

Governance and Audit Committee

Meeting Venue
Teams Live

Meeting Date
Friday, 8 October 2021

Meeting Time
10.00 am

For further information please contact
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County Hall
Llandrindod Wells
Powys
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30 September 2021

Mae croeso i chi siarad yn Gymraeg neu yn Saesneg yn y cyfarfod.
Rhowch wybod pa iaith rydych am ei defnyddio erbyn hanner dydd, ddau ddiwrnod
gwaith cyn y cyfarfod.
You are welcome to speak Welsh or English in the meeting.
Please inform us of which language you wish to use by noon, two working days
before the meeting.

AGENDA

1.	APOLOGIES
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To receive apologies for absence.

2.	DECLARATIONS OF INTEREST
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To receive declarations of interest from Members.

3.	Y GAER
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To consider the SWAP Internal Audit report together with the action plan arising from the audit.

(Pages 3 - 34)


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Project Review of y Gaer (Lessons Learned)

Issue Date: 20th September 2021

1. Executive Summary

Assurance Opinion		Agreed Action Summary	
	<p>Limited</p> <p>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>	Priority	Number
		Priority 1	1
		Priority 2	9
		Priority 3	1
		Total	11

Summary

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y Gaer is a new, vibrant cultural hub in Brecon which provides valuable community resources to the people of Brecon and the surrounding area. y Gaer will provide opportunities for participation and volunteering and will become a significant tourist attraction. The key features include:

- New 21st century public library facilities for adults and children.
- New museum gallery spaces with increased flexibility for visiting exhibitions.
- Restoring and conserving the Grade II* Listed Brecknock Shire Hall and Assize Court, both inside and out.
- Community and education rooms providing shared learning experiences.
- Café and shop.

As with many major projects it took many years to develop, was costly, high profile and carried high risks given the scale and complexity of the project.

The Council identified a clear need for a project of this nature given the issues facing the Brecknock Museum & Art Gallery and as part of the Council's wider regeneration agenda.

There was considerable pressure to address the issues of the building, time pressure because the building was continuing to deteriorate, and once Heritage Lottery funding had been obtained it was widely expected to use this funding. The securing of funding for the project became from the outset, integral to the way in which the project progressed, with one of the key drivers becoming protection of the Council's ability to draw down the grant and how the Council would fund its share of the construction costs.

Significantly, it was during the early period of the project, before the setting up of a full governance process, that key decisions regarding the project were made. The crucial point for the project was in May 2016, when Cabinet decided to proceed to contract. This was effectively a commitment to the project and was also the time that the full governance process was set up. The original, limited governance process, prior to May 2016, was unable to address the key, early challenges of this project, significantly

including the robustness of project definition and funding within a documented business case. Given the limited budget, the management of expectations to ensure the proposed project was realistic and decision makers really understood the risks became challenging.

A key weakness was that the project was not fully scoped at an early stage and an ongoing, appropriately updated, well-documented, defined business case was not produced. The Council understood its desired outcomes but was unclear at times during the project about the roadmap they needed to follow to deliver those objectives.

Despite the consultants and agency staff employed, at a very early stage in the project, the Council did not have the experience and knowledge to take on a project of this scale and complexity, especially given that project management skills within the Council lacked maturity at this time. The Council became overly reliant on a key team and individuals regarding the technical aspects to bring the project forward. The complexity of roles, responsibilities and the interrelationship between senior management, project managers, contractors and sub-contractors became an issue over the lifetime of the project, compounded by a lack of continuity with key members of staff.

The processes used for the employment of the main contractors on the project were found to be in order. The delays and complexity of the project impacted upon the performance of the contractors, nevertheless there were serious concerns regarding the performance of contractors with adherence to timeframe being one of the key issues.

Standard budgetary control processes were in place for the project. Many of the increased costs associated with the project came to light once the contract had been let and it is notable that many of these costs can be directly linked with early issues concerning the design and scoping. There were always financial pressures with the project, but underfunding was also evident suggesting an optimism bias, in that the budget did not adequately reflect the likelihood of unforeseen costs. A small risk contingency was set aside, but this was not adequate to reflect the cost uncertainty of the construction contract.

Although stakeholder engagement was initially successful, and continued throughout the project, there were concerns over the eventual need for a new partner to come into the building.

The scale, duration, nature and technical complexity of the project was a challenge to the Council. However, improved current project management practices will enhance the successful delivery of all future projects.

Audit Objective

Audit Committee requested that an Internal Audit review of the y Gaer project be carried out. The project involved work to the Brecknock Museum & Art Gallery to address the building's structural and maintenance issues to create the building now known as y Gaer.

The objective of the audit was to assess the effectiveness of the management and governance arrangements in place for the delivery of the y Gaer project, with a focus on the control of costs and to learn lessons for future projects.

Scope

The audit work included a review of:

- Governance structure.
- Business case including the aims, objectives, scope and outcomes of the project.
- Project costs, monitoring of costs including cost forecasting and budgeting, alongside contingency planning.
- Project management staffing for the project.
- Procurement, tender arrangements etc.
- Management of the construction element of the project.
- Service user engagement.
- Stakeholder engagement.

A review of documentation made available for audit purposes, including minutes and supporting documentation presented to the Cabinet, project boards etc. was carried out. It is acknowledged that those contacted during this review were cooperative and supportive of the review. Unfettered access was given to all available Council records. Nevertheless, given the volume and inaccessibility of some documentation, largely because of the passage of time, reliance for audit purposes, has at times been placed on official documents such as Council minutes to confirm the existence of a record, rather than first-hand examination by the Audit team.

Where available, those most involved with the project were interviewed to establish their views on the project. Those interviewed included representatives from the project boards and service areas involved, as officers, senior management, councillors, and stakeholders. Given the timescale of the project, many of the key people involved are no longer employed by or represent the Council.

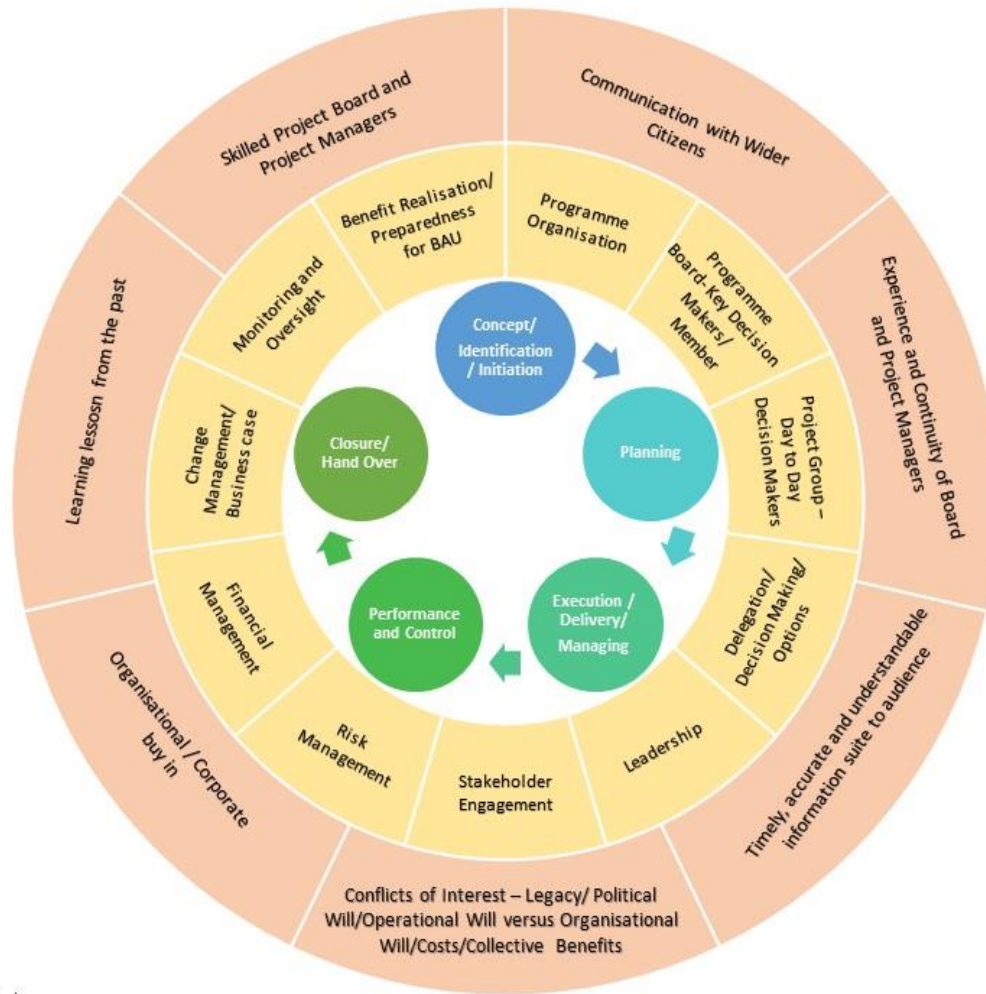
It should be noted that a report on the progress of the project went to Place Scrutiny on 10th December 2015. A review of governance and the wider issues of spend relating to the project, was presented to the Place Scrutiny Committee on 15th June 2017. In addition, a further report relating to the cost escalation on the project was presented to the Audit Committee on 6th July 2017. The two later reviews were produced following the decision made by Cabinet on 24th May 2016 to proceed to contract and the significant issues, notably budgetary, that came to light by the end of 2016. Although reference will be made to their findings, this review will also look at how the project further progressed, evaluate the project in terms of the principles of project management and look at what lessons can be learnt from this project.

