



**Sheffield City Council**

**Finance & Commercial  
Services**

**Internal Audit**

Fargate Container Review

**Final Report**

**Philip Gregory  
Director of Finance and  
Commercial Services**

**11/09/23**

This report must not be shared, amended, altered or updated without the prior written consent of Internal Audit.

**Audit Information**

Auditors responsible for the review:

Finance Manager	[REDACTED]
Auditor	[REDACTED]

Report distribution:

For Action	<p>Ajman Ali – Executive Director of Neighbourhood Services</p> <p>Kate Martin – Executive Director of City Futures</p> <p>Richard Eyre – Director of Streetscene &amp; Regulation</p> <p>[REDACTED]</p> <p>Philip Gregory - Director of Finance and Commercial Services and S151</p> <p>Claire Taylor - Chief Operating Officer</p> <p>David Hollis - General Counsel</p> <p>Gregg Fell – Strategic Director of Public Health and Integrated Commissioning</p> <p>James Henderson- Director of Policy and Democratic Engagement</p> <p>Meridith Teesdale – Strategic Director of Childrens Services</p> <p>Alexis Chapell – Strategic Director of Adults Care and Wellbeing</p>
For Information	<p>Kate Josephs - Chief Executive</p> <p>[REDACTED]</p> <p>Sean Mclean – Director of Regeneration and Development/ Head of Capital Delivery Service</p> <p>[REDACTED]</p> <p>[REDACTED] – Project Manager</p>

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	<p>[REDACTED] Senior Procurement &amp; Supply Chain Manager</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Sheffield City Council Audit and Standards Committee</p>
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**Audit and Standards Committee**

The contents of any no assurance or limited assurance, high impact audit reports will be presented to the Council’s Audit and Standards Committee either in full, or in summary. All other audit reports may be presented upon request by the Audit and Standards Committee.

**Freedom of Information Disclosure**

Before responding to any request under the Freedom of Information to make this report publicly available please consult the Finance Manager named above as it may contain exempt information.

**Independence**

Public Sector Internal Audit Standard 1100 directs we must always act with independence and objectivity. We must disclose any threats to that independence, in fact or appearance, and how we have managed them in completing our work.

We have no matters to report in connection with this audit review.

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## **Introduction**

The audit of Fargate Container Review is now complete. The review was undertaken using a risk-based approach, and this report details Internal Audit's assessment of the residual risk of each operational risk associated with the service/activity.

Where the residual risk following testing is low, no action is required. Where it is medium, or high, the recommended actions should enable a low residual risk to be achieved.

## **Objectives of the service/activity**

The Fargate Containers were designed to attract footfall to the city centre, with containers being converted into eating, drinking and entertainment spaces for the general public. Delays to their implementation attracted a lot of press coverage and public attention and this audit sought to ascertain what controls were operating poorly and determine lessons learned for the future of similar projects.

## **Purpose of the audit**

The purpose of the audit was to provide an independent opinion as to whether or not the operational risks associated with the construction of the Fargate Containers were managed effectively, and whether the objectives were likely to be achieved. Linked to the objectives above, this report will determine lessons to be learned going forward.

## **Operational risks and scope**

The operational risks are anything that could prevent, or hinder, the achievement of the objectives of the service or activity. The operational risks associated with Fargate Container Review, and reviewed as part of this audit, were:

- Procurement processes and management of contractor for the installation and build are ineffective or operating poorly (**Inherent Risk: high**)
- Governance and planning controls are not in place or are ineffective (**Inherent Risk: high**)
- Decision making is ineffective or poor (**Inherent Risk: high**)
- Financial controls and monitoring are ineffective or poor. (**Inherent Risk: high**)
- Stakeholder engagement and communication is ineffective. (**Inherent Risk: high**)
- Risk Management is ineffective or not in place. (**Inherent Risk: high**)

**Inherent risk** is the level of risk before the operation of any internal controls are taken into account.

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**Residual risk** is the risk remaining after testing the controls currently in place to mitigate the inherent risk.

Low residual risk areas are highlighted above. Refer to the implementation plan for the high and medium residual risks.

Where a recommendation has been made against an area of low residual risk, this is considered to be good practice.

