

Report to: **Audit and Best Value Scrutiny Committee**

Date: **29 November 2006**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Delivery of the Capital Programme**

Purpose of report: **To provide a further update on capital programme slippage, including case studies, and work underway to minimise slippage.**

RECOMMENDATIONS

The committee is recommended to note the report and endorse the work underway and planned to minimise capital programme slippage.

1. Financial Appraisal

1.1 As outlined in the report to this committee on 20 June 2006 there are no direct financial consequences arising from the recommendations of this report. It remains a priority to minimise slippage in the capital programme to ensure value for money be delivering projects to time, cost and quality.

2. Supporting Information

Background

2.1 The previous report to this committee provided an analysis of the causes of slippage. It was seen that slippage can occur at a number of stages in the supply chain. The case studies attached as Appendix 1 to this report illustrate this, and reinforce the need for good project management at every stage, realistic and deliverable plans and estimates when setting the capital programme and good procurement practices.

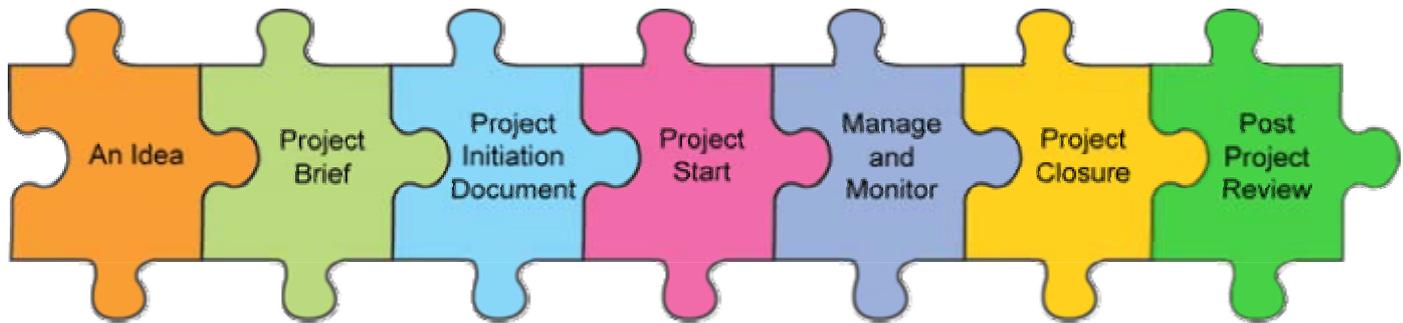
Project Management Toolkit

2.2 I reported in June that an "Excellence In Project Management" initiative was underway reporting to the Capital and Property Strategy Group (CAPS). This officer working group, led by the Deputy Director of Corporate Resources and including representatives from all departments, has produced standards and guidelines for project management which can be used throughout the Authority for all projects.

2.3 Rather than being produced as a paper booklet, these are contained on the intranet as "The Project Management Toolkit" (details and an intranet link have previously been circulated to all County Councillors). The new approach builds on the Authority's previous standards which most staff were unaware of and which were not widely used. The toolkit has been designed to include existing departmental best practice (and documentation) for specific types of projects.

2.4 The new approach is not just applicable to capital projects but is intended for use on any project whatever its size; the important issue is that the new approach is applied "proportionately". For example, every project needs a project plan but for a small project such as preparing a report the plan may be a few deadlines whereas for a larger project the plan may be so complex that it requires specialist staff and computer software to manage.

2.5 The toolkit uses seven key stages of a project 'life cycle'.



2.6 As well as information and guidance (including templates and checklists) for anyone managing a project there is also key guidance for Project Sponsors and Project Board Members. It is this role which is the most critical to the success of the project and is also the one which has been ill-defined and unclear. The toolkit sets out clear responsibilities for Sponsors and Board Members and specific checklists for their use (see the examples in Appendix 2 and 3). Project sponsors and Board members need to sign up to these standards and this will be a priority area of training.

2.7 The new approach has been adopted by CAPS and an approved Project Initiation Document (PID) is now mandatory for all capital programme bids before they will be classified as new starts in the capital programme and allowed to proceed.