The graphic overleaf is a representation of the project management cycle and its expected areas of control.

Appendix A to this report is the project timeline and Appendix B is the project management structure as of January 2017.

Principles of Good Project Management

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	Inner Circle	Project Stages
	Middle Circle	Control Processes
	Outer Circle	Principles of Good Project Management

Unrestricted

2. Key Findings

1. Project Initiation & Planning

1.1 Aim of the y Gaer Project



The future of the Brecknock Museum & Art Gallery in terms of how to deal with the significant structural, maintenance and access problems were issues considered by Cabinet and previously the Board over a period of many years. The need for urgent repairs to prevent further deterioration and possible closure of the building is documented in reports submitted to the Board/Cabinet and from comments made by interviewees.

Permission to produce a feasibility study for the redevelopment of the Museum was first given by the Council's Board in July 2003. Over subsequent years, a series of reports were made to Board/Cabinet, to consider options for the future of the building, including the option to do the minimum.

Board/Cabinet decided to proceed with, an eventually successful bid, for funding from the Heritage Lottery Fund (HLF). A Brecon Property Rationalisation and Regeneration Project, and associated project board was set up. The aims of this project were to rationalise property holdings, reduce revenue outgoings, achieve capital receipts to contribute match funding to the Museum's HLF project and to use the whole process as a catalyst to enable wider regeneration in Brecon. With a focus on Brecon, the project's contribution to the Council's wider strategy became more defined as the project progressed and was stated to be making a significant contribution to the Council's regeneration agenda.

Opinion

- ***The project had a clear aim to address the issues facing the Brecknock Museum & Art Gallery. The Council's wider regeneration strategy became more focussed during the later years of project initiation and planning.***

1.2. Business Case and Organisation



The business case is a key project document. A full, transparent business case, updated as appropriate, should be maintained for any project with a clearly defined project scope, robust estimates of costs and schedules together with measurable benefits. The scope of the project must be realistic, and capable of being put into practice. When there are changes to the original business case the potential impact on the original planned benefits, costs, risks etc should be assessed, reviewed, approved and reflected in an updated, live business case.

Although reference was made to a business case in some documents reviewed, and available documents such as a project execution plan, where there were elements of a business case, there was no evidence of live business case documentation that was updated as the project evolved and ran throughout the project. The passage of time and officer changes has potentially impacted on the availability of documentation.

The early years of project decision making was not agile enough. There was poor visibility and management of the changing scope as it developed over time, which included input from CADW, the Brecon National Parks (as the planning authority) and the value engineering exercise.

Opinion

- ***The lack of formalised planning and preparation in the early years of the project, prior to 2016, negatively impacted all later aspects of the project delivery including the ability to control the project as it evolved, the understanding of risk, the governance role, together with the transition between successive officers in similar roles.***
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- ***No assurance can be given that there was an effective, detailed business case in place at the start of the project. Although there were documents fulfilling elements of the role, there was no clear, updated business case documentation that ran throughout the project. By not capturing the details of the proposal at an early stage, there has been a contribution to unrealistic proposals which when combined with the Council's optimism bias has set the project up on an uncertain path and exposed the Council to increased risk of failing to meet its objectives.***

1.3 Funding



Given the nature and scale of the building, the matter of securing funding for the redevelopment of the Museum & Art Gallery became from the outset, integral to the way in which the project progressed and became a key issue. The main stages as regard the obtaining of funding were as follows:

- The obtaining of funding from the HLF was considered and actively sought with permission from the Board/Cabinet for many years. An unsuccessful first stage HLF application was submitted in November 2008 for a sum of £2.5 million. Match funding from PCC would have provided total funding of £5 million. Subsequently, a report to the Board in December 2009 stated the following:

“HLF advised that a revised submission would need to demonstrate improved value for money through a reduction in the grant requested and improved / enhanced benefits. Officers have been given specific advice that an application for £2 million or under is more likely to succeed than an application in excess of that amount.”

To add value to the scheme and to strengthen the application, the Board resolved to include a proposal to relocate the library to the site in the HLF application. A revised, successful bid for the first stage HLF funding was submitted in November 2010. A grant of £1,928,000 was awarded for the project, together with a development grant of £141,200 to support the costs of preparing the more detailed plans for stage 2 grant of the HLF application.

- It had initially been anticipated that the Council's financial contribution to the project would come from the sale of assets in Brecon. Potential property disposals had been identified but, the crash in the financial markets and the subsequent listing of the library building by CADW had significantly delayed progress and reduced property values. In December 2012, the Cabinet approved the creation of a County wide Local Asset Backed Vehicle (LABV), to facilitate asset disposal to generate funding to facilitate regeneration in Powys, with the Brecknock Museum/library project as the priority. On 19th March 2013, Cabinet resolved to confirm their commitment to the Brecknock Museum / Brecon Library Co-location Project at an approximate total cost of £8.4 million. Approval for the submission of the second stage HLF application was given, with additional funding provided by various stakeholders and the Council's share primarily funded with proceeds of £4m from the LABV. Included in the minutes was the following comment:

“The Strategic Director Finance and Infrastructure drew the Cabinet's attention to the risk of committing to the contract before all funding was in place.”

The report that went to this meeting sets one alternative to the above which is described as ‘do minimum’, that would allow the museum to remain open. ‘Do minimum’ incurred expenditure of £2,262,010 on minimal repair and maintenance, with the risk of additional significant expenditure on future major repairs estimated at £2,864,000. These repairs did not represent any improvement in the facilities at the museum. The report also states that the cost of developing the plans up to the HLF stage 2 was £341,243 and if the scheme were to be abandoned this investment would be lost.

- A HLF grant of £2,497,100 was subsequently awarded and accepted by the Cabinet in September 2013. Funding due from the Council at the time was £5,191,000 which included an anticipated £4 million of capital receipts from a LABV and £1,191,000 from the MTFP capital strategy. A notable comment from the Strategic Director, Resources (Section151 Officer) is:

“There remains a risk around LABV funding and the extent to which this will deliver requirements. However, if this is not concluded satisfactorily funding could be made available via prudential borrowing within the limits included in the treasury management strategy.”

- The LABV was duly investigated and was considered to be commercially unviable. Consequently, it did not progress and funding was made available via prudential borrowing.
- After many years of development, the crucial decision to proceed to contract was made by Cabinet on 24th May 2016 with a total estimated cost for the project now at £10.4 million.

The securing of the Heritage Lottery funding (HLF) was so important that it significantly influenced the decision to relocate the library to the museum site. Input from those interviewed indicate that the inclusion of the library in the scheme was a key point in the development of the project and it grew from a project with a total estimated cost of £5,000,000 to £8,000,000 by July 2012 and to £10.4 million by May 2016. The decision not to progress with a LABV as a means of generating funding was also significant, as now the proposed project had to be funded from Prudential Borrowing. The Strategic Director Finance and Infrastructure’s concerns regarding funding are evident in the minutes and were reiterated by some of those interviewed as part of this review.

