to add works via compensation events to the advanced works.’* We enquired whether this had raised any concerns about elements of the project management and forward planning and identified that the Strategic Director indicated that there was often a lack of understanding amongst officers of the process to follow for procurement, and that in this instance it had not raised any concerns with her about the project management. When questioned what actions did Officer A and the *former* Director

take to manage this, Officer B stated *“They didn’t ignore it, we looked at what we could do but it was so confusing. They didn’t do nothing, but I can’t remember. We would have done something based on the information we had at the time. [Officer A] and [the former Director] didn’t ignore it and would have managed as best they could.”* However, the former Director identified that it was not clear that the cost of advanced works would need to come out of the final contract value awarded and Officer A stated *“I am not sure if [Officer D] was trying to introduce additional items to reduce downtime but this wasn’t necessarily ringing alarm bells as we were doing it anyway.”* Officer A further stated that *“this could have been managed better but there were time pressures.”*

- 2.5.14 The Strategic Director stated that in May 2018 Officer A presented a breakdown of the Scheme headings and cost estimates that showed how the costs had changed over time. The breakdown showed a cost of £1.7m for advance works and the Strategic Director stated that this was not included in the July 2016 estimate, but was included as an actual cost in the latest Scheme forecast.

The Strategic Director explained that the advanced works costs should have been taken out of the contractors target price figure, however, this did not happen when the Project Team were putting together the Scheme costs for the Delegated Decisions report – Appendix 4, so this cost was not included in the £14.906m. Officer E confirmed that the target price provided by the Principal Contractor did not include the advanced works.

The Strategic Director also confirmed to us that the costs of works to be redesigned had been taken out of the target price to get to the £9.170m figure. The Strategic Director expressed that this was not an acceptable approach to progress projects.

- 2.5.15 Officer D left the Council in April 2018, and it was following his departure that a number of serious issues came to light regarding the governance and management of the project. The former Director said *“I don’t know fundamentally whether [Officer D] misled us. It is very clear that after [Officer D’s] departure it became clearer where we were. [Officer D] should have known and articulated that to [Officer A], me and others. I think this should have been more rigorously pursued by [Officer A], myself and others.”*

[REDACTED]

2.5.16 Officer E has stated that there have not been any additional construction issues, in terms of time and/or cost on this Scheme, stemming from delays in land purchases and issues with the Compulsory Purchase Orders.

2.5.17 **In Summary – Key Finding 26** – In relation to the advanced works, the Council's previous procurement process was not strictly followed by Officer D who had to email the Strategic Director and the former Director to obtain the necessary approval. While the Strategic Director and Officer D acknowledged that things could have been managed better, at the time this did not raise any concerns with them regarding project management and forward planning, which is very concerning. Furthermore, the cost of these works (£1.7m) was not factored into the final contract figure at the time.

Following Officer D's departure, in April 2018, a number of serious issues came to light regarding the governance and management of this Scheme. Although we were unable to interview Officer D, they did provide comment via email that *"The fact of the matter is the scheme was under funded from the start, the initial budget was far too small and the team was pressured into trying to deliver the impossible. The whole team worked tirelessly to try and get the scheme going and completed and as far as I was aware when I left the council the scheme was funded and progressing."*

Format of Meeting Notes / Documents

2.5.18 We identified that meeting notes were often not taken at key project management meetings, and where notes had been taken, these were often just recorded in e-mail format or just bullet points relating to key actions. We asked Officer B whether this was typical of the arrangements in place and were told *"Yes, in terms of the*

notes taken this was typical. It should have been done differently, more formal, with emails filed in the A52 project file.”

2.5.19 When questioning Officer B concerning information taken from a spreadsheet where there was some confusion over the data recorded, the officer stated that this was a “*working document without version control for my own reference.*” We were concerned that such documents should be referenced and version controlled to provide a clear evidential trail.

2.5.20 **In Summary – Key Finding 27** – There is evidence that there were insufficient controls in place within the Project Team for documenting key meetings and decisions and maintaining version control over working documents.

Accountancy Involvement

2.5.21 We have observed a myriad of errors within the financial documents where figures contain minor errors, did not tally with other documentation or simply where estimates were constantly changing and this was not properly explained within the papers. When questioned concerning an instance where we identified Accountancy had picked up on such matters Officer A stated that “*Obviously we have tried to work with accountancy on the returns and funding side of things and they sit on the board.*” Adding that “*if a mistake has been spotted it is embarrassing. Quite often it’s time. We certainly weren’t trying to hide anything, if anything it was the other way around, we want more help.*”

2.5.22 Officer B told us at interview that “*There has been a lack of consistency with accountancy. We had 3 scheme Accountants during the projects life time (so far).*”

2.5.23 The former Director told us that “*the support structures around these projects do not appear to be there. The only support was from Legal and Accountancy and this waned and dipped. This was an error on the Council’s part. There was a lack of time and energy and not enough staff to do the day jobs let alone exceptional projects. People are asked to change tasks and forced to make choices, and sometimes they prove to be the wrong ones.*”

2.5.24 **In Summary – Key Finding 28** – We have identified considerable

evidence where financial documents contained minor errors with figures, where figures did not tally with other available documentation or simply where estimates had been constantly changing, but this had not been properly explained within the associated papers.

When questioned why errors had not been picked up Officer B told us that there had been “3 scheme Accountants during the projects life time (so far)” and the former Director told us that “support structures around these projects do not appear to be there. The only support was from Legal and Accountancy and this waned and dipped ... There was a lack of time and energy and not enough staff to do the day jobs let alone exceptional projects.”

2.6 Authorisation of Payments / Variations

This section deals with the processes and procedures for the validation and authorisation of works and contract variations to ensure they were robust, in place and operating as expected.

Processes and Procedures

Payments

- 2.6.1 We have identified that monthly Contract /Payment meetings took place between the Council and the Principal Contractor to agree draft payment certificates, which we have been informed were attended by key contacts from both sides. We believe that it was Officer D, and possibly Officer A, in attendance from the Council, but we have not been able to source any minutes from these meetings to verify this process and those in attendance. Officer A has told us that these were merely informal discussions which were not minuted.
- 2.6.2 We reviewed Applications for Payment, Payment Certificates and invoices from the Principal Contractor between October 2017 and September 2018. We found that all documents had been authorised appropriately and had followed the Council's Financial Procedure Rules before payment and that all payments were undertaken in a timely manner.

As part of the review we identified a number of issues which included the use of incorrect overhead percentages and transposition errors. On further investigation, we identified that these errors had already been identified by Council Officers and corrected in subsequent Applications for Payment.

- 2.6.3 We carried out a full review of the cost report provided in support of the January 2018 Application for Payment and identified a number of questionable charges. We raised these with the Principal Contractor who agreed that they were either not related to the A52 Project, were not legitimate charges under the NEC 3 contract or were covered by one of the overhead percentages applied to arrive at the total cost for the month. The January Application for Payment included 102 incorrect charges (out of a total of approx. 600). Whilst the value of these charges was only approximately £2,700, it indicates that there was poor control over coding charges in the Principal Contractors accounting system and inadequate review being undertaken by the Council, at that time, prior to authorisation of payment. Since raising this issue, we have seen evidence that this matter has been corrected in the November 2018 Application for Payment.
- 2.6.4 We have further confirmed that the Finance Officer has no automatic involvement with the checking or authorisation of Applications for Payments as the revised Scheme of Delegation only requires the Scheme Accountant to get involved 'where appropriate'.
- 2.6.5 **In Summary – Key Finding 29** – Although we were satisfied that applications for payment, payment certificates and invoices had been appropriately authorised, evidence we have seen suggests that the verification of cost schedules has not been as robust and clearly documented as we would have expected.
- When checking and verifying the application for payment we accept that it is appropriate to devote time to the more material costs (for example sub-contractors). However, we would have expected sufficient time would have been spent on all aspects of the charging system at the beginning of the project, to ensure that standard rules and procedures were in place and had been agreed by all parties. We have seen no evidence to indicate that this was the case and from sampling the January 2018 Application for Payment, we identified 102 incorrect

charges, out of approx. 600. Whilst the value of these charges was only in the region of £2,700, it indicates that there was inadequate review being undertaken by the Council.