### Assurance Statement

<b>No Assurance</b>	There are significant weaknesses in the system of control which could result in failure to achieve the Service objectives. Immediate management action is therefore required.
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### Organisational Impact

High	The issues identified are of high corporate importance. They are either of high financial materiality, present significant business or reputational risk to the Council, have a likelihood of attracting adverse media attention, are potentially of interest to elected representatives, or present a combination of two or more of these factors.
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### Executive Summary

Whilst the overall opinion is one of no assurance and high organisational impact, the purpose of this report is to identify areas where controls were operating poorly or where controls were not in place, to ensure that these are rectified. This report is not to apportion blame but to report on available evidence and identify required changes, actions and lessons learnt.

This report identified significant procedural and control failures across all risk areas tested. Internal Audit cannot provide assurance on any of the risk areas covered as very little evidence was provided by the team to mitigate them.

This report should form part of a post implementation review and lessons learned.

The majority of the findings in this report, relate to the procurement and construction of the Fargate Containers, and the recommendations made relate to projects going forward.

For audit reporting purposes, we have taken the decision to attribute the bulk of these corporate recommendations jointly to the Executive Director for City Futures who has overall responsibility for the Capital Delivery Service, and the Executive Director for Neighbourhood Services for awareness.

In addition, the Councils Strategic Leadership Team (including S151 Officer) have been named against actions - to ensure all recommendations are actioned for future projects.

It should also be noted that there is a future learning recommendation made for the Procurement Service/Head of Procurement.

Where specific actions have been raised about the Fargate Containers, these have been agreed with the [REDACTED].

### Broad Timeline

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NB: Insufficient record keeping meant that there was very little evidence to provide for audit review, therefore, IA has devised this timeline information from verbal interviews with officers and evidence where provided.

The initial opening date was planned for Jan/Feb 22 - but this was delayed, and the Containers finally opened for business in Oct 22.

15/07/2021	City Centre Programme Board sign off for Fargate Container Project
01/08/2021	Securing funding from Get Building Fund (GBF) for Fargate
02/08/2021	Planning permission looked into
06/08/2021	Update to City Centre Board short term action plan
11/08/2021	Research of potential suppliers provided by procurement
18/08/2021	Quote (1 only) from the contractor sent to HoS & DSR
24/11/2021	Planning/site boundaries/utilities info provided to the contractor
10/12/2021	Procurement Strategy & Contract Award
17/12/2021	Presentation on development of a container park
22/02/2022	Final version of Leaders report – containers to be ordered confirmed
14/03/2022	Planning permission granted
09/03/2022	Update on Installation and opening estimates for councillor
Apr-22	Building Control process began
22/04/2022	Update on installation and opening estimates for councillor
26/05/2022	Updated installation and opening estimates for councillor
Jun-22	Update to Business Model by the contractor
01/07/2022	Exec Director of City Futures explaining issues with Yorkshire Water to councillor
Aug-22	Building Control site visits
Oct-22	Building Control sign off
06/10/2022	Updated opening date

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### **Internal Audit summary**

Overall, in internal audits view, the construction failed as the usual and defined procurement process was not followed, nor were contract variations documented. Project management practices were not followed and more worryingly formal financial and contractor monitoring throughout the work was poor or non-existent, furthermore, no risk management was in place. The lack of controls and poor governance arrangements led to poor decision making and ultimately the project did not succeed.

When trying to ascertain the reasons for this project failure, it emerged that the head of service (who took on the de facto lead role on the work), did not have dedicated specialist skills, support and resource. The Council's specialist project management teams were not fully or formally involved, but only called upon using an 'ad-hoc' approach. (The head of service stated that whilst there were regular progress meetings, they acknowledged that they weren't formally documented due to lack of resource around the project - agreeing that this was a lesson to be learned).

No evidence was provided to Internal Audit as to why this route was taken, who made the decision and when this decision was made. This, compounded with a complacent relationship with the supplier led to the breakdown in controls. Had the controls been in place, the delays and subsequent costs associated with this project could have been dealt with and managed more effectively and professionally.

Controls not only provide management with assurance on the outcome or achievement of objectives, but they also serve to protect and support management and staff. They are a key requirement – even more so at a time when the Council was undergoing a significant amount of senior management and political leader 'churn'. During the time of the container construction there was a lack of evidenced governance, decision making and hand over/continuity reporting to mitigate the staff turnover. Staff turnover has inevitably had an impact on the effective delivery of this project.

Of concern, and although no formal evidence was found, verbally it was fed back to internal audit that there was a "now or never" mindset felt by staff – with pressure to be more agile and responsive, using the available grant to increase the customer footfall for the city centre post Covid. This led to the perception of urgency – and may have led to reduced controls.