Opinion

- ***The Council became overly focused on the securing of external funding notably a HLF grant award of £2.8 million.***
- ***The issues surrounding funding uncertainty and how it impacted on the project should have been clearly demonstrated within an up-to-date business case where the potential impact on the original planned benefits, costs, risks etc could have been assessed, reviewed, and approved.***

2. Execution & Delivery

2.1 Governance



PCC Board's approval for the Brecon Property Rationalisation and Regeneration project and associated project board was given in 2008. Leading up to the HLF bids, an initial project board comprising, amongst others, the Head of Service (project sponsor), contract project manager and client project manager worked through the design process. The initial project board reported to the Stronger Communities Programme Board, which was responsible for managing the Council's key projects. Project Highlight reports together with monthly Achievements, Risks & Issues reports were produced and issued to the Programme Board, Strategic Director, Head of Service etc. during the period up to the Cabinet decision to proceed to contract in May 2016.

In addition, there was a planning & operations group and a stakeholder group. The planning and operations group was made up of the Head of Service, the Property Manager together with senior officers within the library & museum service. The group dealt with practical issues involving the planned opening and operating of the building.

It was not until after the Cabinet decision in May 2016, that a full dedicated project board was set up. The full project board received similar reporting as its predecessor but no longer reported to the Programme Board. The full project board comprised councillors, senior members of the Arts Service, Heads of Service, the Strategic Director and representatives from property, finance, and the communications team. The Scrutiny Review comments: "It was considered - rightly or wrongly – that the creation of a wider project board would only be necessary once it was known if the project was affordable and approved by the Council/Cabinet".

A review of the available project board minutes indicated that project management updates and finance reports were presented at the board meetings.

Although a governance process was set up, interviews with those involved in the governance process, indicate that there was a general level of dissatisfaction with the adequacy of information made available for the fulfilment of the governance role in the early years, up to and including the May 2016 Cabinet decision. After the issues emerged in late 2016, there was a greater level of confidence in the information provided. Comments made concerning the governance process prior to the setting up of the full project board, included the following:

- Project management making key decisions without involving the governance process.
- Information presented to the board was not always as timely as it could have been.
- The governance process in the early stages was less embedded and overlooked key early challenges such as funding.

Issues with visibility and transparency within the governance process appears to have developed within the early stages of this project. This became evident upon the departure of a key officer and the appointment of a replacement officer in late 2016. For the governance process to be effective, progress must remain visible, so decisions to address an issue can be made as early as possible and help ensure that the project remains on track to achieve its objectives.

The project involved highly technical construction, contractual issues, financial and costing information which were presented in a technical way. Informed decision making can only be made based on good quality, timely information that is suitably presented in terms of technical details. The aim of the governance process is to challenge the robustness of the project scope and business case, but there is little evidence of effective internal review and scrutiny up to and

	<p>including the point in May 2016 when there was approval to go to contract. Good governance should be able to acknowledge that a project does not necessarily have to go ahead, accept that costs have been incurred for a valid reason and there are circumstances where potentially a grant offer should be rejected.</p> <p>A project body (stakeholder group), in some form, has been actively involved, receiving regular updates, throughout the progress of the project. However, the initial project team was project/service area specific and a full project board whose role would have been to consider the wider implications for the Council in terms of finance, collective benefits etc. was not created until after the crucial decision to go to contract was made in May 2016. The views of the service area, individual senior managers or councillors who have more direct involvement within a project, should play an important part in the decision-making process, but there should be a balance to ensure that the wider implication for the Council is not lost in the decision-making process.</p>
<p>Opinion</p>	<ul style="list-style-type: none"> ➤ <i>A governance process, although initially in a limited form, was in place throughout the project lifetime, but failed to address the key, early challenges including crucially the robustness of definition and funding for the project.</i> ➤ <i>The scope of the project evolved over the years as the project progressed. During the early years of the project, decision making was not agile enough and was unable to respond in a timely manner to emerging issues and the escalation of costs. The governance process did not have the ability to truly direct and influence the outcome of the project. A much stronger governance process was in place following the setting up of a full project board in 2016. A change control methodology, involving manageable project stages with gated decision points to ensure viability at each stage, was only in place when additional funding was requested.</i> ➤ <i>The Council derived safety and comfort in the belief that professional advisers would alert them to issues and thus protect the project from failure. A realistic assessment of the potential failures only became apparent upon the appointment of a new key officer in 2016. The Council did not at times have full visibility of the project and therefore was not able to intervene. When the true position became clear, the oversight process accelerated.</i> ➤ <i>Transparency and openness are a vital elements of effective project management.</i>

2.2 Risks



The identification, management and understanding of risks associated with any project are crucial and should be documented in a risk register. The risk register forms part of the business case.

A risk register was maintained as a live document for the project and was presented to Cabinet and Council as part of the reporting and decision-making process. The risk register was the responsibility of the Contract Project Manager originally within Property Services and later within HOWPS. In addition, there was a construction risk register held by the lead consultants and the main contractor. The construction risks registers by nature were complex documents, highly technical construction based and contained many items, with only the more important risks reported to Board/Cabinet.

Project Highlight reports together with monthly Achievements, Risks & Issues reports were produced and issued to the Programme Board, Strategic Director, Head of Service etc. during the period up to the Cabinet decision in May 2016 and continued to be produced when the contract work was ongoing. A review of examples of these reports made available for audit purposes, found that they included a RAG rating, impact and mitigation for the individual risks identified.

Despite the existence of risk registers and the reporting of risks to the Board etc. those interviewed believed that, prior to 2016, the risks were overly optimistic and were not fully understood by those responsible for decision making and involved in the governance process.

Opinion

- ***The Council brought both strategic and operational risks to the attention of key stakeholders. The speed of risk on the project was rapidly changing and evolving.***
- ***High risks (red areas) were identified, and mitigation actions were put in place. Frequently those high risks were re-classified as medium after mitigation, but there was limited reasoning behind that reclassification to justify the reduction.***

2.3 Staffing Resources



Staffing, both internal and contractors, together with the complexity of roles, responsibilities, and their interrelationships over a period of many years was a key feature of this project.

The Leisure & Recreation service originally commissioned the Council's Property Services to commence the project and put together the relevant documents. On the client side, representing the Leisure & Recreation Service there was a project manager who had no responsibility for the construction element, but only for the remaining elements including the cost centre. A good level of continuity has been achieved in this project manager role with only two officers in the role during the project. The project manager was managed by the project sponsor who was the Head of Service. Although there have been a few officers in the role of project sponsor, the appointment of the Head of Service as project sponsor ensured there was an individual with the appropriate level of authority to lead this project.

The Council's Property Services appointed an agency project manager to support their work on the project. Their role was to manage the lead consultants for the project. Senior management, at the time working without the support of an agency project manager, took the project forward and provided most of the input for the crucial Cabinet meeting held on 24th May 2016.

Property Services' (client's agent) role within the project transferred to the HOWPS Joint Venture with Kier when it was created in July 2017. The timescales involved in this project, further complicated by the move to HOWPS, resulted in a lack of continuity with key members of staff. The time taken for a replacement team member to become fully familiar with a project and pick up the legacy had a detrimental effect on the project especially during critical times.

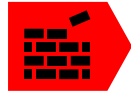
Although project sponsors, with a suitable level of authority were in place, they had to rely on the assurances provided by project managers responsible for construction and costing regarding technical/construction matters. In late 2016, when the issues with the project became known to the Council, the Strategic Director intervened and led efforts to bring the project back under control. Despite contingencies being in place and assurances given at the time, costs continued to escalate. Nevertheless, it has been noted that this was the point when oversight /governance improved as those with the responsibility had a much clearer, realistic view of the project.

The Council did not have the internal staffing resources, in terms of experience, skills and numbers of available staff, to deliver a project of the scale and complexity of y Gaer. Consequently, there was a reliance on agency staff, employed directly by the Council and contractors to deliver key roles. It was noted, there has been an inconsistency in the availability of the right technical/sufficiently senior staff over the lifespan of the project.