Compensation Events

Variations

- 2.6.6 We have determined that Officer D was agreeing the Compensation Events with the Principal Contractor and subsequently agreeing the additional payments. We requested a copy of the delegated responsibility for project payments.
- 2.6.7 We were told by Officer A that “[Officer D] was agreeing compensation events but obviously we had a discussion about how we deal with that and these discussions escalated through to Christmas (2017). This was taken to Infrastructure Board and then escalated to [the Strategic Director].” When asked if there was a delegated responsibility for formally authorising Compensation Events Officer A stated “We are writing a new PID with a new scheme of delegation. I cannot recall if it was in the original PID.”

The *former* Director told us that Officer D had been approving Compensation Events, but that Officer D had not sought authorisation to do so from the *former* Director, who stated that he would not have authorised Officer D to do this. While we consider Officer D’s authorisation to be standard protocol under NEC contracts, the delegated responsibility had not been formally ratified for this officer against the A52 Scheme and as such Officer D should not have been signing off Compensation Events.

- 2.6.8 Further to the checks being undertaken and authorisation of Compensation Events Officer A has identified that “[Officer D], myself and [Officer B] sat down and went through the £2.65m CE in detail because we couldn’t believe it was so much. Going forward they have been discussed with [Officer G], [Officer B], myself and [Officer E]. Before that it was discussions with [Officer D] who probably flagged them up through other means. Big ones (CE’s) we went through in detail and other CE’s were reviewed by exception. We had some discussion with [the former Director] as well.”

2.6.9 Standard practice is generally for an Early Warning Notice to be issued prior to a Compensation Event to allow time for matters to be properly appraised before the issue of a Compensation Event. What appears to have happened on this project on numerous occasions is that Project Managers Instructions (PMIs) have been issued directly, due to the apparent urgency of matters, leading to subsequent Compensation Events being raised.

When we asked the following Council officers and the Principal Contractor Representative about this we were told:

- The Principal Contractor Representative explained “*we are straight into a CE if we do not have information. Newly issued drawings became a CE in the first instance.*” The Principal Contractor Representative then went on to say “*Normally, there would be more EWNs than CE’s, so it was unusual to have it the other way round. Gaps in information or drawings not produced become a CE.*”
- Officer A told us that “*Night time working was flagged early but the urgency of some issues created the PMI’s, which was disappointing.*”
- The former Director told us that “*I would have expected [Officer A] to pick this up in the Project Team in first instance. It ought to have been reported to the Infrastructure Board at that time too.*”

This was indicative of a project where instructions were being given reactively as opposed to being well managed and planned in advance.

2.6.10 We found that there were a number of different spreadsheets in use for recording and managing project changes. The Principal Contractor used a Change Tracker spreadsheet to record all events, but this was not being used by Officer G to monitor changes. Officer G instead, relied on their own separate spreadsheets for maintaining registers on Early Warning Notices, Project Managers Instructions, Compensation Events and Technical Queries.

We noted that there were a number of events on the Principal Contractor's Change Tracker that were not included on the spreadsheets used by Officer G. A number of these events were flagged as "closed" on the Change Tracker but there were 8 that had a Compensation Event value recorded against them. Officer G identified that events that had not incurred any cost, had been previously included, or had been

2.6.11

[REDACTED]

[illegible]

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[REDACTED]

2.6.12 We discussed the reporting of Project costs with the Finance Officer. They indicated that they used the Principal Contractor's Change Tracker on a monthly basis to update the estimated outturn for the Project. The Finance Officer did state that although the Change Tracker was the main document they used, costings would also be informed by the various spreadsheets maintained by Officer G. We are however concerned that there is the potential that out dated estimates could be used in calculating the total estimated Project costs.

2.6.13 **In Summary – Key Finding 30** – We have determined that Officer D was agreeing the Compensation Events with the Principal Contractor and subsequently agreeing the additional payments. Although this is generally standard protocol under NEC contracts, the *former* Director has stated that he would not have authorised Officer D to do this and the delegated responsibility had not been formally ratified against this officer and as such, this should not have been happening.

Standard practice is generally for an Early Warning Notice to be issued prior to a Compensation Event to allow time for matters to be properly appraised before the issue of a Compensation Event. What appears to have happened on this project on numerous occasions is that Project Managers Instructions (PMIs) have been issued directly, due to the apparent urgency of matters, leading to subsequent Compensation Events being raised. This was indicative of a project where instructions were being given reactively as opposed to being well managed and planned in advance. The *former* Director told us that he would have expected Officer A to have picked this up and reported it to the Infrastructure Board.

We found that there were four different spreadsheets (registers) in use by Officer G for recording and managing project changes, along with a Change Tracker spreadsheet (register) being used by the Principal Contractor, and evidence suggests that there were differences in the information being recorded on these various registers. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3 Conclusions

3.1 Summary of Key Findings (30)

We have summarised the key findings against each of the above sections, incorporating multiple lines of enquiry under each heading.

Contract Tenders and Original Costings

3.1.1 We established the following key points through the course of the investigation:

- **Design and Specification:**

- In relation to **Design and Specifications Issues** unreasonable reliance was placed solely on Officer D for both defining and checking the detailed designs and specifications for the Scheme. As a direct result, issues with the design and specifications of the works were prevalent, specifically the maturity of design at the time the Principal Contractor was appointed. This was not picked up by the *former* Director and/or flagged by the Project Team, so this message was subsequently not relayed to the Strategic Director or Members.
- In relation to **URS Costings** evidence suggests that initial ball park costings, drawn up in January 2014, were taken on face value by the Project Team and, despite changes being made to the original proposals, no further studies or evaluation of potential costs were ever commissioned. We were told that this was due to the limited budget availability at the time and that detailed costs were due to be arrived at through the Early Contractor Involvement (ECI) stage. We cannot confirm where the decision was ultimately taken to rely on the ECI stage for detailed costings.

In respect to the building of a retaining wall along the A52, Raynesway to the Wyvern slip roads, Officer D had been optimistic that Officer D could produce designs that did not require such a wall. Although this was accepted by the Project Team and the Principal Contractor at the time, there is clear evidence that this was never achievable and should subsequently have been addressed and costed by management much earlier in the process than it was.

- In relation to **Topographical Surveys** information from a number of separate surveys had been tied together to cover the entire works area. There is considerable evidence to suggest that there were numerous inaccuracies with this data and there appears to have been no verification of this information by the Project Team before it was sent to the Principal Contractor. We have not been able to identify who was responsible for undertaking such checks from the available project documentation. While Officer A is of the opinion that there were not massive differences in levels, further evidence suggests that when tying sections together, even minor differences in levels can cause massive issues with infill and excavation, which can prove very costly.
- **Appointment of the Principal Contractor:**
 - In relation to the **Midland Highway Alliance**, we have reservations with the Council's evaluation of the tender presentations, due to supporting documentation not being retained. However, we are generally satisfied with the appointment of the Principal Contractor via the Midland Highway Alliance (MHA) Medium Schemes Framework (MSF2) contract, along with the use of the standard NEC 3 Target Price contract, as sufficient evidence is held by the MHA to validate the award of this contract.
- **Setting of Target Price (Costings):**
 - In relation to **Early Contractor Involvement (ECI)**, the process of relying on ECI to arrive at detailed construction costs was greatly hampered by the fact that the Council did not have mature designs in place. The Principal Contractor Representative stated that designs are usually around 95% complete at the point of target costing, but on this Scheme they were only around 60% complete. Evidence also confirms that there were continual delays with the Council providing required information to the Principal Contractor, as a direct result cost estimates from the Principal Contractor were based on assumptions and guesswork.

When the Principal Contractor contacted the *former* Director to escalate concerns during the ECI stage, the *former* Director

communicated that the Council expected the project to be delivered within the construction budget (which had been derived from the original URS costings), despite the fact that the ECI stage was due to arrive at detailed costings. Subsequently, when provisional target costs greatly exceeded the available construction budget, instead of going back to Members with revised costs, essential works were removed from the Scheme, in order to make the target price fit the available budget. This enabled the Scheme to be progressed, as the Council were under pressure from the LGF/D2N2 to spend project funding within the required financial years. Although there was evidence that costings provided had been checked by Project Officers and challenged /reduced accordingly, this could not bridge the gap between the available budget and a realistic cost of construction.