There is a serious lesson to be learned here. No matter what the pressure, as officers in local government, we have a professional duty to adhere to Financial Regulations ensuring robust controls and governance arrangements are in place that help protect the public purse.

The recent Sheffield Street Tree Inquiry, released on 6<sup>th</sup> March 2023 and authored by Sir Mark Lowcock KCB, touched on the breakdown of controls in relation to the management of the city's street trees. As part of the overview, the report commented on the Council's behaviour during the period up to

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2019. Noting among a number of failings that Council teams failed adequately to consult others with wider expertise; that a ‘verbal culture’ meant that decisions taken at meetings were routinely not recorded and that failing to identify risk meant that nothing was done in mitigation. It recommended that the Council should consider whether its strategy and resourcing needed adjustment - to improve information management – both its record-keeping and how it manages communication with the public.

Whilst the points raised in the Lowcock report are being addressed, with an action plan, owners and review at board level, this audit is another example of the critical and urgent importance of work to ensure robust strategic and operational controls.

### **Critical/High Priority Recommendations**

All the recommendations raised in this report have been given either a High or Critical priority.

As per the Priority Key:

- Critical = Serious impact on the key system, function or process objectives (Issue requires escalation)
- High = Important (Significant impact on the service achieving its objectives)

The majority of the recommendations are intended to be forward looking ie: to ensure that lessons are learned and controls are put into place for future projects. There are, however, a number of recommendations which contain actions to be carried out upon conclusion of the Fargate Containers build.

Discussions during fieldwork and draft report stage were held with:

- Kate Josephs – SCC Chief Executive
- Ajman Ali – Executive Director, Neighbourhood Services
- Richard Eyre – Director of Streetscene and Regulation
- [REDACTED]
- [REDACTED] Procurement and Supply Chain Manager
- Sean McClean – Director of Regeneration and Development

### **Abbreviations used in this report – where not explained in the narrative**

- HoS – [REDACTED]
- DSR – Director of Streetscene and Regulation
- CDS – Capital Delivery Service

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### **Follow-Up**

Internal Audit will seek assurance that the actions agreed in this report have been implemented. Actions will be followed-up after the scheduled date for implementation, and the results reported to senior management.

Failure to implement the actions may be reported to the Council's Audit and Standards Committee, at the discretion of the Senior Finance Manager. The Audit and Standards Committee may request the relevant manager to explain any non-implementation.

Please also note that any critical or high priority recommendations that are not agreed will be reported to the Audit and Standards Committee, and again these may be subject to follow up by the Committee.

### **Customer Questionnaire**

In order to improve our service, a customer questionnaire will be sent out with this report. Your feedback and comments are valued, therefore, please complete it and return within 2 weeks.

**Findings, Recommendations and Agreed Actions**


<b>Risk 01</b>	<b>Procurement process and contractor management for the installation was ineffective (Inherent Risk: High)</b>				
<b>Residual Risk</b>	<b>High</b>				
	<b>Findings</b>	<b>Recommendations</b>	<b>Agreed Actions</b>	<b>Priority</b>	<b>Responsibility &amp; Timescale</b>
1.1	<p>Upon discussion with the Procurement Manager involved in this activity, it was established that the normal procurement route was not followed.</p> <p>At the time of the audit, there was no formal procurement manual explaining the current procurement process, though this was being developed. In lieu of this it was explained that the normal process would usually include searching for potential suppliers, inviting them to tender and selecting the best available option to contract with. Initially, the Procurement Manager searched for other</p>	<p>Looking forward and in line with the Council’s procurement policies, and financial regulations, the agreed standard procurement route should be followed.</p> <p>Procurement should be signed off only when appropriate and in compliance with the procurement processes and Financial Regulations.</p> <p>A procurement process/manual should be in place to provide guidance to those external to the team to further understand the correct processes to follow. See 2.1</p>	<p>Agreed</p> <p><u>Managers comments:</u></p> <p>This is very much a lesson learned for future projects.</p> <p><u>Senior Procurement &amp; Supply Chain Manager comments 07 09 23:</u></p> <p>At the time of the audit there was a procurement manual in place from 2014, which was going through an update. In</p>	Critical	<p>Head of Procurement (upon appointment)</p> <p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