Opinion

- ***The development of project management skills within the Council lacked maturity at the start of the project and the Council became reliant on external consultants to fill this gap. The Council needs to ensure it has a range of the requisite skills, and experience to ensure competent project management teams.***
- ***The Council became overly reliant on key individuals and teams both internally and externally regarding the technical aspects of the project. This over-reliance put the Council at risk in terms of continuity and resilience.***
- ***The complexity of roles, responsibilities and the interrelationship between senior management, project managers, contractors and sub-contractors became an issue over the lifetime of the project, compounded by a lack of continuity with key members of staff and external consultants.***
- ***Senior Responsible Officers and Members, where appropriate, should be trained in project governance and oversight.***
- ***The Council did not consistently have a single point of accountability, in a suitably skilled, experienced, senior officer (SRO) who would have the influence and technical skills to coordinate all elements of the project.***

2.4 Contractors & Contract Management



In the early stage of the project, the Council worked with Capita who were responsible for the design on the first round of the HLF application. Subsequently in 2012, for the second round of the HLF application there was a mini competition under a Welsh Government Framework and Jacobs were appointed as consultants. Jacobs were the lead consultants whose role was to project manage and control the design team, working with Dobson's as the project's architects, as well as being the structural engineers, and quantity surveyors for the project. Jacobs as the quantity surveyors were responsible for the costings and financial forecasts on the project. Jacobs as construction project managers reported to the relevant lead officer within Property Services and later to HOWPS working in partnership with the Council.

An issue that had implications was due to the HLF requirement that the project had to be delivered by a designer employed by the Council and a separate contractor employed to deliver 'build only'. This created a risk for the Council because the contractor was not responsible for the design and so to help address this risk the Council appointed the main contractor early to work with the design team (Early Contractor Involvement). With Jacobs responsible for procuring the y Gaer contract, Kier were appointed through a framework as the main contractor in December 2014. As reported to the project board at the time and confirmed by the Professional Lead at HOWPS Consultancy Services, the main contract with Kier was signed on 21st June 2017.

There was subsequently a change in the nature of the fixed price contract with Kier, with a movement from one option to another within the contract. This is a highly technical issue and professional opinions were sought from the Council's Finance team and the agency project manager representing Property Services in May 2018. The key driver for the change of contract form, was to provide a higher degree of certainty around the cost to conclude the work, with the contractor accordingly bearing most of the risk.

HOWPS is a joint venture between the Council and the Kier Group that began in July 2017 to provide various property services, including an architectural and consultancy service for the Council. Cabinet approved the undertaking of a procurement exercise in July 2015 to identify a JV partner. This was done in line with one of the priorities of the One Powys Plan which was to remodel council services to respond to reduced funding. The joint venture contract was issued through the Official journal of the European Union (OJEU) with all stages of the procurement process managed through the E-Tender Wales portal. When HOWPS was set up, Property Services' role with the project went over to HOWPS's consultancy service. The role of this consultancy service is to deliver programmes and projects of this nature for the Council.

Opinion

- ***An independent tendering process, in line with Council guidelines, was followed for Jacobs' and Kier's appointments as consultancy and construction contractors respectively to the y Gaer project. In addition, a similar process following Council procurement policies and guidance was used for the appointment of the Council's JV partner. Kier were therefore involved with two different aspects of the project, originally as the main contractor and more latterly as the JV partner in the venture that was responsible for overseeing the delivery of the project on behalf of the client service area. The taking on of the second role (appointing and managing the Project Managers / Quantity surveyors) by Kier represents a potential or perceived conflict of interest and was a situation that needed to be carefully managed. This Audit review has found no evidence of an actual conflict of interest.***

3. Performance, Control & Completion

3.1 Performance & interrelationships



The success of the project was heavily reliant on the successful performance of the contractors notably Kier as the main contractor and Jacobs whose role was to project manage, control the design team, as structural engineers and quantity surveyors.

A mechanism was in place for the performance management of Jacobs as set down in the Framework Agreement. Issues surrounding the performance of Jacobs is evident from a Scrutiny review (15.06.17), minutes and supporting documents reviewed and comments made by those interviewed. A particular issue was the late submission of information from Jacobs. Issues with producing timely, accurate and understandable information represent a significant weakness with effective project management support. Senior management directly intervened, and the performance of Jacobs was stated to have improved following the intervention. The Council is currently not pursuing litigation against any contractor.

The design of the building was stated to be a significant risk, in that it was a complex, statement design. Of note is the cladding for the building, for which the issues are well documented and were stated to have arisen because the cladding was difficult to specify, manufacture and install. This represents one of the key early failures with the project in that the design was not adequately scrutinised at an early stage and opportunities to identify and resolve potential issues that later caused significant cost and delays were missed. There followed an expensive value engineering exercise of stripping out items from the design, to reduce costs to bring the design back in line with the funding available.

Kier, as the main contractor, had issues with the supply chain. They were late with the completion of the project with numerous deadlines for construction completion and handover missed. At the end of the construction phase, snagging was unnecessarily drawn out, had a detrimental effect on users but was at no additional cost to the Council.

This was a complex project that cut across various functions, service areas, involved major organisations including the Brecon Beacons National Park, Heritage Lottery Fund, CADW as well as the smaller stakeholders such as the library service. In addition, there was a complex matrix of contractors and subcontractors, where there was a heavy reliance on the timely completion of one contractor's/subcontractor's work to enable the work of another contractor/subcontractor to proceed on a timely basis. The chain of control through the various layers of Council officers/HOWPS, temporary agency project manager (client side), to Jacobs as lead consultants, to Kier as the main contractor and to the subcontractors was lengthy and complex. Observations/opinions expressed indicate there were issues with the clarity of roles. As reported in the Scrutiny Committee (15.06.17), the external contractors have not worked effectively together and programmed work planning has not run smoothly. Where there is such internal interdependencies, individual responsibilities need to be clear, so that others are not blamed for events that were out of their control. Ultimately the Council is responsible for delivering the project and managing the contract.

Opinion

- ***Although there were matters outside of their control that impacted on their ability to deliver the project, it is evident from Committee minutes, supporting documents and comments made by those interviewed that there were concerns on the performance of both Kier and Jacobs as the main contractors employed on this project. The Council were very dependent on these two external companies to deliver the project and needed to monitor their performance.***

➤ *In a complex construction project of this nature the lengthy, complex chain of control creates issues with responsibilities and agility within the decision-making process. The Council needed to define delegated powers to provide for this agility.*

3.2. Budgetary control



As detailed in section 1.3 above, the funding of the project had been a long-term issue. In 2008, total funding required was estimated at £5 million but by May 2016, this had risen to £10.7 million. It's noted that the actual cost of the project as of August 2021 was £13.6 million.

Many of the reasons for cost rises have been well documented in various board/cabinet reports, notably to Cabinet/Council on 26th January, 11th April and 19th September 2017 and to Audit Committee on 6th July 2017. As regard the reasons for the significant increases in costs that came to light following the decision to proceed to contract in May 2016, some of these issues, such as inflation, were evident. Although other costs materialised later, many can nevertheless be directly linked with early issues concerning the design and poor scoping of the project. The main reasons for the increase in costs include:

- Market inflation, with the Council failing to monitor and understand the construction market as the project was delayed.
- Unforeseen items including notably asbestos.
- Contingency fund (May 2016) was inadequate and unreasonable given the complexity of the project.
- Resolution of issues concerning a 'garden wall' that was not envisaged within the initial project.
- Complex, original design that required structural changes, value engineering and drawing changes.

There are numerous reasons for the delays, which had a major impact on costs, but included significant issues of engagement with the Brecon Beacons National Park as the planning authority and CADW. The issues concerning the garden wall, took 20 weeks to resolve and prompted a delay claim cost of more than £170,000 by the contractor.

The need to have a value engineering exercise is indicative of the issues facing the project before commencement of the construction work and a failure to produce an adequately scoped business case. The original architects design was deemed too expensive, and the plans were reworked to bring the costs down to within the budget. This exercise caused further delays with the project and created additional costs including drawing changes costing £100,000. The value engineering/costing exercises ate into the fee agreed with Jacobs for quantity surveying work on the project. Additional fees were subsequently paid to Jacobs. The value engineering exercise brought down costs by reducing the building's footprint, but ultimately failed in its aim to bring costs down to within budget.

