



Audit Committee
27 September 2024



North West Relief Road Management Update

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Cabinet Member (Portfolio Holder):	Cllr Dan Morris – Portfolio Holder - Highways & Infrastructure.		

1. Synopsis

The purpose of this report is to provide an update on continuing actions made to address the Recommendations contained in the Audit Report, previously submitted for Audit Committee 22 February 2024.

2. Executive Summary

- 2.1. The initial Audit Report on the North West Relief Road (NWRR) Project identified that the following management controls and measures were not satisfactorily in place or needed further clarification.
- That the recommendations made in the previous audit have been implemented.
 - Appropriate Governance arrangements are in place which govern the Northwest Relief Road Project.
 - Appropriate project management arrangements are in place to manage the project.
 - Administration arrangements to monitor, control and reporting of the budget.
 - Interdepartmental dependencies are in place and decision making is made in conjunction with the project outcomes.
 - Appropriate management arrangements are in place with consultants and stakeholders.
- 2.2. Two fundamental Recommendations were made as part of the audit, these are detailed below:

Recommendation: A formal Executive Board should be in place including appropriate governance arrangements, Terms of Reference with roles and responsibilities clearly defined. Regular meetings should be held with agendas and

minutes to show clear transparent decision making and referrals to Council and Cabinet where necessary.

Date to be Actioned: **Completed.**

Recommendation: A paper should be taken to Council to clarify and update the delegations for the Oxon Link Road and NWRR. This should clearly state if written approval has been received from the Government to fund the NWRR. Projected costs to full business case and build should be detailed to allow Council to make an informed choice whether to agree further delegated funds.

Date to be Actioned: **Partially Completed. (Final Cost & Government Funding tbc)**

- 2.3. The Project have taken on board the findings of the audit and have strengthened a range of approaches and processes. The Project consider that that all the Key Recommendations within the Audit Report have either now been completed or will be completed as part of the next stage of reporting to Council.
- 2.4. It was noted in the Audit report February 2024 that Management had already provided responses to the Audit review, indicating steps had already been taken to address the issues identified. This report aims to give committee further comfort that the project continues to be proactive in addressing the management controls identified.

3. Recommendations

- 3.1. The committee is asked to review and acknowledge the continuing adherence to project management amendments as were suggested in the original Audit Report and updated in the Managers Response in February 2024.

Report

4. Risk Assessment and Opportunities Appraisal

- 4.1. The risk of not actioning the Recommendations in the Audit Report in relation to project governance are that the Council fails to achieve key milestones in the delivery of this priority project. Slippage or non-delivery of the NWRR will then impact the wider benefits, economic, environmental, and social that the NWRR will achieve.
- 4.2. The risks of not complying with the financial control Recommendations are that the Council incurs unnecessary cost, negatively impacts value for money and/or breaches regulations. Going forwards, this is fully mitigated with a series of process controls, senior officer authorisations, ongoing engagement with the Capital Finance Team, and the escalation of cost approvals to the Project Executive Board.

- 4.3. The risk of not acknowledging the Recommendations in the Audit Report around the use of the BECC contract is that the Council will not achieve maximum and demonstrable value for money and quality with the use of one of its key term contractors.
- 4.4. This report provides management assurance; independent assurance and consideration of the above risk measures can be provided when a follow-up audit is completed, currently expected to report to Audit Committee in July 2025.

5. Financial Implications

- 5.1. The Audit Report highlighted several issues around the financial management of the project.
- 5.2. The Financial delegations under which the project operated at the date of the original Audit report were consistent with the relevant Cabinet and Council decisions. Following the earlier Audit Report in 2021, the Project retains a fully qualified Commercial Manager whose job role includes contract management, budget oversight, risk management and to give challenge to project suppliers in relation to invoicing and performance.
- 5.3. Due to previous delays between the Planning Committee Oct 23 and the subsequent return to Planning Committee in Feb 24, the project had a commitment to return to Full Council 29 Feb 2024 to review and request further delegations in spend to ensure the project progresses in line with the Council's, and external funders programme expectations. This action is now complete and full ongoing delegations are now approved up to the submission of the Full Business case.
- 5.4. To strengthen financial control, all variations to the project's financial forward plan and expenditure are now considered at the Executive Steering Group, attended by the Capital Finance Partner and the Executive Director of Place, under whose formal Officer delegation the project is being managed. Decision logs and minutes are recorded and published on the project SharePoint site for the information of the wider project governance structure. These are now also due to be published publicly by October 2024, redacted where appropriate, through the Project's public website area. To provide further reassurance, the Executive Director: Resources will be invited to join the Executive Steering Group.
- 5.5. In addition to addressing all the audit recommendations, Committee members can be reassured that the project continues to review additional opportunities to strengthen and further reinforce levels of governance and transparency. All significant financial commitments and invoices are subject to a rigorous two stage approvals process. Going forwards this will involve seeking clarification from the Capital Business Partner that spend is in line with delegated budget approval, the Commercial Manager confirming the costs are appropriate and within delegations and then the Assistant Director that entries on the confirm software system are accurate and within stated delegations.