<p>container parks to find out who had been involved in developments. A list of potential suppliers was provided by the Manager to both the HoS and DSR. This list of nine container parks included the contractor chosen (who had been in contact with the director already) and was provided by procurement as a list of potential suppliers to invite to tender.</p> <p>However, when the suppliers on this list were approached it was found that they were management companies for the container parks, not the initial developers. No response came from those who were approached.</p> <p>Normally, as explained by the Procurement Manager, at this stage, procurement would invite to tender, however this did not happen. Internal Audit (IA) found no written evidence of why this decision was taken</p>		<p>addition, since the fieldwork concluded, we have improved recording and escalation of the risks process.</p>		
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<p>and by who (or which designated Board).                  Staff interviewed stated that they felt pressure to get this work done, but again no written evidence of this was provided to IA.</p> <p>Instead, as the only known option, the contractor, who had already reached out with a proposal, were accepted and they were awarded a concession agreement.</p> <p>The Procurement Strategy and Contract Award were provided to IA. This document was signed off by the Head of Procurement and Supply Chain on 10/12/21.</p> <p>The grant used for this containers project was GBF (Get Building Fund) and a Leader's report was signed off by the Acting Chief Executive and Leader of the Council, in February 2022. This report mentioned that this Concession Agreement would</p>				
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	<p>be for eight months with £300k at risk.</p> <p>Though procurement was signed off at the correct level, there was no evidence provided to IA, to demonstrate that it was robust or complete to result in an informed decision-making process.</p>				
<p>1.2</p>	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>It was also explained to IA by the Procurement Manager</p>	<p>In line with good project management practices, going forward, robust monitoring, especially of milestones, is key.</p> <p>A reconciliation should be undertaken with regard to this build [Redacted]</p> <p>[Redacted]</p>	<p>Agreed</p> <p><u>Managers comments:</u></p> <p>As per 1.1</p> <p>[Redacted]</p>	<p>Critical</p>	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>Director, Streetscene &amp; Regulation</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

	<p>involved at the beginning of these activities that an implementation plan was never received by the contractor so these milestones were never properly agreed.</p> <p>No further information was provided by the team to evidence what had and had not been paid for, nor was any evidence of the agreed milestones provided.</p> <p>Therefore, no audit testing could take place to provide assurance on whether everything procured and paid for had been received.</p>				
1.3	<p>From discussion, the HoS explained that either he or the CDS Project Manager involved would authorise invoice payments.</p> <p>There was no structured, regular monitoring of the contractor throughout the installation process.</p>	<p>Looking forward, for all projects, management should ensure that there is an appropriate payment and authorisation process in place for contractors.</p> <p>This should be completed by someone with appropriate delegation and involved in the project. This process should include steps in place to ensure that payment is only made after verification</p>	<p>Agreed <u>Managers comments</u></p> <p>Management will provide extra invoices and details/evidence of the payment process.</p>	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p>

<p>Internal audit were told by the HoS that SCC were instructing a person who they thought to have significant experience in installing and maintaining containers, it was explained that this, along with the other works for the Council completed in the past by the contractor, meant that they trusted the contractor to complete the work.</p> <p>The financial tracker provided by the CDS team included information on the progress of works and showed the milestones being paid, however no information could be provided to IA, to show that this financial monitoring included any monitoring of the contractor.</p> <p>A sample of three authorised invoices were requested – and three invoices were provided. But, they did not demonstrate</p>	<p>of works done to the required standard (and agreed milestones met).</p> <p>There should be a clear separation of duties in this process and no one person should have whole responsibility for payments. This contractor authorisation/payment process should be documented and available to view from the onset of activities.</p> <p>There should be regular communication and monitoring of the contractor. Trust in previous works is not enough to evidence that work is being completed.</p> <p>Regular updates and meetings with contractors should take place, minutes and action points should be created as a result of these meetings and kept on file, available to view.</p> 			<p>31 October 2023</p>
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	any authorisation - or evidence the payment process in place for contractor payments.				
1.4	<p>It was explained by the HoS that the initial business model agreed with the contractor set out that they had to get the project to first fix, get tenancies on board and then progress to the final fix using funds raised by tenants to cover these costs.</p> <p>However, shortly after entering the agreement with SCC one of the two partners left the contractor's company. The remaining partner approached the Council to explain that the agreed business model would no longer be achievable, as with the time remaining, tenants would not have enough time trading to raise the money for the final fix.</p> <p>The HoS requested this change in quantifiable terms. the contractor provided this</p>	<p>Going forward, and in line with the Councils procurement guidelines, any changes to procurement contracts should involve the procurement team as they hold the expertise and are aware of the relevant laws, rules and procedures. Changes to budgets should be appropriately signed off and evidence of this should be retained and available to view.</p>	<p>Agreed</p> <p><u>Managers comments:</u></p> <p>As per 1.1</p>	<p>Critical</p>	<p>Head of Procurement</p> <p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