We identified that, as at June 2016, the contingency element equated to less than 5% of the whole scheme cost. It was felt that this was particularly low with this being a brownfield site, with the potential for unforeseen ground conditions, and considering that the Government Green book guidance for contingency on highways projects is 44%. Project Officers could not provide a clear explanation of how this contingency figure had been derived.

- **De-Scoping of Works (to fit budget):**

- In relation to **Project Team Actions** we have identified that in the period August 2017 to September 2017 the initial Target Cost was received from the Principal Contractor and this was in the region of £14.9m against an initial construction budget of £8.849m. In order to progress the Scheme, the Project Team undertook to de-scope works which brought costs down to £9.17m, which could be accommodated within the original Cabinet approval of £14.906m. Officer B stated that the Project Team were of the understanding that they had to “*manage the cost within this £14.9m envelope*” as instructed by the *former* Director. This was however only delaying the costing issues that would later arise as many of the de-scoped works needed to be re-introduced back into the project, which in turn led to costs increasing.

This was described by the Principal Contractor Representative as "a *paper exercise*" undertaken by the Project Team in which "*Key elements were removed ... that were needed to deliver (the) scheme ... to get the works started*" with the intention that these would be "*reintroduced via compensation events*" following possible redesigns and the sourcing of additional funding. Officer A confirmed that "*The decision was taken to remove parts of the project until we had sourced funding for them and then re-approve them and put them back in through compensation events or PMI's*" with the former Director confirming that his authorisation was sought and given.

The former Director advised us that he had briefed Councillor A on this, although this could not be substantiated, and that he had appraised the Strategic Director and the former Finance Director through the completion of the 'Delegated Approval form – Appendix 4', this matter is however disputed by the Strategic Director who has stated "*It was not my understanding that anyone thought we couldn't deliver an appropriate scheme, to deliver on project outcomes, within the target price.*" There were clearly differences in the understanding on the de-scoping of work amongst the Project Team members, including the former Director, who understood that this exercise was merely undertaken to enable the Scheme to progress, and the Strategic Director, who believed that the target price included budget estimates for re-designed works.

- The **Financial Procedure - Delegated Approval – Appendix 4**, which forms part of the Council's Financial Procedure Rules, gave the delegated approval to enter into the contract for the delivery of the main works pursuant to the A52 Wyvern Transport Improvement Scheme. From inspection of the wording of this document, our understanding was that the works that were being re-designed had been removed from the agreed project costs and the target price, in order for a contract to be entered into with the Principal Contractor for the actual works to commence. Additionally, and most importantly, that costs would then increase when these works had been re-designed

and subsequently added back into the Scheme. See [Appendix A](#), in this report.

Although this view was shared by the *former* Director and the Project Team, this was not the understanding of the Strategic Director who made it clear that both Officer A and *former* Director had advised her that the target price allowed the Council to deliver this project and its outcomes within the approved budget.

Following the clear disparity between the accounts of these officers further enquiries were undertaken with the remaining signatories of the Delegated Decisions report (Appendix 4), which were the *former* S151 Officer, the *former* Chief Executive (signing in lieu of the Monitoring Officer) and the Councillor B. Evidence from the three remaining Senior Officers /Member signing the form at the end of September 2017 was in agreement with the Strategic Director's account, confirming that the message they were getting from Officer A and *former* Director was that whilst there was a risk of overspend, project engineering would mean that the Scheme could be generally delivered within budget. The general consensus was also, that without the assurance that risks could be managed they would not have been able to sign as further approval from Cabinet would have to be sought. The case in point however, is that this document was signed on the basis of what it recorded, and authorised by all parties concerned. The onus was on the signatories to the document to satisfy themselves, prior to signing it off, that they fully understood the detail it set out and, effectively, that they agreed to what was being proposed.

Although there was strong evidence from interview, project documents and email that members of the Project Team were fully aware that costs would increase, they had no indication of any respective value.

- In relation to **Councillor Briefings**, we have identified the de-scoping of works around August /September 2017 to be the key turning point where matters with designs, funding and the overall balance of the project changed direction. We sought to identify the level of Councillor

briefings to determine the extent to which information was shared with Members.

There was clear evidence that there were mechanisms in place for Members to be briefed on project developments, such as regular meetings and Corporate Pledge monitoring processes. However, it appears to be the case that officers did not use these mechanisms to provide Members with a frank appraisal of the issues arising; instead, officers appeared to provide verbal assurances that the project was being suitably managed and that the risks to the Council were being minimised. Project officers have further stated, that at that stage, they did not have any revised costings to report to Members and did not envisage the prospect of such massive cost increases.

- In relation to the **De-Scoping of Key Elements** there is clear evidence that Officer A and the *former* Director were following direction from Officer D on the elements that could be de-scoped and this officer had an optimistic view that redesigns could lead to potential savings. Officer A and the *former* Director accepted this advice without challenge and allowed the Scheme to commence, believing that they could deal with the other matters later, and evidence further suggests that neither officer fully understood nor appreciated how critical to the success of the Scheme some of the elements being de-scoped were.

Furthermore, there is evidence that information provided to Officer D from the Principal Contractor, concerning the potential for significant programme delays (which could in turn increase costs) were not relayed through to the Project Team. In January 2018, it had transpired that a number of de-scoped areas would need to be brought back in scope and the project costs increased as a result.

Additional evidence supplied by the Strategic Director identifies that she gave due consideration to the elements being de-scoped before signing and advised on the need for speed cameras, in order to support key deliverables of the project.

Governance Arrangements

3.1.2 We established the following key points through the course of the investigation:

- **Cabinet Reporting (including D2N2 Funding & s278 Agreement):**

- In relation to **Reporting to Members**, evidence suggests that key Cabinet Members made themselves available to officers for discussions on the A52 project, but that the level of information fed back to them was consistently not in sufficient detail or in fact an accurate representation of the situation as it actually was. Evidence suggests that this was because the project team did not have a complete understanding over the project themselves and felt that if they raised the risks and issues in that forum, they would be unable to provide the answers to questions asked.
- In relation to the **Accuracy of Information to Members**. Through the investigation and the inspection of the various reports and discussions held between Project Officers, including the *former* Director, it has become clear that the information being relayed to Members was often dumbed down and deliberately evasive. This was, in part, due to these officers not being in possession of clear facts and figures, so therefore unable to provide an accurate representation of the situation as it was. This was despite the fact that, from what we have seen, it appears that appropriate processes and procedures were being adhered to, for the production and submission of Cabinet reports.

There was considerable pressure from D2N2 to commence the Scheme so that funding would be spent within the required timescales and to address the potential risk of funding being clawed back. This was in contrast to the negotiations between the Council, St Modwens and Network Rail to sign the s278 agreement, which were constantly hampered by continual delays and disagreements between parties. The delay in signing of the s278 agreement was considered by the *former* Director and Officer A to be less risky, as opposed to the possibility of losing the D2N2 funding, because without that money the Scheme could not have gone ahead at all. This put additional pressure on the Project Team to press forward with the works.

[REDACTED]

- **Project /Infrastructure Boards (Including Escalation of Matters):**

- In relation to **Governance**, there appeared to be a lack of good governance around management of the original Project Board. The Project Board initially reported to the Infrastructure Board, but was latterly absorbed into the Infrastructure Board in May 2016. This should not have happened as these boards had different remits. The Infrastructure Board is a programme management group responsible for overseeing the Highways and Transportation Capital Programme, and the Project Board was a project management group overseeing operational matters. This is considered to be a significant weakness, as specific project management issues could never be effectively managed at this level and Senior Management oversight (namely the Strategic Director and the *former* Finance Director) was required in January 2018, due to the failures of these arrangements. The Infrastructure Board should have either refused to take on this new responsibility or taken full ownership over the operational project management of this Scheme, in order to address emerging issues and take key decisions.

We have seen that the Strategic Director has put in place *newly formed* Project Board arrangements (July 2018) which has made considerable improvements to the governance arrangements in place.