2.8 Training, based around the toolkit, is being progressed and is likely to be available soon after Christmas. The approach will include introductory training for all managers likely to have to manage any project, targeted training for Project Sponsors and Board Members, and the continuation of professional project training (generally PRINCE2) where appropriate. It is important that all managers likely to be involved in project working attend at least the introductory training sessions – this could be some 200 managers. Funding has been identified for this initial training.

2.9 Ultimately the success of this initiative will depend upon whether the new approach is followed and strong support for the initiative from Members, Chief Officers and Senior Managers is vital.

Procurement of Consultants and Contractors

2.10 In my previous report I referred to the fact that poorly performing consultants and contractors were not receiving further commissions. A strategy for future procurement of these services has now been developed in conjunction with other departments and the South-East Centre of Excellence in Procurement.

2.11 The County Council's framework agreements with the design consultants who project manage, design and supervise construction expire in 2007. Work is in hand to re-tender these agreements. The service specification will place greater emphasis on cost planning/control and project management. The County Council will also be able to tailor the services required for individual projects by, for example, appointing a separate project manager to oversee the project.

2.12 The method of procurement of contractors is also being reviewed as the current list of approved contractors expires February 2007. Officers have made a significant contribution to the work lead by Hampshire County Council in setting up framework agreements with contractors for projects valued between £3 million and £30 million. A contractor for the £10 million Tideway School project was sourced this way, with contingent time savings through not having to conduct an OJEU tendering process. This approach is currently being extended to the £6.4 million Rye new primary school project, the next phase of work at Beacon School and a bundle of standardised children's centres in phase 2 of that programme.

2.13 We are leading work to create separate framework agreements for contractors in two value bands from £100,000 to £3 million in collaboration with West Sussex County Council and Brighton

& Hove City Council. When established in Summer 2007 this will significantly reduce lead-in times and provide for better management of contractors and sub-contractors.

2.14 At the same time, a shortened list of approved contractors which focuses on local specialist sub-contractors will be reviewed by February 2007.

3. Conclusion and Reason for Recommendation

3.1 This report gives greater insight into the causes of slippage by way of the case studies included in the Appendix. It also outlines how it is planned to minimise slippage through the Excellence in Project Management programme and continued development of design and construction procurement methods.

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DELIVERY OF THE CAPITAL PROGRAMME

Case Studies

Stafford Junior School, Eastbourne

1. Profiled spend for this project in the published capital programme:

Financial Summary	Total £000	Spend £000		
		2004/05	2005/06	2006/07
2004/05	1,550	540	975	35
2005/06	1,383	150	1,203	30
2006/07	1,523		911	612

The project envisaged 4 additional classrooms, 2 group rooms, ICT suite, library area, SEN room, improved hall provision, toilets, storage and hard play area.

2. The spend profile in the 2004/05 summary mirrors the figures in the bid to CAPS in September 2003. Figures arose from a feasibility study. The critical dates according to the September 2003 bid and those achieved are set out below:

Programme	Commission	Planning	Variance	On Site	Variance	Practical Completion	Variance
Planned	15.3.04	02.08.04	38 weeks	01.11.04	43 weeks	05.12.05	44 weeks
Actual	15.3.04	25.04.05		01.08.05		13.10.06	

3. The initial planned programme was too optimistic. Also once detailed design commenced it became apparent that it could not be built within budget. Various re-designs were undertaken to bring the scheme back to budget. The consultants did not engage with development control colleagues sufficiently early in the process and had to re-design. During re-design the consultant liaised heavily with the school but did not sufficiently involve the Children's Services Department. Delays at this stage largely caused cost to rise as building cost inflation was nearly twice normal inflation. When tenders were received the lowest was £193k over budget. It was decided reluctantly to omit the hall from the scheme and make other changes. A start on site was achieved August 2005 ie 10 months later than envisaged.

4. Further delays occurred once the project was on site. The site was a former refuse tip and consultants were aware of this. Methane monitoring had ceased 5 years prior as emissions had stopped being recorded. However once piling commenced methane emissions recommenced, the foundations had to be re-designed to enable venting, and a substantial amount of contaminated ground had to be removed. Six weeks were lost whilst the re-design took place.