<p>information (an increase of £147k).</p> <p>The HoS stated that this information was then discussed with the DSR and the Procurement Team to establish whether a contract change document was required.</p> <p>According to the HoS, the Procurement Team agreed that as there was an existing concession agreement, changes could be made when both parties agree. Internal audit was not provided with evidence of this discussion.</p> <p>Through discussion with the Procurement Manager (who was involved in the earlier stages of the works) it was explained that he was unaware of any price changes and was not brought in to discuss contract variations, at this later stage. Though he did explain that this would be against SCC policies and procedures, and</p>				
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	<p>that a contract variation should be undertaken when amending any part of the contract, and this should be signed by both parties.</p> <p>This change in budgeted cost, from £300k to £447k went through the usual capital process according to the HoS. And was evidenced in the capital approvals appendix dated 7/6/22.</p> <p>Furthermore, no evidence was provided to IA to verify whether the actions taken by the team were appropriate when the change in business model occurred.</p> <p>However, discussion with the original Procurement Manager involved demonstrated that what happened was against usual procurement procedures.</p>				
1.5	Through discussion with the HoS, it was explained that the contractor was aware that	For future projects, contractors should be more robustly monitored - in line with standard project management. This	Agreed	Critical	Head of Procurement

<p>building control sign off was required before the site could be opened to the public. As a result, the contractor's architects contracted with the Council's building control team.</p> <p>Building control identified issues with the work and worked with the contractor to attempt to resolve these. During this time, the contractor reassured the HoS that any issues raised were minor and in hand. However, it later transpired that this was not the case - there were many issues, leading to further delays in opening the site and then only being able to open the ground floor of the site, as the first floor was deemed unsafe.</p> <p>The planned date for opening was initially Jan/Feb 2022, however, the ground floor only opened 21/10/22. Highlighting a 10 month delay.</p> <p>The contractor was provided with information on what</p>	<p>should also cover other Council team's involvement in the project. Communication between teams/contractors should be clear, regular and effective. Evidence should be provided to support contractor's assurances made.</p> <p>With regards to this project, management should ensure that any monies owed for the non-completion of the build ie: the upper floor/installation of lift are identified, reported and refund sought.</p>	<p><u>Managers comments:</u></p> <p>As per 1.2</p>		<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>Director, Streetscene &amp; Regulation</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>
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	<p>building control needed in April 2022 and site visits took place in August 2022. The contractor was unable to satisfy the issues raised in time for the delayed October opening date, leading to the opening being pushed back again, to October 21st. Demonstrating it took the contractor six months after being notified of the issues to action some of them.</p> <p>Through this discussion with the HoS it was established that building control was adequately involved [REDACTED]</p>				
1.6	<p>Through discussion with the HoS, it was explained that the concession agreement placed responsibility on the contractor for the installation, management and tenancies for the containers. This included the hire of any subcontractors needed throughout the works.</p>	<p>For future projects, management should ensure that there is a clear, robust process in place for all contractors and sub-contractors.</p> <p>This should be part of all contracts and works of this nature.</p>	Agreed	High	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p>

	<p>The concession agreement provided evidence of the agreed terms and indicated the contractor (referred to as the provider, in the agreement) was responsible for any subcontractors.</p>	<p>Regular monitoring and reporting of sub-contractor's performance should take place and evidence retained following the completion of the project.</p>			<p>31 October 2023</p>
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<b>Risk 02</b>	<b>Governance and planning controls are poor or not operating effectively (Inherent Risk: High)</b>				
<b>Residual Risk</b>	<b>High</b>				
	<b>Findings</b>	<b>Recommendations</b>	<b>Agreed Actions</b>	<b>Priority</b>	<b>Responsibility &amp; Timescale</b>
2.1	<p>IA requested the governance and planning documentation surrounding the container works, however no information was provided. There were no formalised governance structures, no list of those involved, no assigned roles and responsibilities, nor any reporting hierarchies.</p> <p>It was mentioned by the HoS that updates were reported to the City Centre Fund [REDACTED] but evidence of this was not provided, therefore the regularity and content of this reporting cannot be confirmed by IA.</p> <p>No clear governance documentation was available to view so no assurance can be provided.</p>	<p>For a project of this nature, and in line with standard project management principles, formalised governance structures and planning documentation should have been in place.</p> <p>It provides guidance and assurance for all involved in projects as it covers areas such as: roles and responsibilities, decision making, escalation, risk management, reporting hierarchies, timeline of activities, risks, delays etc.</p>	<p>Agreed</p> <p><u>Managers comments:</u></p> <p>As per 1.1. This is a wider lesson learned for future projects.</p>	<p>Critical</p>	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