- In relation to **Escalation of Matters – December 2017 / January 2018**, although the Project Team, including the *former* Director, were of the understanding that project costs would increase, information concerning actual costings did not start to materialise until December

2017. It was at this point that the Project Team reported the increased project costs to the Infrastructure Board, the Strategic Director and *former* Finance Director. The Strategic Director and *former* Finance Director were in agreement that additional funding could be provided, and as these costs were just emerging, decided to wait until after the Easter 2018 works had been undertaken, to get a more robust estimate of the overall Scheme costs, and decide on an appropriate way forward before briefing Members. The delay in notifying Members following the realisation of escalating costs, post January 2018, was made by the Strategic Director and the *former* Finance Director. Although we understand that some Members (namely Councillor B, Councillor A and Councillor C) were briefed on the situation shortly after the May 2018 elections (held on 3rd May 2018), the increased project costs were not formally reported to Members until June 2018. We considered this to be wholly unacceptable.

- **Risk Management:**

- In reference to ***Risk Management Arrangements***, there was clear evidence that these arrangements were underdeveloped on this Scheme and ineffective and should this have been identified by the Infrastructure Board this may have led to a different outcome. There is strong evidence that the Project Risk Register was not well managed, appropriately disseminated or successfully utilised, in order to effectively manage a project of this scale and nature. We cannot comment whether this was due to a lack of understanding by the board or a lack of ownership, but we consider there to have been significant weaknesses in this area. That said, there is evidence that risk management arrangements are improving under the *newly formed* Project Board (July 2018) and are now in line with the Council's overall requirements on risk management.
- In reference to ***Project Risk Registers***, we have found these registers to contain a number of significant inaccuracies, in terms of project risks that were materialising at the time. Although the Project Team made efforts to identify and document the risks, there was no evidence of

risks being formally considered and documented between February 2017 and March 2018, which was a key period for project planning and commencement of on-site works. Furthermore, the documenting of risks was undertaken on an irregular basis, inconsistently documented and not in line with the Council's methodology for Risk Management. We did not identify any revised Risk Registers being prepared around the period of September 2017, when the works were de-scoped and the project was entering a heightened period of risk. We can acknowledge that under the *newly formed* Project Board (July 2018) initial evidence suggests that this situation is improving.

- In reference to **Risk Review & Escalation**, although there were mechanisms in place for review and escalation of project risks, these were not consistently adhered to, and as such, it would have been possible that risks were not adequately considered and escalated. When questioned how often the project risks were considered and by who, Officer A told us that it was *"The Infrastructure Board, but I am not sure we went into that much detail. It is an area we could have worked on and this should have had more time spent on it, but there was always something else to be done."* We are therefore of the opinion that there was insufficient oversight of the project risks, following the absorption of the Project Board into the Infrastructure Board. This is considered to be a significant weakness.

Members were not in receipt of the Project Risk Registers, but officers interviewed believed that project risks were reflected in Cabinet reports. Although we could see that certain risks were included within these reports, we do not consider this to have provided for a comprehensive review over project risks.

We have however identified that the *newly formed* Project Board (July 2018) have taken responsibility for oversight of the Project Risk Register. We believe Senior Management have taken steps to improve the risk management arrangements for the project, although we are, at this stage, unable to offer an opinion about the adequacy of these new arrangements.

- In reference to the **Contractor Risk Register**, although the Principal Contractor made efforts to identify, document and quantify risks associated with the Scheme, there was no evidence that the Contractor Risk Registers had been formally reviewed by the Council and we have seen no evidence that they have been updated and disseminated post September 2017. We are therefore of the opinion that there were ineffective risk management arrangements in place between the Principal Contractor and the Council.

We noted that the Contractor Risk Register addressed the *'Risk that constraints on A52 and required working widths require more works than planned to be undertaken during night /weekend'* and scored this as low risk, we consider this to have been a particularly optimistic view. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- **Management by Project Officers:**

- In reference to a **Single Point of Failure**, there is strong evidence that Officer D worked in isolation and did not share information and knowledge readily with his colleagues on the Project Team. There is further evidence that Officer D repeatedly attended meetings with the Principal Contractor as the sole representative from the Council, when there were several representatives supporting the Principal Contractor with specialisms across the required areas. There is clear evidence that Officer A offered additional support to Officer D on a number of occasions, but when these offers of help were declined this was not actively followed up and even Officer A admits that *"In hindsight I wish we had been more firm."* This indicated that Officer A was consciously

aware that this officer did not have the capacity to deal with the required workload.

This situation is best summed up by the comments of the former Director who told us that *“I have lots of regrets on this project, but I think it was due to [Officer D] trying to do everything on his own that caused a problem. I don’t know how this was allowed to happen, it doesn’t happen in any other projects. Where were his line managers in the project, I don’t know ... Maybe I, and the other managers, should have asked more questions. [Officer D] didn’t offer up information voluntarily.”* The Strategic Director has confirmed that she was not aware that Officer D was acting on his own, and identified that the former Director and Officer A had not apprised her of this. Officer A told us that *“after [Officer D] left it all unravelled. It was dubious whether [Officer D] knew things were going wrong but did not escalate.”* The Strategic Director further stated *“In hindsight there were never sufficient resources from an engineering perspective to deliver the project. That would be my take on it.”*

Had effective project management oversight arrangements been in place, the lack of resources may have been identified and suitable action taken prior to matters escalating, i.e. by the Project Board, Infrastructure Board or Senior Management.

We have further identified that there were insufficient arrangements in place to cover Officer D's role in his absence and there was not a proper hand over by Officer D when Officer D left the Council's employment, and evidence suggests that key information may have been lost and reference to key documentation may have been missed.

- In reference to **Senior Management Overview**, the Strategic Director believed that the former Director and Officer A had the relevant experience and skills to be able to deliver on a project of this size and nature and did not, therefore, monitor the Scheme or these Senior Officers more closely. That may accord with Corporate Practice, but the extent to which this was underpinned by ‘adequate’ check and balance measures could not be established. Our use of the word

‘adequate’ expects that a view on the robustness of those measures (i.e. the ability of effective challenge over the management of the Scheme) would be taken. There was only one occasion identified where the *former* Director and/or Officer A escalated matters to the Strategic Director and the *former* Finance Director, this was in January 2018.

Contract Monitoring

3.1.3 We established the following key points through the course of the investigation:

- **Monitoring Arrangements:**

- In reference to ***Monitoring by the Project Team***, the contract monitoring undertaken with this Scheme has been continually hampered by too much responsibility being undertaken by Officer D and this situation not being redressed by Officer A and/or the *former* Director. This has been further compounded by key issues with the delivery of the works, due to issues with the original topographical surveys (also tied in with unknown ground conditions) and issues with the maturity of the designs, along with the knock on effect of these issues with the Council’s relationship with the Principal Contractor. Evidence suggests that Officer D was struggling to keep on top of project management and subsequently issues were materialising that were rapidly getting out of hand. Matters were not sufficiently escalated by Officer D, and possibly also Officer A, to either the *former* Director or Strategic Director in order for effective remedial action to be taken. Officer E has flagged that, at the time of compiling this report (December 2018), that they were still playing catch up on a number of unanswered Compensation Events inherited from Officer D. Officer E also stated that the original site team consisted of Officer D and two Supervisors and that this was not sufficient to manage the size of the works, deal with the NEC contract requirements and the required level of design changes.

- **Traffic Management and Night Working:**

- In reference to **Night Working**, there was insufficient consideration and consultation on traffic management constraints during the planning stages of the project. We could not be provided with any evidence to demonstrate that clear guidance or instruction had been given to the Principal Contractor, prior to on-site works, and there is strong evidence to suggest that Officer D may have acted in a manner inconsistent with the advice given by Officer C concerning traffic management.

When issues with planned works were identified (over the Easter 2017 holidays), officers acted quickly to ensure that works on-site could continue and in September 2017, officers made the decision to move to night working, as it was understood that the Principal Contractor required a temporary restraint system to protect the workforce and provide space to safely offload /pick up materials. Evidence suggests that this decision was made by Officer A, in discussion with various officers (including the *former* Director), but without the involvement of the Strategic Director or Members, and without the costs of this change, or impact on the project timeframes being known. We would have expected the cost implications to have been ironed out by the Project Team before the go-ahead was given. In January 2018, Senior Management was informed that the move from day to night working formed £2.4 million of a Compensation Event totalling £2.65 million. Members were made aware of the costs associated with this decision, but only after the costs had been incurred.

