

**North Hertfordshire District Council (NHDC)  
Overview and Scrutiny Review  
of the Hitchin Town Hall and District-wide Museum (HTH/DWM) Project**

**Introductory note by the Independent Chairman**

It has been a privilege to serve as the Chairman of the review. I am grateful to my four colleagues on the panel, to the NHDC staff who gave us so much support, to the witnesses who all took the process seriously, and to the members of public who attended. I also pay tribute to the loyalty and persistence of Town Hall and Museum staff during what has been a challenging few years and I congratulate those involved in opening the Museum on 6 July 2019.

I hope that during the review everyone had the opportunity to say what they needed to say and that the proceedings in themselves were worthwhile as a contribution to understanding what happened. The panel listened, made comments to elicit further information, and aimed to see the bigger picture as well as pay attention to detail. There were some good moments which led to clarity. Other moments revealed personal animosity, barbed criticisms and dubious humour, and these were revealing in a different way.

We have chosen not to mention any individuals by name in this report. However, a full account of the hearings, who said what and how they said it, is on the NHDC website and serves as the background for what is written here.

I offer my personal view that the review should not have been necessary. The Hitchin Town Hall/District Museum project was exciting. Though there were genuine differences in the visions for each, there appeared to be a willingness to overcome these in the early days. It is a matter of regret that entrenched positions, unwillingness to compromise, personality clashes and the abrasive nature of some communications led to breakdowns in trust and failures in partnership. It is disappointing that these were not dealt with at an early stage and that, as a consequence, the developments were delayed and the Museum was closed for far too long.

I am delighted that the Town Hall and Museum are now up and running. I hope that the report, though it cannot claim to understand or resolve all the things that went wrong, will be helpful to NHDC and acceptable to all parties.

John Richardson

Leadership Team Comments in RED and UNDERLINED:

We would like to thank the Chair and the Panel for conducting the review work and presenting conclusions in a concise and timely manner. We appreciate that the panel took an equitable approach to the submission of information by all parties and that may have limited some information that it could receive. As an over-arching principle the Council's approach is to learn from its experiences and best practice and will adopt this approach in relation to the conclusions.

## **A. BACKGROUND**

The development of Hitchin Town Hall and a District-wide Museum has been under consideration for over a decade. Based on NHDC's records, the panel understood that the main stages in this protracted scenario were as follows:

A Museums Fundamental Service Review in August 2005 recommended that a new Museum for the District, located in a town centre, be established.

In 2009, Hitchin Town Hall was identified as the preferred site for more detailed study into providing a new Museum. The initial proposal envisaged the main hall being converted into a museum and the gymnasium being retained as a community venue.

An alternative proposal was put forward by local community groups in February 2010, sponsored by Hitchin Initiative, which involved retaining the Mountford Hall as a community venue and developing the gymnasium and an adjacent shop for the Museum. Full Council agreed to proceed with the community group proposal in November 2010.

The proposal was subsequently taken forward by Hitchin Town Hall (HTH) Ltd.

On 12 October 2012, the first Development Agreement was signed, including 14 Brand Street.

In April 2013, Full Council agreed to a proposal by HTH Ltd to include 15 Brand Street in the development. On 9 September 2013, a second Development Agreement was signed, which expanded development to include 15 Brand Street.

In February 2014, HTH Ltd claimed breach of the Development Agreement which was denied by NHDC.

In July 2014, NHDC served notice breach of the Development Agreement to HTH Ltd which was denied.

In August 2014, Social Investment Business (SIB) notified the Council that HTH Ltd was in breach of its funding agreement.

In October 2014, HTH Ltd issued formal notice that a 'material breach' of the Development Agreement had occurred and sought to terminate the Agreement. NHDC asserted that HTH Ltd did not have the capacity to do this.