5. The contractor, who has performed well on other jobs, failed to give a satisfactory service in this case. In all there were 6 different site managers during the contract and this led to poor site management. The company management failed to give adequate support to the site.

6. Officers and the school have also been disappointed with the performance of the consultant on this job. The consultant is not currently being offered further design

work. Officers from Children's Services and CRD-Property have had to intervene to a much greater extent than should have been necessary.

7. The cost of re-designing foundations and removal of contaminated soil was an additional cost. Should funding for this additional cost not be available elsewhere, it is likely that this will cause delay to another Children's Services project.

Cause of slippage	Future actions
1. Over optimistic programme/spend profile.	Requirement for better feasibility study reflected in PID accompanying CAPS bid. Use of Project Management Toolkit.
2. Although consultants gave total cost estimates to support capital bid, detailed design work struggled to get within budget.	Enhanced feasibility studies to pick up all main risks.
3. Consultants sought planning advice too late in the process.	Regular monthly meetings now established between Capital Projects team, Consultants and Development Control colleagues to vet emerging designs.
4. Tenders came in over budget.	Reduce pre-tender delays to avoid inflationary uplift. Require better pre-tender estimates from consultants. New consultant procurement will require better project management and cost control.
5. Need to re-design foundations and deal with contaminated soil.	The consultant should have allowed fully for ground conditions. Use of Project Management Toolkit will enable better challenge to consultants. New consultant procurement will enable better project management support.
6. Poor site management by contractor.	New contractor procurement methods will entail appointment using more quality criteria.

Peasmarsh School

1. Profiled spend for this project in the planned capital programme:

Financial Summary	Total £000	Spend £000			
		2004/05	2005/06	2006/07	2007/08
2003/04	500	120	360	20	
2004/05	1,100	350	750		
2005/06	1,297	82	826	350	39
2006/07	1,336		470	840	26

2. The project originally comprised a 2 classroom extension with possibility of further classroom at a later stage. The scheme went through many iterations. Final planned and actual programmes are set out below.

Programme	Commission	Planning	Variance	On Site	Variance	Practical Completion	Variance
Planned	29.03.04	20.09.04	22	07.02.05	33	05.12.05	48
Actual	29.03.04	21.03.05	weeks	26.09.05	weeks	10.11.06	weeks

3. There was an initial inception study to support the project which showed that the development could be accommodated on site. However this was a limited study and did not adequately consider the impact on neighbouring properties of the 'massing' of the proposed development. There was need for extensive adaptation of the design to achieve a scheme which could be recommended for grant of planning consent.

4. After the scheme was granted planning consent the site was identified as a possible location for one of the Phase 1 Children's Centres. To avoid further delay the scheme was put to tender with a £200k provisional sum should a children's centre be required to be built. This was to avoid having to re-tender should a children's centre be required.

5. Whilst the pre-tender estimate showed the scheme to be within budget, tenders came in over budget. Delay occurred whilst a Bill of Reductions was prepared and agreed with Children's Services Department and the school, and some additional funding identified.

6. Once on site much effort had to be expended to get the consultants and contractor working as a team as initially the atmosphere was contractual and claims conscious. At various stages the CRD Property Projects Officer had to intervene to ensure effective site management.

7. Three months into the contract the decision was made to include a children's centre. The only way this could be achieved was to site the centre where the possible further classroom had been designed. Design had to be amended. Planning consent was obtained as an amendment to the original planning consent to avoid further delay.

8. Inclusion of the children's centre inevitably caused some disruption to the original plan of work. For instance, cladding of one wall had to be deferred to allow for erection of the frame for the children's centre.

9. Towards the very end of the contract in August 2006 the contractor's Contracts Manager resigned from the company and the project lost momentum. The building was completed in September 2006 but external works were still being finalised at that time.