We noted that the Contractor Risk Register addressed the *'Risk that constraints on A52 and required working widths require more works than planned to be undertaken during night /weekend'* and scored this as low risk. We consider this to have been a particularly optimistic view. The maximum risk pot associated with this risk was £939,800. This matter has been further referenced in the Risk Management – Contractor Risk Register section of this report, relating to the treatment of this risk pot.

- In reference to **Speed Cameras**, a key element of the Scheme was to improve safety along the A52, which was to be achieved, in part, by speed limit enforcement cameras. The Financial Case stated that the original intention was to have average speed cameras and such costs had been included in the original Scheme costs. However, average speed camera enforcement was amongst the works de-scoped in September 2017, to be replaced with fixed cameras, should the Council not get additional funding. Officer A explained that the intention was to still have permanent traffic enforcement measures. However, there was no requirement for these measures to include average speed cameras. We have reviewed the Financial Case, submitted as part of grant applications, and can confirm that, as average speed cameras were not specifically mentioned, we are confident that there is low risk of any funding being clawed back against this issue.

- **Performance Indicators:**

- In relation to **Corporate Pledge and LGF Milestones /Measures**, the only performance indicators identified were those linked to the Local Growth Fund Grant. These were linked to outputs from the project, rather than specific works, and so did not facilitate the ongoing monitoring of the project's progress.

The Corporate Pledge and reporting and monitoring process was not sufficient to inform Members of any issues arising from the Project and did not require officers to provide anything other than, brief headline information. Whilst opportunity was given for Officers to brief Councillors, officers did not fully appraise Councillors, instead preferring to give brief updates and reassurances that all matters were in hand.

There were no performance measures identified during the course of the Investigation that would provide a structured approach for measuring and monitoring project progress, in any tangible way. More robust and detailed performance measures could have provided an opportunity for better monitoring and more informed decisions being

taken by Members and senior management. This is considered to be a significant weakness.

Management Information

3.1.4 We established the following key points through the course of the investigation:

- **Project Management:**

- In relation to ***Council officers' key roles***, the Strategic Director confirmed that she liaised with the *former* Director and Officer A for information concerning this Scheme. These officers were overseeing this Scheme in conjunction with other management responsibilities. Officer D and Officer B reported through to Officer A, these three officers were the members of the Project Team. Officer D was the only dedicated resource to the project, as Officer B was also dealing with a bid for the bus station, in conjunction with this Scheme and was only contracted to work 30 hours a week. We consider this lack of resource to be a key weakness for the management of this Scheme.

We intended to assess the robustness of the appointment of Officer D, but we have been unable to locate any documentation which substantiates his appointment in order to verify this process. The manager involved in the appointment has however confirmed that they had no concerns regarding this candidate or his abilities to do the job. On the balance of evidence, we do not believe that Officer D was subject to the appropriate scrutiny or management review while in this role, by either Officer A or the *former* Director, we further consider this to be a contributing factor to a number of weaknesses identified within this report.

- In relation to ***Reporting to the Respective Boards***, there was very little supporting documentation to evidence meetings of the Project Team and/or the Project Board for us to substantiate matters discussed and decisions taken. There was also evidence that the Principal Contractor was taking the initiative on the Council's project management arrangements by arranging regular meetings with the Project Team, as they had already identified this to be a weakness.

The *former* Director was however unaware that these arrangements had been put in place by the Principal Contractor and not the Project Team.

The Project Board was absorbed into the Infrastructure Board in May 2016. This was considered to be a retrograde step. It was also evident that key officers from the Principal Contractor were not represented at the Project Board or Infrastructure Board meetings. Officer A conceded that *“We should have invited them to go on the project board as the senior supplier role.”* This has since been rectified by the *newly formed* Project Board (July 2018). We further identified that there was not a Register of Declarations of Interest for the Scheme, for either Council officers or Contractors, and neither party were required to make such declarations when attending meetings.

The *former* Director told us that *“I certainly did not take an overview of the project from a Director’s perspective and I don’t think anyone above me did.”* When asked about what monitoring he had undertaken over the team he stated *“Very little, unfortunately, that is where I feel culpable. Other than the IIB (Infrastructure Board) I had very little direct involvement.”* We also asked the *former* Director about how he ensured that the project was progressing and that information flowed between relevant parties – he replied, *“Largely I didn’t”*, and further stated at the end of his interview *“The only thing I would like to add is that I feel culpable in my role as Senior Manager as a lot of issues have been caused through lack of oversight. If I had my time again, there is more I could’ve done – monitoring project performance through the Infrastructure Board or through [Officer A] or others.”* In July 2018, a new Project Board was established and headed by the Strategic Director as it was recognised that inadequate governance arrangements were in place.

- In relation to **Project Management Issues**, in respect of the advanced works, the Council’s previous procurement process was not strictly followed by Officer D who had to email the Strategic Director and the *former* Director to obtain the necessary approval. While the Strategic

Director and Officer D acknowledged that things could have been managed better, at the time this did not raise any concerns with them regarding project management and forward planning, which is very concerning. Furthermore, the cost of these works (£1.7m) was not factored into the final contract figure at the time.

Following Officer D's departure, in April 2018, a number of serious issues came to light regarding the governance and management of this Scheme. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- In relation to ***Format of Meeting Notes / Documents***, there is evidence that insufficient controls were in place within the Project Team for documenting key meetings and decisions and maintaining version control over working documents.
- In relation to ***Accountancy Involvement***, we have identified considerable evidence where financial documents contained minor errors with figures, where figures did not tally with other available documentation or simply where estimates had been constantly changing, but this had not been properly explained within the associated papers.

When questioned why errors had not been picked up Officer B told us that there had been *“3 scheme Accountants during the projects life time (so far)”* and the former Director told us that *“support structures around these projects do not appear to be there. The only support was from Legal and Accountancy and this waned and dipped ... There was a lack of time and energy and not enough staff to do the day jobs let alone exceptional projects.”*

Authorisation of Payments / Variations

3.1.5 We established the following key points through the course of the investigation:

- **Processes and Procedures:**

- In relation to **Payments**, although we were satisfied that applications for payment, payment certificates and invoices were being authorised appropriately, the evidence we have seen suggests that the verification of cost schedules has not been as robust as we would have expected. When checking and verifying the application for payment we accept that it is appropriate to devote time to the more material costs (for example sub-contractors). However, we would have expected sufficient time would have been spent on all aspects of the charging system at the beginning of the project, to ensure that standard rules and procedures were in place and had been agreed by all parties. We have seen no evidence to indicate that this was the case.

- **Compensation Events:**

- In relation to **Variations**, we have determined that Officer D was agreeing the Compensation Events with the Principal Contractor and subsequently agreeing the additional payments. Although this is generally standard protocol under NEC contracts, the *former* Director has stated that he would not have authorised Officer D to do this and the delegated responsibility had not been formally ratified against this officer and as such, this should not have been happening.

Standard practice is generally for an Early Warning Notice to be issued prior to a Compensation Event to allow time for matters to be properly appraised before the issue of a Compensation Event. What appears to have happened on this project on numerous occasions is that Project Managers Instructions (PMIs) have been issued directly, due to the apparent urgency of matters, leading to subsequent Compensation Events being raised. This was indicative of a project where instructions were being given reactively as opposed to being well managed and planned in advance. The *former* Director told us that he would have

expected Officer A to have picked this up and reported it to the Infrastructure Board. This did not happen.

It is evident that there is not a central record (register), being used by the Principal Contractor and the Council to record all project changes. We are further concerned that evidence suggests discrepancies between the various registers being used (5 spreadsheets in total) to manage and co-ordinate the required changes.

We found that there were four different spreadsheets (registers) in use by Officer G for recording and managing project changes, along with a Change Tracker spreadsheet (register) being used by the Principal Contractor, and evidence suggests that there were differences in the information being recorded on these various registers, some of which had the potential to directly affect costings. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]

The Finance Officer has indicated that they use the Principal Contractor's Change Tracker to update estimated outturn for the Scheme, along with the various registers maintained by Officer G. There is however the potential for out dated estimates to be used in calculating the total estimated Project costs.

