



West Midlands
Combined Authority

Audit, Risk & Assurance Committee

Date	24 January 2023
Report title	Investigation into financial breach - Metro city centre extension, Wolverhampton
Accountable Chief Executive	Laura Shoaf, Chief Executive of the WMCA Email: Laura.Shoaf@wmca.org.uk
Accountable Employee	Helen Edwards, Director, Law and Governance Email: Helen.Edwards@wmca.org.uk
Report has been considered by	n/a

Recommendation(s) for action or decision:

Audit, Risk & Assurance Committee is recommended to:

Note the actions undertaken and the current position in relation to the investigation into the breach of financial regulations of the Metro, Wolverhampton city centre extension programme, delivered as part of the Wolverhampton Interchange Programme, and reported to WMCA Board on 16th December 2022.

1. Purpose

- 1.1 A briefing was provided to WMCA Board concerning the capital pressures of the TfWM capital programme, where it was recommended to board to commission a formal independent investigation through the Authority's Chair of Audit, Risk and Assurance Committee in respect of this scheme where cost control issues have resulted in a breach of financial regulations.
- 1.2 WMCA Board has noted the breach of financial regulations and approved the commissioning of a formal investigation to be undertaken immediately. The results of which should be reported to the WMCA and its constituent leaders.

- 1.3 Following the appointment of Mazars to undertake this investigation on 4th January 2023, Audit, Risk and Assurance is to be provided with a verbal update on progress to date. It is intended to report the findings to the WMCA Board on 10 February.

2. Background

- 2.1 Delivery of the Wolverhampton Interchange scheme to extend the Midland Metro light railway system was commissioned at a cost of £33.3m, with funding for the project being provided through a government grant, with additional contributions being made by WMCA and the City of Wolverhampton Council. Financial monitoring had identified that the costs of work had significantly exceeded the budget provision, including contingency allowances, without the required approvals from WMCA to the sum of c.£9.6m, resulting in a breach of the organisation's financial regulations.
- 2.2 WMCA Financial Regulations state that; any proposal to increase an approved capital budget by a variance of more than 10% of the existing budget shall require a report to be submitted to the WMCA Board. Variances within these parameters are delegated to the appropriate Chief Officer within the agreed Scheme of Delegations and will be reported to the WMCA Board in Financial Monitoring Reports.
- 2.3 In response to the Boards request, a Terms of Reference was prepared and approved by the WMCA's Monitoring Officer and Chair of Audit, Risk and Assurance committee on 19th December (attached as appendix 1). This was submitted to three suppliers for quotations to be received by 22nd December 2022 and following assessment of the bids received, Mazars were appointed to undertake the investigation on 4th January 2023 with a requirement for completion and final reporting to WMCA Board in February 2023.
- 2.4 Following the completion of obligatory Conflict of Interest checks, a contract was formally awarded and signed on 10th January 2023, with the immediate start of the investigation, and engagement with all relevant parties.

3. Financial Implications

Not applicable

4. Legal Implications

Not applicable

5. Equalities Implications

Not applicable.

6. Inclusive Growth Implications

Not applicable.

7. Geographical Area of Report's Implications

Not applicable.

8. Other Implications

Not applicable.

9. Schedule of Background Papers

Appendix 1 – Investigation Terms of Reference