Various reports have been produced for Committee purposes that set out an analysis of why costs have increased, notably to Cabinet/Council on 26th January, 11th April and 19th September 2017 and to Audit Committee on 6th July 2017. Further details can be found in these reports, but the costs can be summarised as follows:

Date position at	May 2016	January 2017	April 2017	May 2018 (Projected costs)	February 2019 (Projected costs)
	£	£	£	£	£
Pre contract costs (forward roof etc)	968,000	1,004,000	1,004,000	1,004,000	1,004,000
Contract sum	7,508,000	7,673,000	7,673,000	7,673,000	
Current Claims (re additional work)		208,000	307,000		
Projected Claims (re additional work)		200,000	708,000		
Jacob's cost reports of extra costs				1,595,000	
Total contract cost/sum (per Jacobs final report)					9,725,000
Fees	780,000	1,146,000	1,416,000	1,598,000	1,781,000
Other costs (Fit out contract, furniture etc.)	1,131,000	1,177,000	1,177,000	1,177,000	1,256,000
Kitchen/cafe			60,000		
Total cost	10,387,000	11,408,000	12,345,000	13,047,000	13,766,000
Budget (including risk/ contingency)	10,686,000	11,975,000	11,872,000	12,345,000	13,675,000

The key points regarding the increases in costs as set out above are as follows:

- The actual contract sum (January 2017) was higher than previously reported, due to a combination of inflation and a difficult contracting background in which tenders for sub-contract packages had not proven competitive.
- Work had been ongoing on site since July 2016 and by January 2017 current claims for additional costs had arisen, notably concerning the garden wall and the removal of asbestos. In addition, £200,000 was included as a projected claim for off-site highways works required as part of the planning permission for the scheme and needed to be funded by the project. These were works that had not been foreseen in the original contract.
- Fees had increased significantly by January 2017 and were for two main reasons. The lead consultant Jacob's fee was calculated as a percentage of the main contract works and was originally based on a contract sum of £5.2 million, the significant rise in contract costs necessitated an increase of £254,000 in budgeted fees to Jacob's. Once this issue became apparent, the Council did meet with Jacobs to explore issues regarding Jacobs' performance and to some extent did work successfully towards a better management of the fees. The second reason for the increase in fees was the inclusion of £112,000 for the employment of an agency project manager to join the Powys internal team. This was considered necessary because of the extended length of the contract and the need to closely manage the overall project.
- The extra costs projected in August 2017, by Jacobs for May 2018 were the likely additional costs associated with steelworks, mechanical & engineering works, stonework repairs, kitchen & café and the extension of time.

- In 2018, as detailed in the February 2019 projected costs, the contract price was fixed at £9,650,000 plus an open book risk pot of £75,000 giving a total contract cost of £9,725,000.

Costs as of 26.08.21 are detailed in the table below.

Brecknock Museum Forward Roof	£642,193
y Gaer museum & library colocation project	£12,718,341
Library Fit out	£262,028
Total actual committed costs	13,622.562
Total Budget	£13,652,912

Other associated project costs	
Restoration of artefacts	£195,963
Captain's Walk Gardens	£363,383

Opinion

- *Typically, as a project progresses there are fewer unknowns and greater accuracy with costs, but the increased costs that came to light once this project had been let were significant and continued to rise significantly as the project progressed. It is notable that many of these costs can be directly linked with early issues concerning the design and scoping. The underfunding of the project suggests an optimism bias in that the financial contingencies were insufficient given the risk and uncertainty of the project, particularly in the early days. The Council could have adopted a range of error to act as a contingency that could be narrowed and defined as circumstances and risks change.*
- *The design was not concluded in a timely manner and control mechanism including drawing changes, which had their own significant cost, had to be implemented with the aim of bringing the project back in line with the budget.*

3.3 Stakeholders and Business as Usual



Stakeholders have played an important role in the development of the Cultural Hub. The funding partners played a key role with the obtaining of the HLF grant in 2013 and as of 31st March 2021 the following additional external funding for the project has been secured.

Funding Source	
Brecknock Art Trust	£112,100
Brecknock Society & Museum Friends	£205,050
Other trusts & individual donors	£107,750
Army Community Covenant Grant	£226,306
CADW	£127,000
Welsh Government Culture & Sport	£250,000
Heritage Lottery Fund (Capital element only)	£2,873,787
RCP (Welsh Government)	£625,000

The Brecknock Cultural Hub Stakeholder Group first met in October 2014, as stated in its terms of reference the overall purpose of the Group was to keep key stakeholders up to date with the development and progress of the scheme and to resolve issues and risks, particularly where conflicting views may arise. The Group was a consultative forum, not a decision-making body. The Group, chaired by the Portfolio Holder for Regeneration, was comprised of local councillors, representatives from funding partners including the Brecknock Society & Museum Friends and Brecknock Art Trust, together with representatives from other local organisations and the service area.

The Group met bi-monthly and received regular Progress Update/Overview Reports from the project manager. These reports provided detailed information on the progress of the project. The Stakeholder group reported to the Stronger, Safer, Economically Viable Communities (SSEVC) Programme Board.

There was an early successful consultation on the project. The Stakeholder Group initially succeeded in its aim of keeping members informed of the development and progress of the project with good links established enabling the Stakeholder Group to feed into the main project board.

A key stage as regard the engagement of stakeholders was in 2019, when the Council entered discussions with Brecon Beacons College and started searching for additional funding partners to be involved with and occupy the building. A business case was put forward to support the need for additional users when forecasted costs indicated there would be issues with the running costs of the building. New users for the building required a redesign for part of the space within the

	building. Although consultation and communication with existing partners/users of the building continued throughout the project, there were concerns from stakeholders over the need for an additional new partner to come into the building.
Opinion	<ul style="list-style-type: none"> ➤ <i>The initial and continuing engagement with key stakeholders was successful and through much of the lifetime of the project goodwill developed. However, there were concerns that at a relatively late stage in the project there was a need for a new partner to come into the building. Continued stakeholder engagement, via communication and consultation throughout the lifetime of a project is essential. Especially around issues such as future viability and financial sustainability to ensure that the project meets its aims and there is a successful handover to users who would potentially be willing to support the future delivery of the building.</i> ➤ <i>The future viability, financial sustainability and the role of stakeholders needs to be clear from the outset and carefully managed as a project progresses, to ensure decision making on a project is balanced with stakeholders needs representing a proportionate influence on the decision-making process.</i> ➤ <i>The significant changes in resources/budget after the start of the project, resulted in a lack of clarity until the end of the project over the final use of the building and how income would need to be generated from third parties to make the building viable in terms of running costs.</i>

4. Lessons Learned & Current Project Management Practices



A review of governance and issues relating to costs were presented to the Place Scrutiny Committee on 15th June 2017 and to Audit Committee on 6th July 2017. These reviews clearly identify the main reasons for the increase in costs and the wider issues concerning governance, staffing etc. The Scrutiny report also correctly identified at the time, that the project costs were likely to continue rising.

The lessons learned section of the Scrutiny review represents a comprehensive description of the areas for improvement for future projects including:

- In the case of high-risk major projects, the adoption of peer reviews of proposals including cost estimates to ensure that decisions at key stages of the commissioning and procurement process are based on realistic cost.
- The need for fully defined business cases with suitable financial detail. The use of live business cases and the adoption of the five-case business model.
- The need to address general issues concerning contracts.
- The need to address other areas to ensure future effective project management such as experienced multi skilled teams, challenge at all levels, early engagement with stakeholders, governance, clarity of roles and responsibilities, transition between key staff.

An overarching principle to the ones set out in the Scrutiny review is the need for visibility and transparency at all stages of a project, so issues are less likely to become hidden and an overly optimistic bias is less likely to develop around a project.

