

WMCA Board

Date	1 November 2018
Report title	WMCA Review of Wolverhampton Interchange Lessons Learned Report
Portfolio Lead	Councillor Bob – Finance and Investments
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Report has been considered by	None.

Recommendation(s) for action or decision:

The WMCA Board is recommended to:

1. Note that actions undertaken by West Midlands Combined Authority (WMCA) to address the lessons learned highlighted in the Wolverhampton Interchange Train Station Lessons Learned Report (2017-18).

1. Purpose

- 1.1. The purpose of this report is to briefly summarise the WMCA's considerations following the publication of the Wolverhampton Interchange Train Station Lessons Learned Report (2017-18). This report is written from a governance control perspective in respect of the organisational changes and controls strengthened.
- 1.2. WMCA would like to thank the City of Wolverhampton Council (CWC) for sharing the report with the West Midlands Combined Authority.

2. Background

- 2.1. The Wolverhampton Interchange Programme and its governance pre-dates the West Midlands Combined Authority's formation. This programme was initiated in partnership with City of Wolverhampton Council, Centro and other project stakeholders who have worked in collaboration to deliver this facility in support of regeneration around the Wolverhampton City vicinity.
- 2.2. Centro through the Metro Alliance team were accountable leads for delivery of the Metro Extension element of this programme. City of Wolverhampton Council were and continue to be accountable for the delivery of the Train Station / Interchange and Multi-Story Car Park.
- 2.3. The West Midlands Combined Authority (WMCA) was established in June 2016. It was recognised that the Wolverhampton Interchange Programme and the Metro Expansion Programmes would form part of the WMCA Investment Programme. The Investment Programme appraisal, assurance and governance processes also established at the same time would apply to these programmes which differed from the Centro governance requirements.
- 2.4. The West Midlands Combined Authority operated under interim-leadership arrangements until the permanent Chief Executive and Leadership team had been appointed. The permanent WMCA Finance Director was appointed in October 2017, becoming the accountable lead for the Investment Programme. This has now been supplemented by the appointment of the Head of Strategic Programme Delivery role, filled by Sukhy Dhanoa (from July 2018).
- 2.5. In November 2017 a WMCA internal audit report was presented to the WMCA Audit, Risk & Assurance Committee highlighting areas in the Investment Programme's governance and assurance arrangements that could be strengthened. At this time, the Finance Director also commissioned an independent detailed review of this area by programme management consultancy firm Arcadis.
- 2.6. In June 2018, the Finance Director presented a report to the WMCA Audit, Risk & Assurance Committee summarising the actions taken to date to strengthen the assurance and appraisal processes for the Investment Programme. The proposed changes to the Investment Programme governance would be subject to approval from the Investment Board. The newly appointed Head of Strategic Programme Delivery will be accountable for leading on the implementation of Investment Programme assurance and governance review will be initiated in Autumn 2018 following the finalisation of the Investment Programme prioritisation exercise.

- 2.7. A number of changes have already been made to strengthen the WMCA's Investment Programme appraisal and assurance processes since Autumn 2017. In October 2017 when the Wolverhampton Interchange business case had been presented to the WMCA Technical Appraisal Panel, it was only the third FBC the panel had reviewed since the establishment of the WMCA.
- 2.8. Laura Shoaf (Managing Director Transport for West Midlands) has also given assurances that more robust controls are now in place for Midland Metro Alliance.
- 2.9. The Finance Director is further assured due to the measures already taken that there are now greater controls in place. These controls would have helped identify and address the issues highlighted in the report at an earlier stage when they were risks, and appropriate mitigations could have been developed to have greater visibility of the risk and ensure sufficient mitigation and monitoring arrangements were in place to reduce the impact if the risk was to materialise.
- 2.10. Appendix A summarises how the WMCA has addressed the risks highlighted through the lessons learned report.

The WMCA Programme Assurance function have developed a new way of working, agreed in principle by the Director of Finance. The new approach will enable assurances to be sought alongside Investment Portfolio appraisal processes on interventions from internal and external delivery organisations (TfWM, Local Authorities and appointed contractors). Assurance will be sought throughout Business Case development (SOC, OBC & FBC) and thereafter in delivery identifying that sensible project / programme structures and capabilities are in place relative to the size and complexity of the scheme. With negotiation with the Head of Strategic Programmes, the implementation of this approach will be synchronised to the implementation of the Investment Programme enhanced framework.