Cause of slippage

Future actions

- | | |
|---|--|
| 1. Insufficient feasibility work including spend profile. | Enhanced feasibility work reflected in PID before CAPS bid accepted. Use of Project Management Toolkit. |
| 2. Uncertainty over location of Children's Centre | Gateway process adopted which will 'freeze' design at relevant time. |
| 3. Tender came in over budget | Reduce pre-tender delays to avoid inflationary uplift. Require better pre-tender estimates from consultants. New consultant procurement will require better project management and cost control. |
| 4. Poor contractor performance at end of contract. | New contractor procurement arrangements will entail appointment using more quality criteria. |

Rose Cottage and Homefield Cottages

1. This contract forms part of a programme of works which was originally included in the capital programme in 2004/05.

	Total	2004/05	2005/06
Children's Mainstream Residential Strategy	6,860	860	6,000

2. In the 2005/06 capital programme this was broken down into its constituent elements:

	Total £000	Spend £000			
		To 31.03.05	2005/06	2006/07	2007/08
Rose Cottage	460	40	420		
Homefield Cottages	100		100		
Reproviding Old Roar	1,300		800	500	
Redevelopment of Lansdowne Secure Unit	5,000				5,000

3. Rose Cottage and Homefield Cottages re-provide the open unit at Lansdowne into 2 other properties and were included in one contract as both properties had been secured. This was initially a Social Services scheme which transferred to Children's Services in December 2005. The planned and actual programme for this contract is set out below.

Programme	Commission	Planning	Variance	On Site	Variance	Practical Completion	Variance
Planned	11.08.04	12.01.05	4 weeks	28.04.05	15 weeks	23.06.05	43 weeks
Actual	11.08.04	16.02.05		12.09.05		21.04.06	

4. The contract suffered early delay as initially only one tender was returned and it became necessary to re-tender. Once on site it became apparent that insufficient surveys had been carried out as more extensive works had to be carried out than had been anticipated and additional fire compartmentalisation works were needed.

5. The contractor failed to perform adequately and this plus the need for additional works resulted in work taking five months longer than planned. No further work is currently being given to either the consultant or the contractor.

6. It was envisaged that a further two properties would be needed to enable the reprovision of Old Roar. Delays in acquisition of two suitable properties have occurred due to difficulties in identifying suitable properties, abortive negotiations to acquire and the sensitive nature of planning applications for such a use. One property has been acquired but problems have persisted in acquiring the second where two proposed acquisitions were abortive. A third property has been identified and contracts are exchanged subject to planning consent.

7. Uncertainty over grant aid for the reprovision of the Lansdowne Secure Unit has led to slippage of £5 million initially from 2005/06 to 2007/08. Following the 2006 mid-year review of the capital programme the scheme has been deleted.

Cause of slippage

1. Need to re-tender.
2. Insufficient survey work by consultant.
3. Poor contractor performance.
4. Delays in acquisition
5. Scheme for Lansdowne Secure Unit dependant on external funding.

Future actions

New contractor procurement arrangements will avoid the need to tender each scheme through use of framework agreements.

Use of Project Management Toolkit and Gateway process. New consultant procurement arrangements will require better project management by consultants.

Contractor not being used again. New contractor procurement will enable appointment using quality criteria.

Difficult as not in control. Have amended strategy to obtain early exchange of contracts subject to planning consent being granted. Where possible avoid need to acquire.

Such schemes to be included in the latter 3 years of the capital programme, and only moved forward to the first two years once sufficiently certain and supported by adequate feasibility study and PID.

St Michael's Primary School, Withyham

1. Profiled spend for this project in the planned capital programme:

Financial Summary	Total £000	Spend £000			
		2004/05	2005/06	2006/07	2007/08
2004/05	750	265	485		
2005/06	750	70	660	20	
2006/07	913		158	737	18

2. This scheme did not feature in the CAPS bidding process in October 2003 but instead is one of a number which together comprised the New Deal for Schools (NDS) programme. The scheme was included in the NDS programme following prioritisation by the Schools AMP Group in February 2004. The principal cause of slippage has been lack of feasibility work before the budget and spend profile was incorporated into the capital programme.