Lessons learnt are in line with the findings of this audit review and although they are clearly set out within the Scrutiny report, there is no means within this style of reporting to track the implementation of the actions that are required to implement the identified lessons learnt. The findings of the Scrutiny review came too late to have any significant impact on the y Gaer project, but comments received from those interviewed indicate that there were improvements within the governance process, with a more open culture and the receipt of more accurate, timely information for the decision-making process.

During the intervening years, it has been possible to identify that significant steps have been taken by the Council to introduce robust project management practices. Most recently in 2019, the Council adopted the “Transformational Approach” to all change activity including project management. The Council has adopted the five-case model for business cases, which is acknowledged by the Welsh Government to be the UK Public Sector best practice approach to developing business cases. The University of South Wales were also engaged to deliver training.

The move away from a traditional to the “transformational” approach for project management addresses many issues identified in this review including:

- The creation of a toolkit containing governance arrangements, standard and supporting documentation templates.
- Focus on skills, multi-disciplinary teams, roles & responsibilities.
- Flexible project planning and an approach that is adaptable to changing priorities.
- Focus on removing barriers rather than on mitigating issues once they have arisen.
- Customer is at the centre and is engaged throughout the process.
- Benefit ownership, delivery and measuring is built into the business case helping to ensure that benefits are realised.

Those interviewed were confident that in recent years, within the Council, there had been a significant improvement in project management with the introduction of more resources and expertise. It was commented that there are significantly improved technological methodologies now in place, with a focus on the management of exposure to risk.

Audit Opinion

- ***Lessons learned were clearly identified during the 2017 Scrutiny review and although this process of challenge found significant issues, these issues were identified at a point in the project where it was too late to have any significant influence on the final outcome of the project. There was no means of tracking the implementation of actions to address the specific issues identified in the Scrutiny review.***
- ***The Council have indicated that robust project management procedures are currently available and that the necessary skilled officers are in place.***
- ***Post project implementation reviews were not routinely undertaken on previous projects to gather experiences that can inform future projects and protect the Council against potential loss and claims.***

3. Agreed Action Plan

1. Finding – Business Case & Organisation	Action									
<p>Although reference was made to a business case in some documents reviewed, and available documents such as a project execution plan, where there were elements of a business case, there was no evidence of live business case documentation that was updated as the project evolved and ran throughout the project. The passage of time and officer changes has potentially impacted on the availability of documentation. This contributed to issues with:</p> <ul style="list-style-type: none"> • Clarity of the project scope. • Understanding of the risks. • Effectively identifying the long-term opportunities for the building’s usage and its financial viability. • Production of clear, up to date documentation that would have assisted the transition between different staff, to help retain value and ensure the project’s objectives are still met. • The governance role to adequately address the robustness of the project scope and business case. • Controlling the project because any deviation from the original business case did not instigate a full review and update of planned benefits, costs, risks etc. • Demonstrating how the issues surrounding funding impacted on the project. 	<p><u>Service opinion</u> - Accept the findings of the Audit Report. There were significant project documents updated through the latter stages of the project, including the overarching ‘Super Programme’ but accept no document with the Business Case title was kept updated.</p> <p><u>Actions completed</u> - Since the inception of the y Gaer project, PCC policies and procedures around project management and governance have improved significantly. These improvements should help ensure that the issues identified for the y Gaer project do not materialise in future projects. Resources are available to project managers across PCC. The tender report completed prior to award of any contract has been updated and now requires a named contract manager to be responsible to take the project forward. A Capital Governance Framework has been adopted based on the Five Business Case Model and Gateway Review Framework. All capital schemes commissioned since March 2020 are following this framework.</p> <p><u>Actions outstanding</u> - Ongoing requirement for EMT to ensure that all capital projects are appropriately managed and business case documentation prepared and kept up to date.</p> <table border="1" data-bbox="1025 1027 2033 1246"> <tr> <td data-bbox="1025 1027 1308 1078">Priority</td> <td data-bbox="1308 1027 1554 1078" style="background-color: red; color: white; text-align: center;">1</td> <td data-bbox="1554 1027 2033 1078">SWAP Reference</td> </tr> <tr> <td data-bbox="1025 1078 1554 1129">Responsible Officer</td> <td colspan="2" data-bbox="1554 1078 2033 1129">EMT</td> </tr> <tr> <td data-bbox="1025 1129 1554 1246">Timescale</td> <td colspan="2" data-bbox="1554 1129 2033 1246">Ongoing but annual and quarterly capital programme reviews.</td> </tr> </table>	Priority	1	SWAP Reference	Responsible Officer	EMT		Timescale	Ongoing but annual and quarterly capital programme reviews.	
Priority	1	SWAP Reference								
Responsible Officer	EMT									
Timescale	Ongoing but annual and quarterly capital programme reviews.									

2. Finding – Funding	Action									
<p>The Council became overly focused on the securing of the external Heritage Lottery Fund grant. The issues surrounding funding and how it impacted on the project should have been clearly demonstrated within an up-to-date business case where the potential impact on the original planned benefits, costs, risks etc could have been assessed, reviewed and approved.</p>	<p><u>Service opinion</u> - Accept the findings of the Audit Report. External funding was essential for this project, with many strands of funding inter-linked and secured because of the successful award of the HLF grant money.</p> <p><u>Actions completed</u> -. Since the inception of the y Gaer project, PCC policies and procedures around project management and governance have improved significantly. These improvements should help ensure that the issues identified for the y Gaer project do not materialise in future projects. Resources are available to project managers across PCC.</p> <p><u>Action’s outstanding</u> - Ongoing requirement for EMT to ensure that all capital projects are appropriately managed and business case documentation prepared and kept up to date. Ensure Exit Strategy in place and ‘Do Nothing’ options are fully considered during key decision stages.</p> <table border="1" data-bbox="1032 724 2051 936"> <tr> <td data-bbox="1032 724 1317 775">Priority</td> <td data-bbox="1317 724 1563 775" style="background-color: #FFD700; text-align: center;">2</td> <td data-bbox="1563 724 2051 775">SWAP Reference</td> </tr> <tr> <td data-bbox="1032 775 1563 826">Responsible Officer</td> <td colspan="2" data-bbox="1563 775 2051 826">EMT</td> </tr> <tr> <td data-bbox="1032 826 1563 936">Timescale</td> <td colspan="2" data-bbox="1563 826 2051 936">Ongoing but quarterly and annual capital programme reviews.</td> </tr> </table>	Priority	2	SWAP Reference	Responsible Officer	EMT		Timescale	Ongoing but quarterly and annual capital programme reviews.	
Priority	2	SWAP Reference								
Responsible Officer	EMT									
Timescale	Ongoing but quarterly and annual capital programme reviews.									

3. Finding – Governance (Project Board)	Action												
<p>Although there was an initial, limited level of governance, a full project board with an appropriate membership was not set up until after key decisions were made. Particularly, during the early years of the project, decision making was not agile enough and was unable to respond in a timely manner to emerging issues and the escalation of costs. The governance process did not have the ability to truly direct and influence the outcome of the project. A change control methodology involving manageable project stages with gated decision points, to ensure viability at each stage, was only in place when additional funding was requested.</p> <p>There was a belief that outsourcing services protected the Council from risk and responsibility of failure. The risk of non-delivery will always sit with the Council. The use of external experts will help mitigate and control the risk, but the responsibility will always fall with the Council. A successful governance process requires clear roles and responsibilities, defined delegated powers, skilled officers/members in the role with formalised, agile decision making.</p>	<p><u>Service opinion</u> - Accept findings of the Audit Report.</p> <p><u>Actions completed</u> - Since the inception of the y Gaer project, PCC policies and procedures around project management and governance have improved significantly. These improvements should help ensure that the issues identified for the y Gaer project do not materialise in future projects. Resources are available to project managers across PCC.</p> <p><u>Actions Outstanding</u> - Ongoing requirement for EMT to ensure that all capital projects are appropriately project managed and business case documentation prepared and kept up to date.</p> <table border="1"> <tr> <td>Priority</td> <td style="background-color: #FFD700;">2</td> <td>SWAP Reference</td> <td></td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">EMT</td> </tr> <tr> <td>Timescale</td> <td colspan="3">Ongoing</td> </tr> </table>	Priority	2	SWAP Reference		Responsible Officer	EMT			Timescale	Ongoing		
Priority	2	SWAP Reference											
Responsible Officer	EMT												
Timescale	Ongoing												