	Given the ongoing staff changes at political , senior management and officer level the need for robust governance, clear decision making and comprehensive recording and documentation was even more important during this construction.				
2.2	<p>No project plan was provided to IA. There was no methodology nor any reference to the stages planned, nor the agreed milestones referenced in 1.2 in any of the documents provided to IA.</p> <p>It was explained that the milestones were included in a draft copy of the concession agreement, however neither the draft nor final were provided to IA so no assurance can be given on whether there was a clear project methodology in place with formalised governance in line with processes.</p>	<p>In line with any future projects of this size, there should be a robust project plan in place and available to view.</p> <p>This should include a methodology and stages for sign off, in line with the governance framework in place.</p> <p>As this project is concluding, and in line with standard project management methodologies, management should undertake a Post Implementation Review (PIR).</p> <p>The PIR should be reported to senior management, and lessons learnt recorded.</p>	<p>Agreed</p> <p><u>Managers comments:</u></p> <p>A PIR will be undertaken – and this audit report will be included.</p>	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>Director, Streetscene &amp; Regulation</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>



<p>2.3</p>	<p>Though the majority of the staff who met with IA felt that there were no issues with communication between services, the CDS Manager did explain that it was not normal for a construction project to not be a CDS project.</p> <p>The CDS team usually take a project manager role covering many areas such as, managing stakeholders, finances, risks, project plans, change control and cost reports/monitoring. However, on this occasion they were not involved, the reason for this is unknown to IA.</p> <p>The HoS who did lead explained that he felt a lack of awareness of the correct guidance by those actually involved worsened the issues, and earlier involvement from building control on the issues they were facing with the contractor could have helped in getting the works finished to a higher standard. The HoS</p>	<p>Going forward, and in line with project management methodologies, staff involved in works should be those best suited to the role (with the required knowledge, skills and expertise).</p> <p>Projects should be properly formed in line with project principles. Expertise and specialist knowledge should be harnessed, and all projects should be robustly resourced.</p> <p>Management should review the resourcing of this project as part of the PIR work.</p>	<p>Agreed</p> <p><u>Managers comments:</u></p> 	<p>Critical</p>	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>
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	<p>did state that building control were 'fantastic in attempting to identify and resolve issues' once involved.</p> <p>Through discussion with those involved in the works it can be seen that communication was not robust and the staff involved were not best suited to the role.</p>				
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<b>Risk 03</b>	<b>Decision making is ineffective or poor (Inherent Risk: High)</b>				
<b>Residual Risk</b>	<b>High</b>				
	<b>Findings</b>	<b>Recommendations</b>	<b>Agreed Actions</b>	<b>Priority</b>	<b>Responsibility &amp; Timescale</b>
3.1	[REDACTED]	<p>Going forward and in line with project management methodologies, decision making should be included as a key control.</p> <p>Decisions should be made at the appropriate level and recorded in line with governance structures.</p> <p>With regards to this project, management should ensure that all decisions made on the closedown – covering disposal, costs, stakeholder engagement, and working with other teams in the Council, are properly documented and retained.</p>	<p>Agreed</p> <p><u>Managers comments:</u></p> <p>[REDACTED]</p>	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>Director, Streetscene &amp; Regulation</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>				
3.2	<p>IA were told by the HoS that he believed with better guidance the works should have ended when first delayed by Yorkshire Water in May 2022.</p>	<p>Linked to above, decisions should be made when delays are expected, to ensure that plans can still be achieved.</p>	<p>Agreed <u>Managers comments:</u></p>	<p>High</p>	<p>Executive Director, Neighbourhood Services</p>