Programme	Commission	Planning	Variance	On Site	Variance	Practical Completion	Variance
Planned	24.02.04	22.09.04	51	17.01.05	54	26.08.05	64
Actual	24.02.04	13.09.05	weeks	30.01.06	weeks	17.11.06*	weeks

*Buildings handed over 20.10.06

3. The original commission was to secure completion by 31 August 2005. Consultants were appointed March 2004. They prepared a number of schemes in the period to September 2004 but all exceeded the budget by significant sums. Their appointment was terminated.
4. Another consultant was appointed to carry out an initial feasibility in October 2004 and following production of an acceptable solution was commissioned to provide a full service in January 2005. Target completion date had now slipped to May 2006. The proposed design was discussed with the school and they asked for extra work to be done, which they would pay for. This gave rise to re-design which extended the lead-in period. The design was agreed June 2005. Planning consent had to be obtained and the job tendered so the target completion of May 2006 could not be achieved.
5. Planning consent was obtained September 2005 and tenders received at the beginning of November 2005. Tenders exceeded the budget by £42k so a further slight delay occurred whilst savings were identified and agreed with the school.
6. The contractor was appointed late December 2005 with a start on site end January 2006 and planned completion 15 December 2006. The start date was slipped 2 weeks from mid to late January as the initial task was to move temporary classrooms. A start earlier in January would require the school to move into the relocated classrooms mid-term. Delaying the start to end of January enabled the school to move into the temporary classrooms during half-term.
7. The contractor has performed well on site and gave early possession of the building on 20 October 2006. Practical completion is planned for 17 November 2006. The longer period on site than initially anticipated reflects the growth in size of the project, and a more realistic programme.

Cause of slippage

1. Insufficient feasibility work including spend profile.
2. Lack of visibility at time of CAPS bid.
3. Need to switch consultants.
4. Re-design to accommodate school requirements.
5. Tender came in over budget.

Future actions

Requirement for enhanced feasibility work evidenced by PID attached to CAPS bid. Use of Project Management Toolkit.

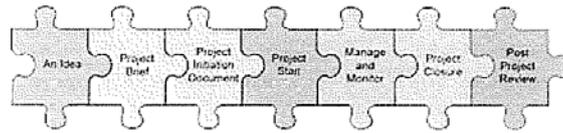
As above.

In this case poor performance by the consultant was surprising as generally this company give consistently good service. Better feasibility work is the principle requirement.

Allowance to be made in spend profile. Use of Project Management Toolkit, Gateway Process and RACI charts recently developed.

Reduce pre-tender delay by better project management to avoid inflationary uplift. Require better pre-tender estimates from consultants. New consultant procurement will require better project management and cost control.

Project Management Toolkit



Guidance for Boards and Sponsors

Project Boards and Sponsors play a pivotal role in the project management process. This page outlines what is expected of them at each stage

Stage 1: An Idea, Proposal or Business Need

- ☹ At this stage it is important for you to explain the 'idea' or details of what is required to whoever has been asked to prepare the **project brief**.
- ☹ Whoever is to prepare the brief may have no prior knowledge so don't assume that they have.
- ☹ They will need all the background information you can give them and may need your help to access additional information.

Stage 2: Producing the Project Brief

- ☹ The brief is the first stage of defining exactly what you want from the project and how it will be run.
- ☹ The brief allows you to check out key information and make sure that your idea is being correctly worked up into a project.
- ☹ Look at the **project brief page** and see what the brief should cover – make sure that it covers all the main headings. Further work and discussion may be needed before you can approve it.
- ☹ Remember always, you are responsible and accountable for the project.
- ☹ *Gate 1: Before progressing to stage 3 you should approve the Project Brief.*

Stage 3: Producing the Project Initiation Document (PID)

- ☹ In many ways this is the most important document and it's your responsibility to make sure it's right!
- ☹ It is the formal document which sets out all the key elements of the project and how they will be achieved.
- ☹ The PID should contain information about the project plan and timescales, budget, **risks**, reporting and management of the project.
- ☹ Time spent in understanding and challenging the PID to ensure that it has sufficient coverage and depth is time well spent. You must be entirely satisfied with it.
- ☹ When you approve the PID it starts the project and all associated commitments of resources. It is your mandate to the project manager to start the project.
- ☹ If you approve a PID which is not adequate then the project will probably fail!
- ☹ *Gate 2: Before progressing to stage 4 you should sign-off the PID checklist.*

Stage 4: Project Start

- ☹ This is the stage when the project formally starts and all of the details set out in the PID become 'real'.
- ☹ Look at this section of the **project start pages** which cover the key issues like governance, roles and responsibilities and finance.
- ☹ Make sure that what you authorised in approving the PID is actually happening. Use an early meeting with the project manager to check that the start is taking place in line with what was set out in the PID.