In July 2015, Full Council did not accept the proposals submitted by HTH Ltd to vary or replace the Development Agreement and instructed Officers to terminate the Development Agreement in the event of non payment of the HTH Ltd capital contribution. Full Council also agreed that it would operate the Town Hall directly and agreed the additional capital expenditure for the fit out of the Town Hall, which was originally HTH Ltd's responsibility.

In July 2015, Cabinet agreed a revenue budget to operate the Town Hall and the operational model to ensure community use. Linked to this, in September 2015, Full Council confirmed the immediate capital expenditure to a maximum of £138,000 for the fit out of the Town Hall.

Following the appointment of a Receiver to recover SIB's investment from HTH Ltd, in January 2016, NHDC sought to secure ownership of 14 and 15 Brand Street. HTH Finance Ltd subsequently bought the debt from SIB so the sales process was cancelled.

Later in 2016, the Council's exhibition fit-out contractor for the Museum, Light Brigade, went into liquidation.

In March 2017 Cabinet agreed a price for purchasing 14/15 Brand Street.

In October 2018, HTH Ltd agreed to the sale of 14/15 Brand Street to the Council. The deal was completed on 30 January 2019.

In July 2019, the Museum opened its doors to the public.

## B. PROCEDURES

It had been in the mind of the Overview and Scrutiny Committee for some time to carry out a review of the above but this was actually instigated following a meeting between the former Chairman and Vice Chairman of the Overview and Scrutiny Committee, the former Leader of the Council and the Group Leaders for both the Labour and Co-Operative and Liberal Democrat parties on 6 November 2018.

At the Overview and Scrutiny Committee meeting on 22 January 2019 the terms of reference for the review were agreed as follows:

*The overall aim is to review and better understand how the Council worked with community partners during the HTH/DWM Project. The sub-areas of investigation proposed for this are:*

- *To evaluate the issues that arose with partners during the project*
- *To evaluate the effectiveness of the contractual arrangements between partners and the Council*
- *To understand the risk management and risk sharing between the Council and partners*
- *To understand the performance issues that arose between the Council and its partners during the project*
- *To make recommendations to improve future partner working relationships*

It was further agreed that the review panel should comprise four Councillors, loosely reflecting the political proportionality of the authority, and that an independent Chairman should be appointed. Following interviews, John Richardson was chosen for this position.

The panel held its first meeting on 4 April 2019. It accepted the terms of reference with one change, namely to exclude the word 'community' before 'partners', on the grounds that there could be a range of individuals and organisations involved in the review, not all of them in the North Herts 'community'. The panel held a further meeting on 10 April 2019 to agree on procedures, including the method for gathering witness statements that would provide the material for panel hearings.

A call for statements was made on 9 May 2019 with a deadline of 14 June 2019 for them to be submitted. Fourteen were received and the Panel met on 21 June 2019 to give preliminary consideration to them.

Three panel hearings were held on 17 July, 18 July and 2 August 2019. Each witness was invited to give a ten minute introduction to their statement and they were then questioned by the Panel. The hearings were recorded and the minutes, along with the fourteen statements can be found via the following link on the Council's website:

<https://democracy.north-herts.gov.uk/ieListMeetings.aspx?CId=277&Year=0>

The panel met at the end of each hearing and members shared their thoughts on the proceedings. The Chairman then gave all the witnesses an opportunity to provide any additional comments in response to what they had heard at any of the three hearings. The statements made by the six witnesses that did so by the deadline of 14 August 2019 can be found via the following link on the Council's website:

<https://www.north-herts.gov.uk/home/museums/museum-and-town-hall-project/overview-and-scrutiny-review-hitchin-town-hall-and>

In preparing the Panel's report for presentation to the Overview and Scrutiny Committee, the Chairman used only the initial statements submitted, information provided during the hearings, additional information submitted on request during the period of the Review and any information

supplied as a result of the call for comments following the hearings. No other material has been considered.

The Panel met on 22 September 2019 to finalise its report.

## C. REPORT

The sub-area headings are used as a structure for the report though it is recognised that some matters straddle more than one.