- 5.6. To ensure that all commitments entered on the 'Confirm' software system are clear, single packages of work, the review process outlined at 5.5 above also ensures adherence with the council's financial regulations.
- 5.7. The BECC contract with WSP is a framework contract that allows for individual packages of work to be commissioned separately as the project proceeds. When the Council requires a new commission of works under the BECC contract it should receive a price quotation which, if approved, is entered as an official order in the Confirm system. Any cost uplifts are then managed through a series of contract variations (CVI's) to this order to provide a clear trail of cost management. These measures address the concerns raised in the audit.
- 5.8. The Project recognises that the BECC contract was procured to provide outsourced consultancy support and capacity for capital projects and specialist technical services and is not a specific NWRR related contract. As such, the project regularly offers feedback to the Service Manager of the BECC contract to assist with improving matters around performance monitoring and quality.
- 5.9. It should be noted by Committee that the current BECC contract was mobilised in April 2023 following full open market competitive procurement. This gives reassurance that value for money is embedded within the BECC contract using the competitive rates and work systems upon which the contract award was based. Annual inflationary uplift is applied through the agreed contract indexation approach.

6. Climate Change Appraisal

- 6.1. Although this report does not encompass any actions that would directly impact on the Council's Climate Change Strategy, it should be noted that at Planning Committee 15th Feb 2024, the following Condition, proposed by the LPA, was accepted by the project.

Condition no 41.

No development shall commence until the Carbon Assessment Plan has been submitted for approval to the Local Planning Authority. The Carbon Assessment Plan shall include in its scope, the built design, construction phase impacts and future use scenarios for the project and how the project will demonstrate achievement of a net-zero carbon outcome should be within Shropshire or nearby area.

Development shall not commence until the Carbon assessment plan has been approved in writing by the Local Planning Authority.

The development shall be carried out in accordance with the approved Carbon Assessment Plan.

Reason: To allow the Council to meet its declared climate change objectives in accordance with Policies SC6 "Sustainable Design and Development Principles" of the Shropshire Core Strategy, MD2 "Sustainable Design" and MD8 "Infrastructure Provision" of the Shropshire Council Site Allocations and Management of Development (SAMDev) Plan.

The project fully supports the key priorities within the Shropshire Plan, including supporting a Healthy Environment.

7. Background

- 7.1. Since the early 2021 Full Planning Application submission, the North West Relief Road project has experienced several delays beyond its control, and the scheme has evolved with changes to the original design. These delays and design amendments have been due to the direct and uncontrollable impact of meeting the requirements of third parties (Environment Agency, Severn Trent Water and Natural England) through the Planning period.
- 7.2. The extensive and prolonged (around 2 years longer than anticipated) collaboration with all parties has however, ensured that at the Northern Planning Committee in February 2024, a resolution was given to approve subject to the committee agreeing Conditions and the signing of Section 106 agreements.
- 7.3. The unforeseen delay at Planning, despite impacting the projects overall programme and costs (largely through cost impacts around delays in construction at a time of unprecedented market inflation) has however, ensured that this priority Council project has received a full and thorough examination by stakeholders and the public. It's to note that many of the concerns raised at planning have now been able to be directly addressed through design or technical solutions.
- 7.4. Although the Planning delay can reasonably be expected to have impacted the full cost of the scheme based on the original 2019 Outline Business Case forecast, the two key external funders of the project (Marches LEP, superseded by Marches Joint Committee, and DfT), are both regularly appraised of the Planning delays and the impact on programme, and both have accepted amended completion dates based on this.
- 7.5. A Full Business Case (FBC) around the Oxon Link Road was endorsed by Marches LEP in Dec 2023 and updated conditions are set for re-approval by the Marches Joint Committee next month. The Final Business Case (FBC) for the wider NWRR alignment is expected to be submitted in late 2024 to DfT. This will include updated total costs through open market competitive procurement, updated risks and a benefit cost ratio for the scheme and will be considered for endorsement by Council before submission.

8. Audit Recommendations

- 8.1. The Audit Report raised issues in several areas, and these can broadly be summarised in the three below categories. There follows a comprehensive further Management Response following the February 2024 update to these, with actions completed and evidence provided to committee to ensure the correct Management Controls are in place going forward.

Governance Arrangements.