	<p>At this point only £200k of the £447k budget had been spent. However, he explained that when these issues arose, he still believed that they had contracted a specialist, they trusted the contractor’s abilities and that any issues would be raised and subsequently rectified.</p> <p>When the delays occurred, the contractor assured the HoS that they were still on track to complete. No further information or evidence was provided by the service team to confirm this.</p> <p>From this discussion it can be established that insufficient monitoring and viewing of supporting evidence, led to delays which were not dealt with in an efficient or timely manner.</p>	<p>This decision making should involve those with more specialist knowledge who are able to establish whether the works are still in fact achievable, regardless of a contractor’s reassurance.</p> <p>If staff in the specialist team deem the works unachievable, appropriate and timely decisions should be made to prevent further loss.</p>	<p>Whilst decision making was not robust, there was only a brief time window for the service to secure the High St Funding to enable the build etc.</p> <p>Given the goal to see footfall increase post covid, this placed staff under significant pressure to get the work completed swiftly.</p>		<p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>
3.3	<p>IA was not provided any decision-making documentation or communication that took place.</p>	<p>As above, decisions should be made in a timely manner, decisions should follow the established governance structure</p>	<p>Agreed</p>	<p>High</p>	<p>Executive Director, Neighbourhood Services</p>

	<p>IA is therefore unable to provide assurance whether decisions were made with detailed and accurate facts, with the correct members of staff involved and whether budget implications were taken into account at each stage.</p>	<p>and be communicated to those appropriate.                  Decisions should be made with full and accurate details, at the correct level with budget implications considered at each stage.</p>			<p>Executive Director,                  City Futures.</p> <p>Director,                  Streetscene &amp;                  Regulation</p> <p>All SLT members                  and S151 Officer</p> <p>31 October 2023</p>
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<b>Risk 04</b>	<b>Finance controls and monitoring are ineffective or poor (inherent risk: High)</b>				
<b>Residual Risk</b>	<b>High</b>				
	<b>Findings</b>	<b>Recommendations</b>	<b>Agreed Actions</b>	<b>Priority</b>	<b>Responsibility &amp; Timescale</b>
4.1	<p>A financial tracker, mentioned above, was provided by CDS. This showed an updated budget which had been agreed with the contractor. This budget had an overall total of £445,564. The invoices paid according to the tracker totalled £405,884, with £54,327 remaining unpaid. IA were informed that the tracker viewed was not the most up to date, however at the time of reporting a newer version was not provided.</p> <p>Though no further financial information was provided to audit it was briefly explained by the HoS that the service had since gone beyond the capital approved £447k of grant funding. This overspend had been agreed with the DSR, Director of Regeneration and</p>	<p>Regular financial monitoring is a critical control in projects of this nature.</p> <p>Robust finance monitoring and reporting should take place throughout for all future projects.</p> <p>Stronger monitoring in this instance, would've allowed those involved to establish where costs begin to deviate from the budget, and allowed action to be taken promptly.</p> <p>For this project, management should provide a monthly overview of the spend for the project. Covering forecast versus actual outturn, providing explanation for variances.</p>	<p>Agreed</p> <p><u>Managers comments:</u> Operational monitoring was undertaken on a regular basis – however this was not formally reported.</p> 	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>Director, Streetscene &amp; Regulation</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

	<p>Development, and the Executive Director of Neighbourhood Services, to be covered by revenue funding from the DSR's area.</p> <p>However again, this agreement was not evidenced and the overspend figure was also not shared with IA.</p> <p>As no evidence has been provided IA cannot identify when costs began deviating from budgeted costs nor if the response from the team was appropriate.</p>				
4.2	<p>The financial tracker used for the containers was provided to IA by the CDS project manager. (The tracker was created at the request of and shared with the HoS involved).</p> <p>IA were informed by the CDS project manager that [redacted] met with the HoS on two occasions to discuss the figures. The figures came from either the</p>	<p>Linked to the points above, robust finance monitoring should be in place.</p> <p>Regular meetings should take place to discuss this report attended by staff involved in the works, with accurate and up to date spending detailed.</p> <p>Allowing for responsive and timely action, preventing unexpected delays and overspends.</p>	Agreed	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>