3.2 Conclusions

- 3.2.1 As there have been multiple lines of enquiry, with none directed towards specific officers, we have attempted to provide an overall balance of all issues considered. These conclusions should be read in the context of the whole report in order to obtain a balanced view and to appraise the situation overall.

Contract Tenders and Original Costings

- 3.2.2 The Original URS Costings were never updated /reviewed since they were first drawn up in January 2014. Instead detailed costs were due to be arrived at through the Early Contractor Involvement (ECI) stage. While we have reservations with the Council's evaluation of the tender presentations, we are generally satisfied

with the appointment of the Principal Contractor via the Midland Highway Alliance Framework. The Council placed overreliance on Officer D for defining and checking the detailed designs and specifications, as a result issues were prevalent. Furthermore, a number of separate topographical surveys had been tied together to cover the works area, with no checks being undertaken by the Project Team before this information was sent to the Principal Contractor for pricing. When provisional target costs were provided via the ECI stage, these greatly exceeded the initial URS costings, instead of going back to Members with revised costs, the Project Team de-scoped essential works, in order to make the target price fit the available budget. At this time the Council was under considerable pressure from the LGF/D2N2 to progress the Scheme. There is strong evidence that this was a poorly conceived and poorly costed project and issues were not reported to Senior Officers and/or Members. Senior Management signed the Delegated Decisions report in September 2017 to enter into the contract for the delivery of the main works, under the false impression that costs could be contained within the approved budget. This is a contentious issue as there is clear disparity between the understanding of Project Officers and Senior Management /Members. September 2017 was the key turning point where matters with designs, funding and the overall balance of the project came to a head.

The contingency element was less than 5% of the whole scheme cost, against the Government Green book guidance recommendation of 44% for highways projects. In respect to progressing the Scheme without the building of a retaining wall along the A52, Raynesway to the Wyvern slip roads, there is strong evidence that this was never achievable and should subsequently have been addressed much earlier.

Governance Arrangements

- 3.2.3 There is strong evidence that Officer D worked in isolation and did not share information and knowledge readily with colleagues. Officer A and the former Director allowed too much responsibility to be placed on this single officer. Matters emerging were not sufficiently escalated by Officer D, and possibly also Officer A, to either the *former* Director or Strategic Director in order for effective remedial action to be taken. The Project Board initially reported to the Infrastructure Board,

but was latterly absorbed into the Infrastructure Board in May 2016, this should not have happened as these boards had different remits. There was subsequently a lack of good governance around the management of the A52 Scheme and a lack of clear ownership over the project. Furthermore, the level of information fed back to Members by the Project Team was not in sufficient detail or in fact an accurate representation of the situation as it actually was. We have seen evidence that the Strategic Director has put in place newly formed Project Board arrangements (July 2018) which has improved governance arrangements and is looking at risk management processes. There was strong evidence that the risk management arrangements on this Scheme were underdeveloped and ineffective. The risk registers themselves contained inaccuracies and they were not appropriately disseminated or successfully utilised, in order to effectively manage a project of this scale and nature. Should these issues have been identified by the Infrastructure Board this may have led to a different outcome. This is considered to be a significant weakness.

There was considerable pressure from D2N2 to commence the scheme so that funding would be spent within the required timescales to address the potential risk of funding being clawed back. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Although the Project Team, including the *former* Director, were of the understanding that project costs would increase, information concerning actual costings did not start to materialise until December 2017, at this stage matters were escalated. The Strategic Director and *former* Finance Director decided to wait until after the Easter (2018) works had been undertaken, to get a more robust cost estimate and to decide on an appropriate way forward before briefing Members. We are of the understanding, that while some Members were briefed on the situation in May 2018, the increased project costs were not formally reported to Members until June 2018.

Contract Monitoring

- 3.2.4 Contract monitoring over this Scheme has been continually hampered by too much responsibility being undertaken by Officer D. There is clear evidence that this officer was struggling to keep on top of the project management and issues materialising were rapidly getting out of hand, along with the knock on effect this has had on the Council's relationship with the Principal Contractor. These matters had not been appropriately managed by either Officer A and/or the *former* Director.

[REDACTED]

[REDACTED]

[REDACTED] There were no performance measures identified during the course of the Investigation that would provide a structured approach for measuring and monitoring project progress, in any tangible way. The Corporate Pledge and reporting and monitoring process was not sufficient to inform Members of any issues arising from the Project and did not require officers to provide anything other than, brief headline information. More robust and detailed performance measures could have provided an opportunity for better monitoring and more informed decisions being taken by Senior Management and Members.

There was insufficient consideration and consultation on traffic management constraints during the planning stages of the project which have resulted in the decision being taken to move to Night Working and the resulting £2.4m Compensation Event. This decision was taken without the involvement of the Strategic Director or Members. There was a risk pot in the Contractors Risk Register against the possibility of this to the value of £939,800. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Management Information

- 3.2.5 The Strategic Director relied on the *former* Director and Officer A for information on the progression of this scheme. To what extent this was underpinned by 'adequate'

check and balance measures could not be established. However, these officers were overseeing this in conjunction with other management responsibilities and sufficient focus was not placed on the overall monitoring of this Scheme. In fact, Officer D was the only dedicated resource on this project. The *former* Director told us that *“I certainly did not take an overview of the project from a Director’s perspective and I don’t think anyone above me did.”* When asked about what monitoring he had undertaken over the team he stated *“Very little, unfortunately, that is where I feel culpable. Other than the IIB (Infrastructure Board) I had very little direct involvement.”* We also asked the *former* Director about how he ensured that the project was progressing and that information flowed between relevant parties – he replied, *“Largely I didn’t”* and further stated at the end of his interview *“The only thing I would like to add is that I feel culpable in my role as Senior Manager as a lot of issues have been caused through lack of oversight. If I had my time again, there is more I could’ve done – monitoring project performance through the Infrastructure Board or through [Officer A] or others.”* We consider this lack of resource to be a key weakness for the management of this scheme. There was very little supporting documentation to evidence meetings of the Project Team and/or the Project Board for us to substantiate matters discussed and decisions taken. Key officers from the Principal Contractor were not represented at the Project Board or Infrastructure Board meetings. Officer A conceded that *“We should have invited them (the Principal Contractor) to go on the project board as the senior supplier role.”* This has since been rectified by the newly formed Project Board (July 2018). The Council’s previous procurement process was not strictly followed by Officer D who had to email the Strategic Director and the *former* Director to obtain the necessary approval. At the time, this did not raise any concerns with the *former* Director or the Strategic Director regarding project management and forward planning. This is indicative of a project where instructions were being given reactively as opposed to being well managed and planned in advance. Furthermore, the cost of the advanced works (£1.7m) was not factored into the final contract figure at the time.

Following Officer D’s departure, in April 2018, a number of serious issues came to light regarding the governance and management of this scheme. Although we were unable to interview Officer D, Officer D did provide comment via email that *‘The*

fact of the matter is the scheme was under funded from the start, the initial budget was far too small and the team was pressured into trying to deliver the impossible. The whole team worked tirelessly to try and get the scheme going and completed and as far as I was aware when I left the council the scheme was funded and progressing. Questions have been raised concerning the support functions available on projects with Officer B telling us that there had been “3 *scheme Accountants during the projects life time (so far)*” and the former Director telling us that “*support structures around these projects do not appear to be there. The only support was from Legal and Accountancy and this waned and dipped ... There was a lack of time and energy and not enough staff to do the day jobs let alone exceptional projects.*”

Authorisation of Payments /Variations

- 3.2.6 Although we were generally satisfied that payments to the Principal Contractor had been authorised appropriately, evidence suggested that the verification of costings was not as robust as it could have been. It was evident that there is not a central record (register) between the Principal Contractor and the Council for recording project changes and numerous discrepancies have been identified between the various registers being used to manage /co-ordinate these changes. There were issues with Compensation Events being raised directly from Project Managers Instructions (PMIs), due to the apparent urgency of matters. This was indicative of a project where instructions were being given reactively as opposed to being well managed and planned in advance. The former Director told us that he would have expected Officer A to have picked this up and reported it to the Infrastructure Board. This did not happen. [REDACTED]

3.3 Other Factors and Considerations

- 3.3.1 The Strategic Director has implemented improved project management arrangements during the course of 2018. In June, she informed the Executive Scrutiny Board that she would personally lead a Strategic Board to oversee the

project and in July 2018 this Board met for the first time, and has continued to meet on a monthly basis thereafter. As part of these improved arrangements, the Board has formal agendas and documented meeting minutes with Board papers circulated in advance of these meetings. The Strategic Director has carefully considered the make-up of the Board, for which she is the Chair, to ensure appropriate officers from both internal and external to the Council are in attendance. In addition, the Strategic Director took on the role of the Senior Responsible Owner /Officer (SRO) in September 2018 and has worked closely with the Project Team to ensure they are now being appropriately supported and managed through the recent project developments. We have not been able to reflect all of these changes in the main body of this report but have included this here to demonstrate that Senior Management are now taking action to improve the management of this project. Officer E has further stated that there is a “Considerably higher confidence factor with the new governance arrangements” in place.