3. Financial Implications

None.

4. Legal Implications

None.

5. Equalities Implications

N/A.

6. Inclusive Growth Implications

N/A

7. Geographical Area of Report's Implications

Wolverhampton Interchange Train Station Lessons learned.

8. Other Implications

None.

9. Schedule of Background Papers

Appendix B provides the link to the original lessons learned report produced by CWC.

In Summary, Appendix A will demonstrate that the West Midlands Combined Authority's Investment Programme Governance, Assurance and Appraisal controls have been strengthened considerably since Autumn 2016. These controls are scheduled to be strengthened further as further planned enhancements have been embedded.

It would be rare at this time for a Full Business Case to be submitted to the WMCA for appraisal by a Delivery Organisation that had not previously submitted at earlier project/programme development stages. Progression of a business case for omission of a business case stage would need to be authorised by the Head of Strategic Programme Delivery and then endorsed by the Technical Appraisal Panel.

Financial and project due diligence monitoring would be undertaken on a monthly basis to highlight any discrepancies or growing variances that could trigger further review and risk discussions with WMCA.

Greater challenge and detailed appraisal reviews are now undertaken by WMCA and assurance processes are to be enhanced further. The intention is to work more closely and collaboratively with Delivery Organisations to share WMCA's standard expectations for business cases which need to comply with Treasury Green Book guidance/ National Single Pot Assurance compliant. This should support Delivery Organisation's improve their own Local Assurance arrangements where the majority of these lessons learned should firstly have been addressed.

Appendix A: WMCA Risk Mitigations in place to address Wolverhampton Interchange Programme Lessons Learned:

No.	Lessons Learned Theme	WMCA Risk Mitigation	Lessons Learned Reference
1.	Business Case Appraisal Processes	<ul style="list-style-type: none"> • Business Case appraisal processes have been strengthened since October 2016 • In October 2017, the FBC for the Wolverhampton Interchange Programme was submitted for appraisal. The project presented a Full Business Case (FBC). Ordinarily, the more common approach for subsequent business cases have been to submit Strategic Outline Business Case (SOBC) and Outline Business Case (OBC) prior to a FBC. Cost variances or earlier risks will initial costs compared to confirmed costs would be understood earlier through strengthened appraisal • Now a consistent set of pre-determined questions are asked as part of the appraisal process at all business cases stages • This was introduced in June 2018 in Technical Appraisal Panel (TAP) • Prior to the Business Case being reviewed at TAP, subject matter experts take a lead on reviewing the 5 Green Book business case areas to score the evidence presented in the business case • The Corporate Assurance Team review the whole business case and previous business case submissions for the Programme as part of the independent challenge 	1, 2, 5, 11, 14, 15, 16, 17, 18
2.	Independent Assurance	<ul style="list-style-type: none"> • The Programme Assurance arm of the Corporate Assurance Team is independent of the PMO and Programme Delivery teams • The principals of the Programme Assurance team's operating model and role within the Investment Programme has been approved by the Finance Director (June 18) • A Major Programmes Assurance Specialists undertakes a detailed review of business case submissions and provides an independent summary of the assurance findings – as part of the assurance review the Subject Matter Experts appraisal scores are taken into consideration • Any differences of views are shared with the Head of Strategic Programme Delivery ahead of Technical Appraisal Panel and aid in focus review of business cases in TAP • The Programme Assurance Manager will submit an independent assurance report to the Investment Programme Performance group which will be appended to the Investment Board reports where business case approval is being sought. A summary of programme assurance activity will also be shared with the Audit, Risk & Assurance committee as part of the 6 monthly reporting cycle • Any significant risks that need to be addressed will be highlighted in real time and reported to appropriate stakeholders and governance structures • The independent appraisal should have picked up if the costs submitted in earlier business cases had changed or the risks around tentative costs in the business cases should be made clear/ subject to change prior to the approval process. 	2, 5, 11, 13, 14, 15, 16, 17