<p>HoS [redacted] or the contractor. As [redacted] involvement in the project was limited, she had little knowledge of what was behind the figures.</p> <p>The HoS explained to IA that this financial tracker was monitored by the CDS project manager or the Head of Property Services, however this was not regular.</p> <p>The headline figures would be provided to the DSR and the Executive Director of Neighbourhood Services. These figures would also be part of a report taken by the DSR to the Strategic Delivery Board and S&amp;R committee.</p> <p>The HoS explained to IA that once the funding was agreed to be coming from GBF, the monitoring of this spreadsheet was reduced to occasional. No evidence of monitoring was provided to IA, nor discussion of the tracker at the Board or Committees mentioned above.</p>				
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	As no evidence has been provided to IA, no assurance can be given on the appropriateness of the financial monitoring.				
4.3	<p>IA were told by the CDS project manager that close down costs were calculated and agreed [REDACTED], the HoS and the contractor.</p> <p>Estimated costs of dismantling and transporting the structure to storage were included in the financial tracker as £8k and £3.6k respectively. However, the actual figures have not been provided, and as mentioned previously, the tracker viewed by IA had not been the most recent.</p> <p>It was explained by the HoS, no compensation would be required to be paid to stall holders as the contractor were contracting with tenants, not SCC.</p>	<p>For all future projects, management should ensure that accurate closedown costs are calculated, planned, and authorised.</p> <p>Robust budget monitoring – and reporting - on close down costs should ensure any variations are known and dealt with accordingly.</p> <p>Linked to above, management should provide a forecast of the closedown costs, and these should be reported and authorised.</p> <p>There should be ongoing monitoring and reporting of the closedown costs until the project is fully completed.</p>	<p>Agreed</p> <p><u>Managers comments:</u> The containers have been removed and as per 1.2, [REDACTED]</p>	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>Director, Streetscene &amp; Regulation</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

	As no evidence has been provided, no assurance on the appropriateness of closedown costs can be established.				
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<b>Risk 05</b>	<b>Risk management is ineffective (inherent Risk: High)</b>				
<b>Residual Risk</b>	<b>High</b>				
	<b>Findings</b>	<b>Recommendations</b>	<b>Agreed Actions</b>	<b>Priority</b>	<b>Responsibility &amp; Timescale</b>
5.1	<p>Internal audit were informed by the HoS involved that no formal risk management was in place.</p> <p>A risk register was in place for Get Building Fund (GBF) which was the source grant funding this work, however IA were told within this there was no specific mention of the container park work, nor was this risk register provided to IA. No risk management nor any risk reporting took place throughout the works.</p> <p>Robust risk management serves to mitigate and treat risks and issues - and the lack of this control on this project will have added to poor management decision making.</p>	<p>With any project, but especially with a high-profile construction project of this nature, risk management processes are mandatory and a key part of the suite of management reporting and controls.</p> <p>In line with the Councils Risk Management Framework and good project control methodologies, risks should be recorded, scored and mitigated appropriately with a risk owner responsible for each. These risks should be monitored regularly by relevant staff and updated as changes occur, improving awareness of the risks arising. Issues should also be recorded where a risk becomes an issue. Risks should be regularly reported to senior management, being escalated further as required.</p>	Agreed	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

<b>Risk 06</b>	<b>Stakeholder engagement and communications is ineffective (Inherent risk: High)</b>				
<b>Residual Risk</b>	<b>High</b>				
	<b>Findings</b>	<b>Recommendations</b>	<b>Agreed Actions</b>	<b>Priority</b>	<b>Responsibility &amp; Timescale</b>
6.1	<p>Information about identified stakeholders was requested by IA however this was not provided, so no assurance can be given as to whether stakeholders were identified and communicated with effectively.</p> <p>By way of example, IA found that it was the contractor’s responsibility to provide tenants with a tenancy agreement.</p> <p>The tenancy agreement, however, was only at draft stage, so when tenants moved in they had nothing to rely on should things go wrong. Internal Audit were informed [REDACTED] stall holders reached out to SCC</p>	<p>For all future projects, to mitigate future instances of poor stakeholder engagement – and in line with robust project methodologies, all stakeholders should be identified at the outset with the most appropriate method of communication identified and used. This should form part of the governance documentation.</p> <p>This should ensure information is shared with appropriate stakeholders in a regular and timely manner.</p> <p>On this project, management should consider whether to carry out a customer survey or PIR with the tenants to gauge their feedback.</p>	<p>Agreed</p> <p><u>Managers comments</u></p> <p>With regard to tenants’ feedback on this project, management have seen open letters to the press from tenants. The situation has moved on and there is very little to be gained from undertaking more feedback.</p>	Critical	<p>Executive Director, Neighbourhood Services</p> <p>Executive Director, City Futures</p> <p>All SLT members and S151 Officer</p> <p>31 October 2023</p>

	<p>who then did provide updates to tenants.</p> <p>In this instance it appeared that a group of stakeholders – namely, the container tenants were completely without formal support – and the Council had to mitigate this.</p> <p>No evidence of this communication was provided to IA.</p>				
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**Priority Key**

**Critical = Serious impact on the key system, function or process objectives (Issue requires escalation)**

**High = Important (Significant impact on the service achieving its objectives)**

**Medium = Operational (Could impact on the service achieving its objectives)**

**Efficiency/Effectiveness = Good practice (Minimal impact on service objectives)**