### 1. To evaluate the issues that arose with partners during the project

Most of the witnesses described how the shared objectives and positive views of partnership at the beginning of the project were lost as it progressed. It is not easy to identify one particular moment when this happened but the following all contributed:

- HTH Ltd taking over from Hitchin Initiative as the main community partner, a necessary and totally legitimate development which was initially welcomed by NHDC but one whose full significance was not grasped at the time.
- The inclusion of 14 then 15 Brand Street into the equation.
- The alleged breaches of the terms in the development agreements named by HTH Ltd, in particular the nature of the wall on the Town Hall stage.
- The description of some developments by HTH Ltd as 'deal-breakers'.
- Complications in the financial arrangements.

The most significant complication in financial arrangements was the withdrawal of funding (and recouping of monies) to HTHL by SIB as a result of numerous breaches of the funding agreement by HTHL.

Whatever the reasons, the following issues emerged:

- All parties - local authority, voluntary bodies, community groups – failed to appreciate the different cultures within each organisation.
- Personal animosities, both between NHDC and partners and between elected Councillors, not least within the same party, were allowed to develop, resulting in pettiness and over-reaction.
- Intransigence was shown by key players in NHDC, HTH Ltd and Hitchin Town Hall Finance Ltd. NHDC's view is that it was extremely flexible in its approach within the parameters of the DA both to the development and the resolution of the funding situation.
- Accountability for the project was both clear and un-clear i.e. there was one responsible officer but the relation of that person to colleagues and Councillors was confusing. The project management at NHDC was clearly set out and follow the accepted Prince 2 Project Management format. The Project Executive is responsible for the delivery of the project following key decisions at Full Council. The Project Board advises the Project Executive who is responsible for taking decisions within the parameters set out by Full Council and reporting any exceptions to Full Council for a decision. The Project Executive was also supported by a Project Manager.
- An answer to the reasonable question of who was in charge was not obvious.
- The 'deal-breakers' as named by HTH Ltd were not regarded as such by NHDC.
- The conflicts of interest relating to one Councillor, who was involved in HTH Ltd and Hitchin Town Hall Finance Ltd, deflected the process for too long.
- The attempts at mediation were late into the process and do not appear to have been suitable for their purpose. In terms of disputes these were catered for in the DA but HTHL did not pursue the disputes resolution process. NHDC sought to undertake dispute resolution at an early stage and ultimately advocated, organised and funded mediation which took place.
- The impression is given that NHDC ploughed on and HTH Ltd ploughed on.
- The release of information by HTH Ltd was biased and NHDC, due to an agreement of non-disclosure, did not counter it.
- The delivery of the public consultation expected of NHDC's partners was not effective.
- The Town Hall, though a valuable community resource, continues to be criticised for the detail of the finish and issues such as damp. The damp that has been referred to by

witnesses in the main hall is not damp, this is a drainage issue that the lead contractor is aware of and the Council is working with them to resolve this.

## **2. To evaluate the effectiveness of the contractual arrangements between partners and the Council**

There is no reason to believe that the various contractual arrangements with partners were drawn up carelessly. They could and should have been suitable instruments for their purposes. It is therefore a matter of regret that some of them became a source of dispute and delay.

In particular, the two development agreements of October 2012 and September 2013 were drawn up in accordance with good practice and it is difficult to say how the details could have been improved. However, the different interpretations of their contents that subsequently emerged suggest that they were differently understood. In particular the alleged breaches named by HTH Ltd make it clear that there was little shared acceptance of the terms, with the result that understandings, exacerbated by personal mistrust, differed. It is accepted that a huge amount of effort was expended in drawing up the DA1 and DA2 and that all parties signed up to these contractual arrangements as being 'fit for purpose'. The parties took their own legal advice in drawing up the documents however the failure to use the disputes resolution process in the DA resulted in a situation where the disputes effectively remained 'unresolved'.