4. Finding – Governance (Visibility & transparency)	Action												
<p>The Council did not have full visibility of the project, issues were not always promptly reported, and when they eventually come to light, it was often too late and the opportunity to effectively mitigate and deal with the issue had been lost. The Council need to be realistic around project delivery and not lose sight of the true picture rather than one influenced by optimism bias.</p> <p>Transparency and visibility should be encouraged within project management.</p>	<p><u>Service opinion</u> - Accept findings of the Audit Report.</p> <p><u>Actions completed</u> - Since the inception of the y Gaer project, PCC policies and procedures around project management and governance have improved significantly. These improvements should help ensure that the issues identified for the y Gaer project do not materialise in future projects. Resources are available to project managers across PCC.</p> <p><u>Actions outstanding</u> - Ongoing requirement for EMT to ensure that all capital projects are appropriately project managed and business case documentation prepared and kept up to date.</p> <table border="1"> <tr> <td>Priority</td> <td style="background-color: #FFD700;">2</td> <td>SWAP Reference</td> <td></td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">EMT</td> </tr> <tr> <td>Timescale</td> <td colspan="3">Ongoing</td> </tr> </table>	Priority	2	SWAP Reference		Responsible Officer	EMT			Timescale	Ongoing		
Priority	2	SWAP Reference											
Responsible Officer	EMT												
Timescale	Ongoing												

5. Finding - Risks	Action		
<p>The Council brought both strategic and operational risks to the attention of key stakeholders. The speed of risk on the project was rapidly changing and evolving.</p> <p>High risk areas were identified, and mitigation actions were put in place. Frequently those high risks were re-classified as medium after mitigation, but there was limited reasoning behind that reclassification to justify the reduction.</p>	<p><u>Service opinion</u> - The Project Board reviewed risks monthly. Clear roles and responsibilities throughout the lifespan of such large projects are essential, overseen by one SRO.</p> <p><u>Actions Outstanding</u> - Seek further clarification on what additional measures could have been put into place, to ensure future projects have a robust approach to risk management.</p>		
Priority	2	SWAP Reference	
Responsible Officer	Head of Housing & Community Development		
Timescale	31 st October 2021		

6. Finding - Staffing Resources/Capacity	Action		
<p>Project management skills within the Authority were in development at the start of the project and despite the consultants and agency workers employed, the authority did not have the experience and knowledge to take on a project of the scale and complexity of y Gaer. The Authority became overly reliant on key individuals as regard the technical aspect of the project, which became especially problematic as the timescales increased and there was a lack of continuity with key members of staff. This had a detrimental effect on the project and contributed to responsibilities becoming unclear with additional pressure on some staff who already had limited capacity.</p> <p>There needs to be a Senior Responsible Officer, with a suitable level of influence in an overarching role, responsible for delivery of all aspects of the project, yet is independent of the respective service areas involved.</p> <p>Senior Responsible Officers and Members, where appropriate, should be trained in project governance and oversight</p>	<p><u>Service opinion</u> - Accept findings of the Audit Report. Agree the need for a Senior Responsible Officer is key and that everyone understands their role and responsibilities for a project of this size and complexity.</p> <p><u>Actions completed</u> - The timescale of the project, changing staff and lack of clarity over roles and responsibilities for the whole life of the project undoubtedly hindered progress. However, it is understood that improvements were put into place for the latter stages of the project with the implementation of the Transformation Board, Project Board and work of the Programme Office.</p> <p>PCC has in recent years invested in contract, programme and project management training for officers across services.</p> <p><u>Actions Outstanding</u> - Ongoing requirement for EMT to ensure that all capital projects are appropriately project managed and business case documentation prepared and kept up to date.</p>		
Priority	2	SWAP Reference	
Responsible Officer	EMT		
Timescale	Ongoing		

7. Finding – Contractors & Contract Management	Action												
<p>By appointing Kier as the main contractor and later as a joint partner in HOWPS, who were responsible for overseeing the delivery of the project on behalf of the service area, the Authority has put itself in a position where a potential conflict of interest can be perceived.</p> <p>An information wall was used to provide limited independence between client and provider. However, an organisational separation of duties between client and contractor would have been more visible and resilient. This approach would offer protection to those officers placed in a vulnerable position.</p>	<p><u>Service opinion</u> - Accept Audit findings that no conflict of interest has been shown.</p> <p>A conflict of interest and confidentiality process exists within HOWPS, agreed in February 2018, to ensure that an information barrier is in place for projects deemed at risk of conflict of interests and to satisfy confidentiality concerns surrounding the presence of Kier staff working within HOWPS. This will be followed were necessary until the completion of the JV contract in July 2022.</p>												
	<table border="1"> <tr> <td>Priority</td> <td style="background-color: #FFD700;">2</td> <td>SWAP Reference</td> <td></td> </tr> <tr> <td>Responsible Officer</td> <td colspan="3">EMT</td> </tr> <tr> <td>Timescale</td> <td colspan="3">July 2022</td> </tr> </table>	Priority	2	SWAP Reference		Responsible Officer	EMT			Timescale	July 2022		
Priority	2	SWAP Reference											
Responsible Officer	EMT												
Timescale	July 2022												

8. Finding – Performance & Interrelationships	Action												
<p>Although there were matters outside of their control that impacted on their ability to deliver the project, it is evident from Committee minutes, supporting documents and comments made by those interviewed that there were concerns on the performance of both the main contractors employed on this project. The Council were very dependent on external companies to deliver the project and needed to actively monitor the performance of contractors.</p> <p>In a complex construction project of this nature, the lengthy, complex chain of control creates issues with responsibilities and agility within the decision-making process. The Council needed to define delegated powers throughout the project to enable this agility.</p>	<p><u>Service opinion</u> - Accept findings of the Audit Report.</p> <p><u>Actions completed</u> - Since the inception of the y Gaer project, PCC policies and procedures around project management and governance have improved significantly. These improvements should help ensure that the issues identified for the y Gaer project do not materialise in future projects. Resources are available to project managers across PCC.</p> <p><u>Actions outstanding</u> - Ongoing requirement for EMT to ensure that all capital projects are appropriately project managed and business case documentation prepared and kept up to date.</p>												
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Priority	2	SWAP Reference											
Responsible Officer	EMT												
Timescale	Ongoing												

9. Finding – Budgetary Control	Action
<p>The control and reporting of the costs were considered in three different silos i.e., construction cost, funding streams and the Capital budget. The meant that the reporting and controlling overarching cost could have been more dynamic and agile.</p> <p>Uncertainty at the earlier stages of the project led to escalating costs during the course of the project. When costs are uncertain, regular diligence and risk management needs to be considered at the earliest stage to allow considered decision to take place.</p> <p>The financial contingencies were insufficient given the level risk and uncertainty of the project. The Council could have adopted a range of error to act as a contingency that could be narrowed and defined as circumstances and risks change.</p>	<p><u>Service opinion</u> - Accept findings of the Audit Report.</p> <p><u>Actions completed</u> - Finance Business Partners were members of relevant Boards. Since the inception of the y Gaer project, PCC policies and procedures around project management, governance and budgetary control have improved. These improvements should help ensure that the issues identified for the y Gaer project do not materialise in future projects. Resources are available to project managers across PCC. The enhanced business case required as part of our capital strategy.</p> <p><u>Actions outstanding</u> - Ongoing and continued diligence of the teams with respect to our capital planning processes and forecasting. Ongoing requirement for EMT to ensure that all capital projects are appropriately managed and business case documentation prepared and kept up to date.</p>
<p>Priority</p>	<p style="text-align: center;">2</p> <p>SWAP Reference</p>
<p>Responsible Officer</p>	<p>EMT</p>
<p>Timescale</p>	<p>Ongoing</p>