3.4 Investigation Recommendation

- 3.4.1 We recommend that, from the balance of evidence presented in this report, management considers whether or not there is a case for further action to be taken against any officer with management responsibility over the A52 Transport Improvements Scheme.

4 Appendices

4.1 Appendix A – Delegated Decision Report (Appendix 4)



APPENDIX 4

Financial Procedure – Delegated Approval

Summary

A52 Wyvern Transport Improvement Scheme

In July 2016, Cabinet were asked to note an increase in the scheme cost to an estimated £14,906,000. In October 2016, Cabinet approved the use of LGF1 Pre compliance funding to enable the scheme to progress in line with the LGF1 funding profile. Pre-start works have included site clearance, utility diversions and accommodation works within the Toys R Us car park.

Spend to date	funded by	£
2014-16	DCC	582,817
2016 - 22/8/17	LGF	2,476,487
		3,059,304

In December 2016, Cabinet delegated approval to review progress of the scheme and, subject to funding being confirmed, to enter into a contract for the delivery of the main works. In August 2017, the contractors returned a target price above the costs estimated in the reported £14,906,000. We have been working with the contractors to reduce construction costs and where it has not been possible to reduce construction costs further the scope of the project has been reduced. Construction costs estimated in the £14,906,000 were £8,849,400 and following a review of the target price is now approximately £9,170,000. The increase in construction costs has been covered by the clarification of other scheme costs including a reduction in land and utility diversion costs keeping the overall scheme budget at £14,906,000. The reduction in the construction target price has been achieved by the following:

- Redesign of Crossroads and associated drainage network
- Redesign of South access ramp
- Redesign of Underpass
- Redesign of Bridge Wingwalls
- Redesign of A52 Drainage

Additionally the following elements have been removed:

- All A52 Eastbound Surfacing
- Remove overlay on Wyvern Way
- Changing all surfacing to SMA from HRA

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- Removal of North footway works on Wyvern Way
- Reduction of barrier replacement on A52
- Remove 1/3 of westbound surfacing (Lane 2)
- Average speed camera enforcement infrastructure – will be replaced with fixed cameras should we not get funding for the average camera scheme.

Other cost savings measures also include:

- Reducing DCC supervision costs
- Reduced Prelims (5 weeks)
- **Reduced Risk Register**
- Reduced landscaping
- Reduced inflation allowance
- Overall reduction in traffic management requirement

Due to the timescales required to start the scheme in September 2017 it is not possible to supply the full redesign information to the contractor in order to reduce the target price, therefore, works expected to significantly change in scope have been left out of the target, this will be rectified once the redesigns have been formally issued and costed, this is expected to be November 2017.

When costed projections are confirmed there is a risk they could increase – where this happens the risk contingency pot will be used and a further review of specification and scope will take place. There is also potential for costs to come down, where they do options to reintroduce improved specification or removed elements will be presented to Infrastructure Board for consideration.

Funding

The £14,906,000 scheme is to be funded as follows:

Funding source	£
Corporate capital (spend 14/16)	582,817
Corporate borrowing	1,054,490
D2N2 Local Growth Fund	6,720,000
HE Growth and Housing Fund	2,600,000
H&T Capital	229,000
s106 - confirmed	251,870
s106 - LocoWay	117,823
s106 - Costco	16,000
NPIF	669,000
s278 developer contribution*	2,665,000
	14,906,000

*Unconfirmed funding September 2017

S278

Detailed discussions regarding responsibilities for the funding between the landowner and developer are ongoing. Resolution of final issues is dependent on external organisations; however, we anticipate final issues will be resolved September/October 2017. The main considerations for the s 278 are:

1. The Section 278 will obligate the developer to make the contribution and will also bind future land owners and occupiers of land served by the works in terms of securing that contribution.
2. The Section 278 is conditional on the grant of the planning permission for the Derby Triangle Site and also the completion of the highway works (the latter condition being within the Council's control).
3. Risk in terms of securing contribution are primarily:
 - The Section 278 has been agreed in principle and is close to being completed, however, there is a risk arising from the possibility that agreement isn't completed and the Council will not receive the £2,665,000 developer contribution.
 - The Section 278 obligations are conditional on the grant of planning permission. Planning Control Committee has resolved to grant the relevant planning permission subject to the completion of a section 106 agreement. The s106 is at an advanced stage but yet to be finalised and the permission to be issued. It is anticipated that completion of the s106 and issue of the permission will be October – there is a risk that the developer or owner may decide not to proceed with their application, refusing to enter into the s106 agreement resulting in the planning permission not being issued. The developer appears keen to press ahead with their application and secure their permission.

To support the delivery of the Derby Triangle development delegated approval was given in May 2017 for the Council to fund the s 278 works ahead of payment from the developer. The terms within the agreement allow flexibility for the developer to defer fully repaying the Council for seven years after the completion of the entire highway works, estimated to be at the end of 2025.

In these circumstances it is recommended that approval be given to commencing the main contract, in anticipation that the s 278 agreement will be in place shortly. This would negate any further programme costs likely to be incurred should any elements of the project be postponed.

Approval is given to:

On the 7 December 2016 (Item 15), Cabinet approved the following recommendation:

2.4 That the Strategic Director of Communities and Place be authorised, following consultation with the Cabinet Member for Communities and City Centre Regeneration and, as appropriate, the Director of Finance and Director of Governance to:

- 2.3.1 ~~accept~~ D2N2 LEP LGF 1 and HE's GHF funding, as set out in the report, when confirmed;
- 2.3.2 ~~enter~~ into an agreement pursuant to section 278 Highways Act 1980 with the developers of the Derby Triangle site to secure funding for highway mitigation;
- 2.3.3 ~~enter~~ into such ancillary documentation as may be necessary to implement those agreements detailed in 2.3.1 and 2.3.2 above, and
- 2.3.4 ~~review~~ the progress of the scheme and, subject to funding being confirmed, to enter into a contract for the delivery of the main works.


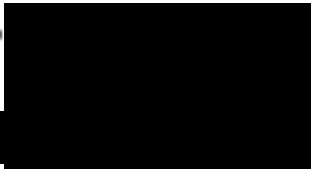



The decision is recorded in minute 111/16. This form seeks approval to progress the actions set out in 2.3.4 above, taken from the December 2016 Report.