The construction of the wall on the stage is the main example of this different interpretation. The panel looked carefully at the evidence and can see why HTH Ltd disputed what happened. It does however believe that, in a more conciliatory atmosphere, it could have been resolved and need not have been a deal-breaker. This view applies also to the other alleged breaches.

The incident of the fork-lift truck on the Museum floor, mentioned by a number of witnesses, denied or down-played by others, was unfortunate and can be seen as a example of a failure to oversee the project in a disciplined way. In accordance with the contractual arrangement for the building work the site was managed by the contractors' on site Project Manager. The alleged incident with a fork lift truck did not result in any damage to the town hall and, in the event that it had, then the contractor would have been liable for repairs.

There is no evidence of a shared business plan, or shared business plans for different stages, that might have contributed to smoother progress. There was a shared project plan for the construction and fit out contract and these were shared/discussed at all Project Board meetings. The client Project Manager made progress and exception reports to Project Board for consideration.



### 3. To understand the risk management and risk sharing between the Council and partners

It appears that the risks inherent in a project of this type were generally understood and there was no deliberate attempt to play them down. With the wisdom of hindsight however, and given the atmosphere of mistrust that developed, some questions are worth asking:

- Were the financial implications of the different stages properly understood and managed? These were reported to Council and Project Board as appropriate.
- Was the standing of HTH Ltd as an organisation representing the community thoroughly checked?
- Was the emergence of Hitchin Town Hall Finance Ltd properly understood and tested? This was a body that emerged as a private company with 2 Directors who purchased HTHL debt from SIB as an alternative to the sale process being conducted by the Land & Property Act Receiver who had already been appointed. Whilst NHDC sought to deal with that company to acquire 14/15 Brand Street those negotiations were extremely protracted.
- Was there access to the accounts of both HTH Ltd and Hitchin Town Hall Finance Ltd? Agreed access to HTHL accounts was denied and the only accounts that could be accessed were those filed with Companies House. There was no basis to request access to HTHF accounts.
- Were risks of building on land not owned by the Council sufficiently understood?
- Did the financial status of Light Brigade create any doubt about its suitability as a contractor? These were checked as part of the procurement process in accordance with our agreed approach. Those circumstances have been separately reviewed and support the decision taken with all the facts available at that time.
- Was NHDC's management of the project on a regular basis thorough enough? Prince 2 project management methodology was used. This approach ensures the Project Manager reports to the Project Board at key points during the project and also if there are any issues that could impact on the Project Business Case. These reporting mechanisms were followed. The Project Manager also reported to the Project Executive on a regular basis to ensure he was kept fully informed of the progress and in accordance with Prince 2 requirements Project Boards took place at necessary points.
- Similarly, was its consultation with, and flow of information to, partners regular, clear and productive?
- Was it right to push forward when there should have been scheme freeze?
- More generally, could risks have been minimised if NHDC had been less intransigent when so many aspects of the project were challenged and fraught relations with partners were delaying progress? The risks at each stage of the project were assessed. NHDC did take a very practical and pragmatic approach to seeking to resolve matters whilst delivering on its obligations in the agreed Development Agreement. However, in terms of the Council taxpayer's interests, this did not mean that the council could simply 'roll over' and agree to partners requests.

#### 4. To understand the performance issues that arose between the Council and its partners during the project

The professional competence of the NHDC officers involved in the project is not disputed nor is the commitment of the Councillors with portfolio or executive responsibility. However:

- Too much responsibility was put on one individual officer who already had a heavy workload. The panel may not have been fully informed on the Project Management arrangements. The Council had a Project Executive (a senior officer) and that role is built into their job/workload spec. In addition there was a client Project Manager who spent the majority of their time managing the client role (ie dealing with the contractors) – the team also included a Project Librarian, and two Project Officers. A dedicated Project Officer, based on site, assigned specifically or for the majority of the time to that Project would have provided a better oversight. The Project on top of the day job was a significant amount of work, without the issues that subsequently arose between parties. During the construction phase, the building is within the control of the builder and unaccompanied access is not allowed unless the person is accredited under the Construction Skills Certification Scheme (CSCS). It would not have been practical, nor welcomed by the contractor to have a permanent presence on the site
- In particular the continuing inability to grasp the wall and damp issues on a technical level created a level of confusion and consequently delay.
- The locus of authority in NHDC - Councillors, Leader, portfolio holder, officer(s), Chief Executive – was not clear. The project management at NHDC was clearly set out in the project documentation and follow the accepted Prince 2 Project Management format. The Project Executive is responsible for the delivery of the project following key decisions at Full Council. The Project Board advises the Project Executive who is responsible for taking decisions within the parameters set out by Full Council and reporting any exceptions to Full Council for a decision. There were various advisors on the Project Board which included Councillors and officers (including at times the Chief Executive)
- The accountability arrangements within NHDC did not enable necessary action to be taken to relieve this pressure. NHDC sought to relieve the pressure through taking decisions in a timely and transparent manner.
- Full participation in the Project Board meetings did not happen.
- Clear and regular communication with partners was also a casualty of the working arrangements. Project Board members were fully updated in relation to all aspects of the project and every effort was taken to ensure that all views were taken into account.
- Disputes kept happening; the alleged breaches mentioned elsewhere being the most severe examples, though the tape on the floor to mark territories was particularly irritating. The tape was placed on the floor to assist valuers to assess the valuation of 14/15 Brand Street associated with the SIB led sale of 14/15 Brand Street.

## D. RECOMMENDATIONS TO NHDC

More than one witness welcomed the new approach to partnerships in NHDC and looked forward to good working relationships in future projects. This makes it clear to the panel that lessons have already been learned. It hopes that these recommendations to NHDC simply reinforce what is already known about improving future relationships.

1. Use whatever resources and good practices are available locally and nationally to understand and respect the different cultures of organisations that could be involved in partnerships e.g. community groups, voluntary bodies, pressure groups, business interests. Agree
2. Similarly, take further advice on ways of embracing community talent. Agree – where that can add value/experience to a project
3. At the same time, be prepared to be hard-headed in assessing bodies that claim to be representing the community Agree
4. Give careful consideration to the membership of any body that NHDC wished to become involved with in order to avoid declaration of interest issues arising. Agree
5. Ensure that political groups are aware of their responsibility to manage more strongly conflicts of interest within themselves. Agree
6. Recognise that shared objectives, transparency, constant review and immediate action on problems are key elements in projects. Agree
7. Ensure that every project has a living document detailing the responsibilities for each partner. Buy in of partners to their responsibilities is key.
8. Put in place a system with a higher level of due diligence for selecting contractors. This needs to be considered in terms of risk/cost analysis. It would also have potential adverse consequences for the appointment of smaller/local contractors who would not have the financial covenant strength of larger operators.
9. Acknowledge that telling partners what to do is not a replacement for proper consultation. Agree, but this of course applies to all partners.
10. If mediation is required as a possible solution to problems, be confident that it is timely and suitable for purpose. Subject to all parties agreeing on dispute resolution arrangements.
11. Acknowledge that getting the tone right in communication is as important as getting contents right. Agree
12. Accept that big projects need dedicated managers and should not be the responsibility of already hard-pressed officers, however able they are. Appropriate levels of project management rather than, necessarily, dedicated Project Managers.
13. Recognise that Chief Officers and Councillors need to be alert to the demands on colleagues and prepared to take action where necessary. Agree
14. Ensure that project management systems being used have clear chains of command and clarity about ultimate responsibility for decisions. Agree
15. Give more thought both to the composition of Project Boards and how they relate to partners in a project. Suggest that more time is spent making sure partners understand how projects are managed and delivered by the Council and the partners' role and responsibilities.
16. Remain confident that large projects for the benefit of the community can be successfully managed. Agree.

John Richardson – Independent Chairman  
Councillor Sam Collins  
Councillor Ian Moody  
Councillor Helen Oliver  
Councillor Valentine Shanley