10. Finding – Stakeholders & Business as Usual	Action	
<p>The engagement with key stakeholders was successful initially and through much of the lifetime of the project with goodwill developing. However, there were concerns that at a relatively late stage in the project there was a need for a new partner to come into the building. Continued stakeholder engagement, via communication and consultation throughout the lifetime of a project is essential. Especially around issues such as future viability and financial sustainability, to ensure that the project meets its aims and there is a successful handover to users.</p> <p>The reducing financial position and the need to generate income necessitated a more commercial approach to the use of the building. The Council should consider, at the very earliest stage, the likely uses of the building, the revenue that needs to be generated via commercial activity and the impact on funding stakeholders.</p>	<p><u>Service opinion</u> - The Service acknowledges and thanks stakeholders and volunteers for the key roles they played throughout the lifespan of the project. Engagement with Stakeholders was prioritised throughout the project, and for the majority of the time was positive. This invaluable support is ongoing with Stakeholder groups in operation supporting y Gaer through fundraising and promotion etc. Volunteer support is essential for the operating of the facility. On opening y Gaer had 71 active volunteers, supporting gallery invigilation, education activities and Library tasks. Currently (post pandemic) there are 40 active volunteers supporting the library, galleries and in maintaining the y Gaer gardens.</p> <p>It is unfortunate that changes to revenue budgets during the life of the project meant that changes had to be considered in the latter stages. e.g., the inclusion of partners to share the building and reduce operating costs.</p> <p><u>Actions completed</u> - There was regular stakeholder engagement throughout the project. Thanks to support from Brecon Town Council the building is now able to open 5 days a week, including the weekends.</p> <p><u>Actions outstanding</u> - There are plans in place to open y Gaer to the public 7 days a week in the near future, this will only be possible due to the support of stakeholders, volunteers and partners.</p>	
<p>Priority</p>	<p>2</p>	<p>SWAP Reference</p>
<p>Responsible Officer</p>	<p>Head of Housing & Community Development</p>	
<p>Timescale</p>	<p>Ongoing</p>	

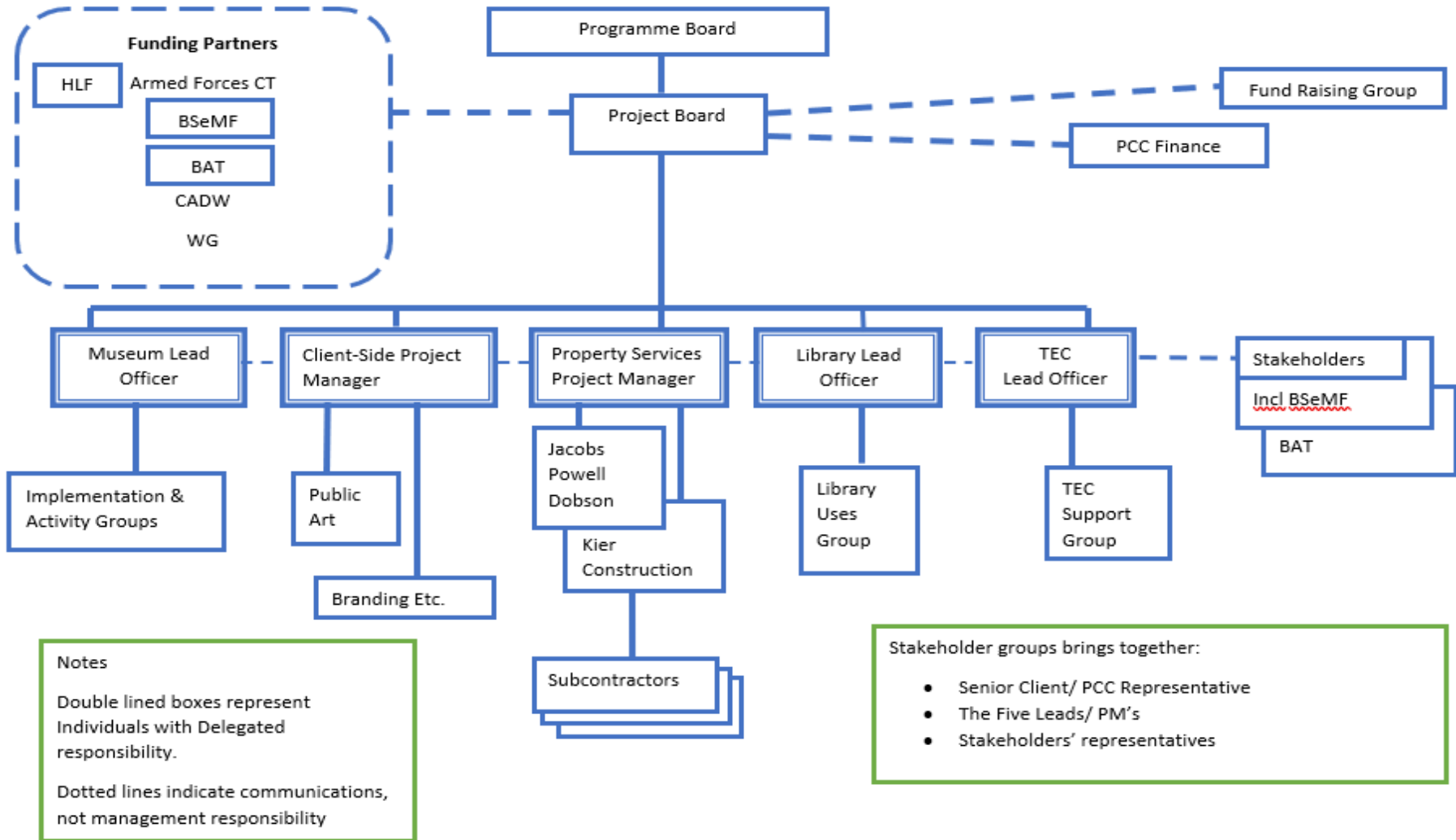
11. Finding - Lessons Learned & Current Project Management Practices	Action		
<p>Lessons learnt were clearly identified during the 2017 Scrutiny review and although this process of challenge found significant issues, these issues were identified at a point in the project where it was too late to have any significant influence on the final outcome of the project. There was no means of tracking the implementation of actions to address the specific issues identified in the Scrutiny review.</p> <p>Post project implementation reviews were not routinely undertaken on previous projects. The Council have not learned the lessons from project success and failure in the past to enhance projects in the future.</p>	<p><u>Service opinion</u> - Accept findings of the Audit Report.</p> <p><u>Action's outstanding</u> - Ongoing requirement for EMT to ensure that all capital projects are appropriately project managed and business case documentation prepared and kept up to date. This will include for post project reviews where appropriate.</p>		
	Priority	3	SWAP Reference
	Responsible Officer		EMT
	Timescale		Ongoing

Timeline – y Gaer

Date	Event
22.07.03	<u>Board</u> – Approval of a feasibility study for the redevelopment of the museum.
31.07.12	<u>Cabinet</u> - Approved the project and the use of a LABV to facilitate asset disposals and generate funds.
04.12.12	<u>Cabinet</u> - Approval for establishment of a LABV and gave delegated authority to a Project Board.
19.03.13	<u>Cabinet</u> - Confirmed commitment to the project and approved submission of a stage 2 application to the Heritage Lottery Fund.
10.09.13	<u>Cabinet</u> - Resolved to accept the Heritage Lottery Grant and increased the budget by £4m.
10.12.15	<u>Place Scrutiny Committee</u> – Raised issues regarding the project.
24.05.16	<u>Cabinet</u> - Increased capital contribution by £500k and gave officers authority to agree final contract price with Kier and enter into contract.
July 16	Construction commenced
20.12.16	<u>Cabinet</u> - Recommendation to increase Council’s capital contribution to £1,350,000 and to enter into contract with Keir to deliver the rest of the works.
26.01.17	<u>Council</u> – Considered Cabinet’s recommendation (20.12.16)
11.04.17	<u>Cabinet</u> - Update on costs and approved an increase of £473,153 from the capital budget.
15.06.17	<u>Place Scrutiny Committee</u> – Review of Brecon Cultural Hub and Governance
21.06.17	Signing of the main contract
06.07.17	<u>Audit Committee</u> – Report on the increase in costs for the project.
Dec. 19	Building opened

BCH Project Management Structure

Produced January 2017



Audit Framework and Definitions

Assurance Definitions

None	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the audit area.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

In addition to the corporate risk assessment, it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the partnership. No responsibility is assumed by us to any other person or organisation.

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