

Cherwell District Council

Accounts, Audit & Risk Committee

25 June 2014

Public Interest Report – Corby Borough Council

Report of Director of Resources

This report is public

Purpose of report

To consider the Public Interest Report that was issued by KPMG in relation to “Managing Capital Regeneration Projects” at Corby Borough Council using the report to critically appraise arrangements at Cherwell District Council.

1.0 Recommendations

The meeting is recommended to:

- 1.1 Note the content of the KPMG report on arrangements at Corby Borough Council included as Appendix A.
- 1.2 Consider the content of this report.

2.0 Introduction

- 2.1 In June 2013 KPMG, external auditors for Corby Borough Council, issued a public interest report in relation to a number of capital regeneration projects at the Council. It is felt that it could be used as a useful tool to critically appraise governance arrangements in relation to regeneration projects at this Council to see if lessons can be learned in the light of this report.
- 2.2 The KPMG report is provided in full at Appendix A.
- 2.3 The recommendations from the report have been replicated in Appendix C with a comment included if there is any particular relevance to this authority that the Committee should be aware of.
- 2.4 In preparing this report comments have been sought from all members of the Joint Management Team. Comments were received from the Council’s monitoring officer and the Head of Regeneration and Planning and these have been considered in the formulation of this report.

3.0 Report Details

- 3.1 The report from KPMG is contained at Appendix A and provides a detailed description of the governance arrangements associated with Capital Regeneration Projects at Corby Borough Council.
- 3.2 There is no need to repeat the detail within the body of this report but it is worth summarising the major projects and giving a flavour of some the issues referred to in the report.
- 3.3 There are four regeneration projects referred to in the report. These are highlighted below:

- The Kingswood Housing Development
- The Cube Development
- Rockingham Triangle
- Sale of Land at St.James

- 3.4 A brief description of each of these projects and the issues raised by the auditor is provided below.

The Kingswood Housing Development

- 3.5 This development related to the provision of 116 newly built houses and 30 social housing units. The project was developer led and part funded using HCA grant. As part of the project the Council agreed to the setting up of a 'clearing fund' to purchase any surplus houses and also to be able to 'step in' to deliver the project should the developer default.
- 3.6 Over the project life this funding was used to facilitate the development, being available to the project manager throughout the project rather than just as a fund in case of developer default.
- 3.7 Concerns on this development had previously been raised by the auditor and was also the subject of 'whistle-blowing' concerns by the Head of CB Property.

The Cube Development

- 3.8 The Cube Development is an eye-catching building that has been constructed at the entrance to Corby Town Centre. The original budget for the development was £32.6m but at the time of writing the report the auditors had established that the costs to date were £47.6m and that there were still some elements of the development that had yet to be completed.

Rockingham Triangle

- 3.9 Corby Town Football Club and Athletics Club occupy a sports ground known as the Corby Triangle. An ambitious set of plans were put together to update the facility with the financial exposure to the Council being limited to £1.06m. Any overspends on the project should have been picked up by the football club.
- 3.10 A report on the development subsequently highlighted that the scheme had overspent and in actual fact the football club had no funds to cover the overspend which therefore fell on the Council.

Sale of Land at St. James

- 3.11. The report highlights the sale of one particular plot of land for £82,000. After the sale was agreed and finalised a 'desktop appraisal' of the land was carried out that revealed it was actually worth between £6.9m and £9.7m. There was also no scope within the final agreement for a share of increased land value to come back to the Council.
- 3.12 The detailed report highlights a number of examples where the Council's governance arrangement could have been tighter. It appears that in most cases the prominent figure was the Chief Executive and there was limited involvement or intervention from either the Council's monitoring officers or S151 officers. It also appears that the 'whistleblowing' information was not taken as seriously as it should have been.