Enter into agreement as per delegated approvals	<input checked="" type="checkbox"/>
Bid for Funding	<input type="checkbox"/>
Accept Funding	<input type="checkbox"/>
Use Reserves	<input type="checkbox"/>
Accountable body/3 rd party	<input type="checkbox"/>
Allowances/Grants to Individuals	<input type="checkbox"/>
Write Off Stock/Equipment/Debt	<input type="checkbox"/>

Supporting Information

Value of decision £14,906,000

Details of issue

Approval	
Interim Director of Finance	Strategic Director of Communities & Place
	
Date: 25/9/17	Date: 20/7/17
Director of Governance	
Name: 	27/9/17
Date:	
	
Name: 	
Date:	

Nb. We have e-mail evidence to support Approval by Councillor B

4.2 Appendix B – Acronyms

4.2.1 The following acronyms have been used throughout this report:

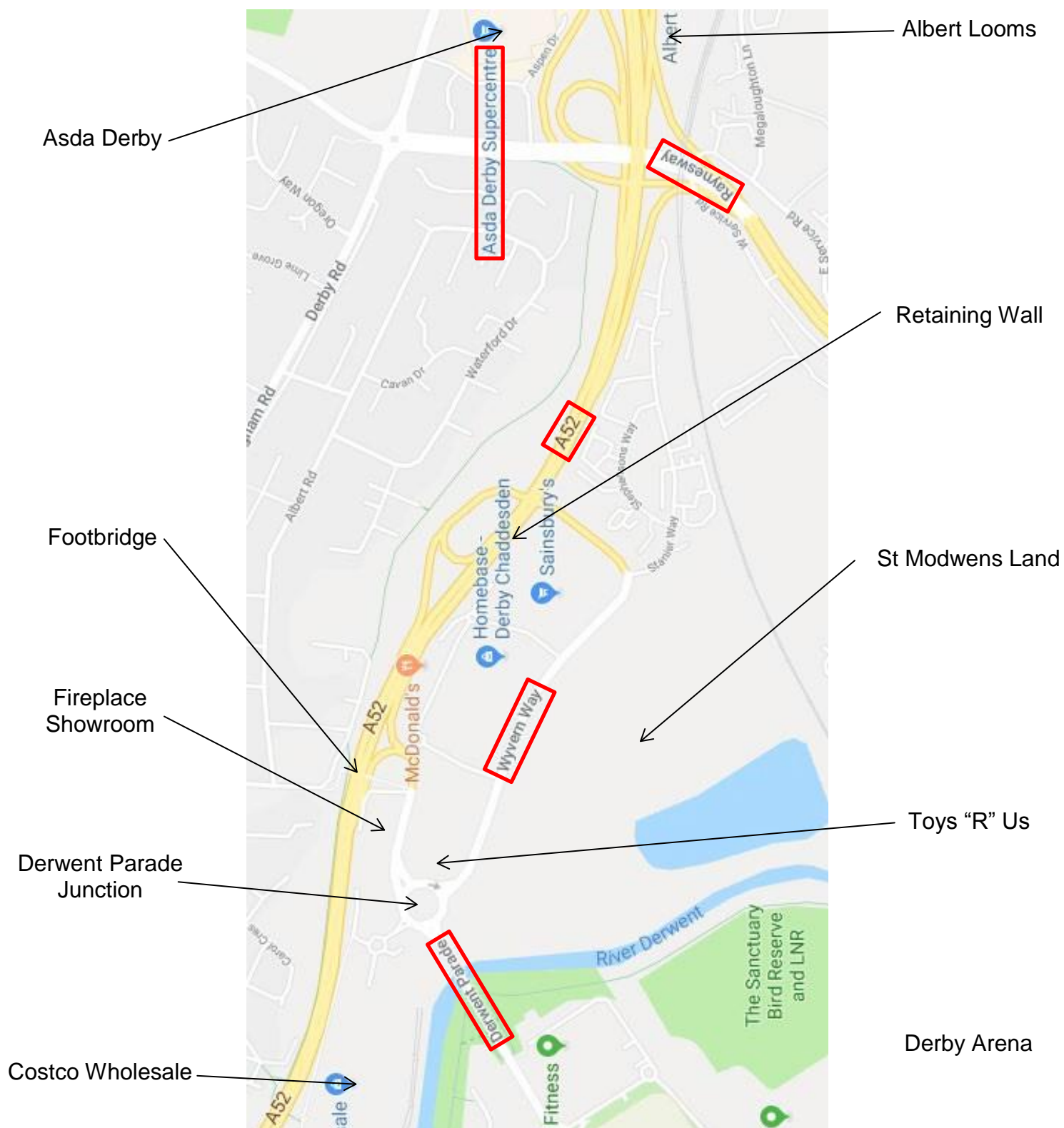
- **CE** – Compensation Event (A compensation event will normally result in additional payment to the Contractor but in a few cases may result in reduced payment)
- **D2N2** – Derby, Derbyshire, Nottingham, Nottinghamshire Local Enterprise Partnership (The Local Enterprise Partnership for Derby, Derbyshire, Nottingham and Nottinghamshire. They play a central role in deciding local economic priorities, and undertaking activities to drive economic growth and create local jobs)
- **DCC** – Derby City Council (the Local Authority for the city of Derby. A Local Authority is an administrative body in local government)
- **DMT** – Directorate Management Team (The group of individuals that operate at the higher levels of Derby City Council and have day-to-day responsibility for managing other individuals and maintaining responsibility for key business functions within each directorate)
- **DORIS** – Performance Management System (the Council's performance management system. It is a web based tool for monitoring and reporting on performance)
- **ECI** – Early Contractor Involvement (allows the Contractor to be appointed under a two-stage Engineering & Construction Contract before details of what is to be constructed have been fully developed and priced. This enables the Contractor to take part in the design development and construction planning stage of a project)
- **EWN** – Early Warning Notice (This is the opportunity for interested parties to give early warning of anything that may impact on the contract, as soon as they become aware of any issue(s))
- **GHF** – Growth & Housing Fund (Funding provided by Highways England that is specifically targeted at mature local highways schemes that can both deliver improvement works on the ground, and enable the delivery of jobs and homes wherever possible)

- **HR** – Human Resources (the department of a business or organisation that deals with the hiring, administration, and training of staff)
- **IIB** – Infrastructure & Investment Board (a Board within Derby City Council that oversees all Capital funded infrastructure related schemes, projects, initiatives and supporting policies)
- **LEP** – Local Enterprise Partnership (see D2N2)
- **LGF** – Local Growth Fund (provides funds to local enterprise partnerships for projects that benefit the local area and economy)
- **LTP** – Local Transport Plan (The Local Transport Plan sets out the Council's transport strategy and outlines a programme of measures to be delivered over the short, medium and long term)
- **MHA** – Midlands Highway Alliance (This is a partnership comprising local authorities and the Highways Agency, that work together to improve performance, share best practice and make efficiency savings in the delivery of highway services)
- **MIP** – Managing Individual Performance (an internal employee performance appraisal process within Derby City Council)
- **MSF** – Medium Schemes Framework (the framework used for undertaking schemes under the Midlands Highway Alliance. Under this framework, three contractors are available to tender for works with a value between £5m and £25m)
- **MTFP** – Medium Term Financial Plan (The Medium Term Financial Plan provides a focus on both Revenue expenditure (day-to-day running costs of providing services) and Capital expenditure (long-term investment in infrastructure, like schools and roads), as well as setting out the Council's overall Financial Strategy)
- **Nb** – Latin nota bene meaning note well
- **NEC** – New Engineering Contracts (a formalised system created by the Institution of Civil Engineers that guides the drafting of documents on

civil engineering and construction projects for the purpose of obtaining tenders, awarding and administering contracts)

- **OCOR** – Our City Our River (a Derby City Council project developed to reduce flood risk through long-term and sustainable economic development, creating a high quality riverside, linking the city centre with the river)
- **OST** – Offline Storage Table (An OST file, or offline storage table (.ost) file, is an offline Outlook Data File used by Microsoft Exchange Server that enables users to work with their messages and mail data even when access to the mail server is not available)
- **PID** – Project Initiation Document (Project documentation used to define the project scope, management, governance, and success criteria of a project)
- **PMI** – Project Managers Instructions (A Project Managers method of formally giving instructions to the contractor)
- **s151** – Section 151 (the most senior officer responsible for the finances of the Council)
- **s278** – Section 278 (A section 278 agreement is a section of the Highways Act that allows developers to enter into a legal agreement with the Council to make alterations or improvements to a public highway, as part of a planning application)
- **SRO** – Senior Responsible Owner /Officer (The individual responsible for ensuring that a project or programme of change meets its objectives and delivers the projected benefits. They should be the owner of the overall business change that is being supported by the project)
- **TQ** – Technical Query (A document containing a question which is raised by one party on a construction project to the other party with whom they are in contract)
- **URS** – URS Corporation acquired by AECOM (URS Corporation was an engineering, design, and construction firm)

4.3 Appendix C – Location Map



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The central midlands audit partnership was formed to provide shared internal audit services to local authorities in the region. CMAP currently provides audit services to three District Councils, a Unitary Council, a Housing ALMO and a Fire Authority and welcomes further public sector partners or clients from within the region.