- ☞ Check out that the project is getting the **resources** and co-operation it needs. Can you help and enable a smooth start?

Stage 5: Manage and Monitor

- ☞ Whilst the day to day management of the project is the **project manager's** responsibility, all of the key decisions should be made by the Sponsor or Project Board.
- ☞ Throughout the project you need to ensure that you are getting sufficient, timely management information to carry out your role. You are accountable for the project so demand what you feel is necessary; there should never be any surprises.
- ☞ Any proposed changes to the project (compared to the PID) need to be formally reported to you for your consideration.
- ☞ If you are part of a Project Board don't assume that everything is OK just because no-one else is asking questions. Be an active board member - question and challenge until you are satisfied.
- ☞ You may periodically check back against the PID and the PID checklist to ensure that the project is still on course.
- ☞ You should use the **Managing and Monitoring checklist** to assess how well the project is progressing and whether you need to take any remedial action.

Stage 6: Project Closure

- ☞ Often the more interesting parts of the project have been complete so it's tempting to move on and not complete this stage properly. Don't fall into that trap!
- ☞ Although, for sponsors and board members there is often less activity here the key is to ensure that a proper, controlled and formal closure does take place.
- ☞ It's also the sponsor or board's opportunity to thank key people involved and recognise their contribution.
- ☞ You should also consider at this stage whether you will want a post project review at a later date.
- ☞ *Gate 3: Before progressing to stage 7 you should make sure that you are in agreement with the closure details – the Project Closure Checklist should help.*

Stage 7: Post Project Review

- ☞ You need to exercise judgement in choosing projects that will be subject to a post project review – are there likely to be many changes since the project closed?
- ☞ The post project review is best managed as a separate project in its own right.
- ☞ *Gate 4: If a review is undertaken use the Post Project Review Checklist to guide you.*

For a summary of the gates and checklists that need to be signed-off at each stage see the **overview chart**.



PID Checklist

This checklist should be completed by Project Sponsors or Board Members before signing off the PID.

Please save the checklist onto your network drive. It will default to 'save as RTF' (rich text format), but can be saved in Word format.

Project title	
Checklist completed by	
Date	

Question	Yes/No	Comments
Does the PID set out all the key background issues including any links or dependencies to other projects or targets?		
Is the PID consistent with the project brief?		
Are the objectives and outcomes exactly what you want and clearly stated?		
Are the deliverables and benefits correct and clearly stated?		
Is the scope in accord with your wishes – are the items excluded correct?		
Is there a risk analysis which sets out key risks to achieving the projects aims?		
Are all risks that you can think of listed?		
Are mitigation proposals realistic?		
Is there a clear project governance structure?		
Are all the important roles and responsibilities clearly set out?		

Does the input of others/size of project team seem reasonable given the size and scope of the overall project?		
Are the staff listed suitably skilled and experienced for the size and profile of project?		
Are any training needs of staff clearly set out?		
Is adequate effective senior management challenge included in the proposed governance arrangement		
Does the project structure include professional finance representation from the start?		
Are the proposed schedules of meetings and reporting structure sufficient for you to carry out your role?		
Have all of the resource implications been clearly set out?		
Do they look realistic?		
Have the necessary approvals for budgets and other resources been obtained?		
Is a realistic project plan including key activities, and milestones or deadlines set out?		
Does it meet the timescales you require?		
Is there a statement of what quality standards will apply?		
If needed, is a communication plan in place?		
Does it adequately cover the key internal and external communication issues?		
Does the PID set out an acceptable process for agreeing any changes to the project?		
Does the PID set out acceptable arrangements for closure of the project and how its success will be measured?		

Overall, are you satisfied that the PID forms a complete and acceptable basis for starting the project?		
On that basis are you prepared to be held accountable for the project in line with the PID?		