- The ongoing NWRR Project Executive Board has officer representatives from all related Council service areas. Attendees include Finance, Risk, Communications, Procurement, Executive Director, Place, Project Executive Manager, and WSP Project Manager. It has also been attended by all Portfolio Holders that have overseen the project over the past two years. This has ensured both officer and member focused information is available and shared as required on project process.
- These meetings now occur on a two monthly basis. Papers, working documents, agendas, and finance reports etc are all held on a dedicated SharePoint site with access available to all relevant Council service areas and staff as appropriate. (Tiered access and editing rights established). Recognising the benefits of openness and transparency, minutes of these meetings, previous and ongoing, redacted where appropriate, will be publicly published on the Councils website from October 2024.
- The project has been cautious about public discussion over scheme costs solely to ensure we secure the most competitive tenders. That procurement process is now coming to a close and full details of all costs will be reported within the Final Business Case to be reported to Full Council later this year.
- Specialist internal disciplines (Ecology, Highways, PROW, Drainage, Legal etc), working across both LPA Statutory Consultee and Applicant roles during the planning phase continue to present a risk of external challenge to any planning decision, therefore the “firewall” approach of ensuring separation of processes and decision making has been adopted and is considered defensible. Once the planning decision notice has been issued and all conditions/Sct106 resolved, these colleagues will be able to rejoin the NWRR Project Board.
- With the completion of the Procurement phase now programmed for 25th October 2024, this Board will provide support and challenge around the delivery of the scheme and any final design decisions required. Existing Terms of Reference will be reviewed and adopted in line with the groups change of focus.
- During the Planning stage, there have been ongoing governance meetings with Officers on a reduced attendance basis (Exec Director of Place, Finance Partner, Estates, NWRR PM, Risk and WSP lead on a fortnightly basis, to ensure that project reports and decisions are still considered and escalated as required to the Exec Steering Group. Minutes, agendas, and notes for these meetings are also uploaded to the NWRR SharePoint site.
- The SharePoint site, accessible to all relevant officers, contains an updated decision / action log, programme and supporting documentation. This is linked into papers and agendas circulated in advance of both Exec Board and Officer Group / Project Board meetings.

NWRR Risk Register.

- The NWRR projects operates two risk registers, one detailed and extensive that is based around technical project issues (design, constraints and engineering issues) maintained by WSP, and another of corporate higher-level risks maintained by the Council Risk Team.

- Whilst risk ownership rests with the project, reviews of both registers have taken place involving the council's Risk & Business Continuity Manager on a quarterly basis. An up-to-date Risk Register is held on the NWRR project SharePoint site, and reports are received by the Exec Steering Group from the Council Risk manager as a standing agenda item. As a minimum the top ten risks are included as an agenda item at the Executive Board and discussed.

Financial Reporting and Decisions.

- There are weekly Project Finance meetings (where Exec Project Manager, NWRR Commercial Manager and Capital Finance Partner are in attendance). Project spend and variations are regularly monitored and reviewed with decisions required escalated through Officer / Project Board and Exec Board as required.
- Actions and decisions are captured in minutes. Minutes, agendas, and finance update reports are regularly uploaded to NWRR SharePoint site.
- The original financial delegation limits and programme activities to progress the project have now been revised and extended with the agreement of Full Council in February 2024. This delegation now extends the project in cost and activity terms up to the submission of the Full Business case to DfT. This is now programmed for late 2024.
- All works to be undertaken in the period Feb to Dec 2024 are consistent with the approach prescribed in the accepted Outline Business Case, but the sequencing of these has naturally had to flex to accommodate the extended planning process. As such, the revised delegation does not introduce an increased scope of works, rather a revised programme to accommodate the delayed Full Business Case.
- The Final Business Case (FBC) for the wider NWRR is expected to be submitted in late 2024 to DfT. This will include updated total costs through open market competitive procurement, updated risks and a benefit cost ratio for the scheme, and will be considered for endorsement by Council before submission.
- As part of the DfT's consideration of the FBC it will also confirm the level of government grant funding support for the scheme. This will form an essential element of a final 'funding plan' which will bring together the various potential forms of funding to meet the full cost of the scheme. This will include reviewing the application of grant funding, CIL, Section 106, capital receipts, Local Transport Funding and other external funding with the aim of minimising any wider financial costs and financial risk to the council.

9. Conclusions

- 9.1. The NWRR will continue to be a high-profile priority project for the Council through construction to completion. The Audit Recommendations, and this confirmation of the ongoing adherence to the Projects responses to these will ensure that the project is effectively delivered in line with the required financial and governance processes of the Council.

9.2. The project has welcomed the findings and recommendations of the audit and it has led to improved ongoing close and pro-active financial management of the Project. This work is helping ensure that it will achieve high levels of value for money both for the Council and for the external funders.

9.3. The Project would welcome further Audit oversight and assistance in the delivery of the Main Construction Period, to ensure that the Council manages its contract oversight role in a robust and fit for purpose manner.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Local Member: N/A

Appendices none