3.	Strengthened Governance in Technical Appraisal Panel	<ul style="list-style-type: none"> The membership of Technical Appraisal has been improved since November. In addition attendance and part of the appraisal processes now (not in place previously) are, Head of Strategic Programme Delivery, Programme Assurance Manager, Benefits Manager, Programme Risk Manager, Investment Programme Accountant, Procurement Manager and Legal Services Manager. 	1, 4, 11, 15, 16, 17, 18
4.	Financial Due Diligence	<ul style="list-style-type: none"> Financial Due Diligence processes have continued to evolve and be improved with a dedicated Investment Programme Accountant. This is not the direct result of the Wolverhampton Interchange Programme, but in support of the Investment Programme. The WMCA Finance team work more closely with the Delivery Organisation's Finance team to understand finance monitoring/ expenditure forecast vs planned. Further evidence would now be received to understand if there is going to a variance in expected costs. The WMCA Finance team through the metro accountant were always closely monitoring costs on metro projects and reported the cost escalation as soon as it emerged through metro programme board Further evidence of financial due diligence will be requested by the WMCA from the Delivery Organisation as assurance processes are further strengthened Metro accountant and Metro Head of Projects attend monthly WIP Finance Review 	11, 18
5.	Monitoring & Evaluation	<ul style="list-style-type: none"> Monitoring and evaluation plans are now required and appraised for all projects that submit FBCs Ongoing monthly project monitoring to be undertaken by WMCA PMO As part of the WMCA Programme Assurance Operating Model – independent Project/ Programme reviews will be undertaken throughout the project/ programme lifecycle 	11, 13, 14, 15, 18
6.	Collaboration with Delivery Organisations	<ul style="list-style-type: none"> As part of the further improvements to be embedded it is intended that the WMCA work much more collaboratively with the Delivery Organisations this is from a PMO, Programme Assurance and Financial perspective. This closer working relationship should support both parties having a better appreciation of risks before they become issues Visibility of potential cost escalation/ time slippages should in the future become clearer much sooner New WIP Governance arrangements were implemented in May 2018 which incorporate a Senior Programme Board, Programme Board, Finance Board and Communications Board 	11, 13, 14, 15, 16, 17
7.	Specialists Roles & Skills to support Investment Programme	<ul style="list-style-type: none"> Since October 2017 when the Wolverhampton Interchange Business Case was initially reviewed under the WMCA governance, the following permanent appointments have been made which strengthens the controls and governance to appraise business cases for funding from WMCA. Through these roles which complement the existing teams, they further act in undertaking detailed reviews of business cases: <ul style="list-style-type: none"> Director of Finance (WMCA) Head of Strategic Programme Delivery 2 Programme Officers (in WMCA Programme Management Office) 	13, 14, 15, 16, 17, 18

		<ul style="list-style-type: none"> • Programme Benefits Manager – WMCA PMO • Programme Risk Manager – WMCA PMO • Programme Assurance Manager (in Corporate Assurance Team) • Major Programme Assurance Specialist (in Corporate Assurance Team) • Investment Programme Accountant (in Finance Team) 	
8.	Local Assurance	<ul style="list-style-type: none"> • Since February 2017 the WMCA PMO checks that Local Assurance has been undertaken to prior to business case submission reviews by WMCA • It would have been the expectation that a number of issues raised in the lessons learned report would have been addressed through this process prior to the WMCA Review • As part of the WMCA appraisal, the appraisal processes now would have established if there were urgent issues that need to be addressed before approval could be granted for the business case to proceed. • Head of Strategic Programme Delivery and Corporate Assurance Manager are taking a lead in evaluating any changes required to strengthen WMCA Local Assurance arrangements for WMCA led programmes such as the Metro Expansion, SPRINT programme and Rail/ New Stations Programme. 	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 14, 15, 16, 17, 18
9	Change Control	<ul style="list-style-type: none"> • Formal Change Control Processes are now contained within the new WIP Governance Plan • Delivery Organisations now develop a Change Request if there have been changes to time, cost, scope and benefits at all stages of the project/ programme lifecycle. 	6, 11, 14, 15, 17

Appendix B – Link to City of Wolverhampton Council Lessons Learned Report

<https://wolverhampton.moderngov.co.uk/documents/s77997/Wolverhampton%20Interchange%20Train%20Station%20-%20Lessons%20Learned.pdf>