Project management arrangements

- 3.13 It is useful to use a public interest report such as this one to see if there are any lessons to be learned and also to review this Council's governance arrangements. The recommendations from the report have been highlighted in Appendix C with a comment next to those that could apply and any relevant arrangements that we have in place.
- 3.14 Regeneration projects can be very difficult to manage and are usually incredibly complex and involve significant financial and other resources contributions. If projects are not managed tightly then they can easily run out of control, overspend, be subject to implementation slippage and so on.
- 3.15 Major regeneration projects can be particularly difficult to manage given the number of partners involved and the expectations of the project being delivered on time and under budget. Clearly, this cannot always be the case as these projects are very dynamic and unexpected circumstances can occur throughout the project leading to time delays and possible overspends. However, it is important that senior officer and member oversight is employed throughout the project and regular monitoring and reporting of the projects take place in a bid to minimise the impact of time and cost over-runs as well as being able to manage properly any unforeseen circumstances as early as possible should they occur.
- 3.16 It is fair to say that the big projects this Council is running with have faced challenges but so far they have been dealt with effectively and at an early stage as a result of the governance arrangements in place. The governance arrangements can be described as follows:
- Major projects form part of the Programme Management team's responsibilities within the Resources Directorate.
 - The arrangements include a Programme Board for major regeneration projects (the Place Programme Board) as well as a board for transformation projects (the Joint Arrangements Steering Group takes on that role).
 - These boards are made up of senior officers and members and report into Cabinet.
 - Budgets have been set for individual projects.
 - Any particular budgetary pressures are flagged through Finance staff to the Director of Resources for his consideration.
 - The boards are supported by the relevant director, programme management office and finance and legal representatives.

- Actions from the board meetings are recorded.
- Matters are regularly referred to the S151 Officer and Monitoring Officer for consideration and advice.
- Where budgets are not available, requests for additional resources are taken through the appropriate channels (Cabinet, full Council or under delegated authority provisions or urgency powers).
- There has also been previous intervention by the Chief Executive when she has thought it appropriate.

The programme management governance arrangements are set out in Appendix B.

4.0 Conclusion and Reasons for Recommendations

- 4.1 At the time of writing this report it is felt that the governance arrangements that are currently in place are robust enough to deal with the major regeneration that is taking place within the District as well as the other major projects that the Council is running with.
- 4.2 However, the Corby report is a timely reminder that there must be appropriate arrangements in place and proper engagement of senior managers and member oversight in order to avoid significant problems.
- 4.3 Members are recommended to note the content of this report.

5.0 Consultation

Discussion at Chief Executive and Directors meeting

Comments sought from JMT members and received from the Head of Regeneration and Housing and the Head of Law and Governance who is the Council's monitoring officer.

6.0 Alternative Options and Reasons for Rejection

- 6.1 The following alternative options have been identified and rejected for the reasons as set out below.

Option 1: To not consider the issue of Corporate Governance on major projects. This has not been pursued as it provides a timely opportunity to review our own arrangements.

7.0 Implications

Financial and Resource Implications

7.1 There are no direct financial implications arising from this report.

Comments checked by:

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Legal Implications

7.2 The public interest report is an illustration of what can go wrong if there are unsound governance arrangements for major projects coupled with unclear accountability for decision taking and insufficient input from the statutory officers. There are no direct legal implications for this Council arising from this report.

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Risk Implications

7.3 The Corby report provides the opportunity to learn from others and provides a context within which to review the way we apply our Corporate Risk and Opportunity Management strategy in the governance of our own major projects. Projects are inherently risky as they involve change, are not things we have done before, and exist in a dynamic environment. Close control is essential. Consideration of this report is an appropriate and relevant learning tool which we should use to ensure we reduce the risk of making similar mistakes.

Comments checked by:

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Document Information

Appendix No	Title
Appendix A	KPMG – The Council's Arrangements for Managing Capital Regeneration Projects – Corby Borough Council Audit 2010/11
Appendix B	SNC/CDC Programme Management Arrangements
Appendix C	Response to recommendations
Background Papers	
None	
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