

SMT COMMENTS ON RECOMMENDATIONS

1. CONCLUSIONS AND RECOMMENDATIONS

1.1 The Task and Finish Group's terms of reference were to review the effectiveness of the Council's management of its larger projects; and to suggest improvements for ongoing and future projects. The Group looked at seven projects of different types in a variety of locations. It was also briefed on the Council's project management arrangements.

1.2 This review did not consider the Hitchin Town Hall and Museum Project. This will be the subject of a separate task and finish group once the project is complete.

1.3 Some projects were clearly well managed and successful, namely the Baldock and Royston Town Centre Enhancement Projects and the Herts 7 Building Control Project. Others were successful in some ways but less so in others for the reasons discussed below.

1.4 Despite the Council's best efforts, not every venture may succeed and even those that do may have to travel a bumpy road to do so. There is no doubt that these projects were well intentioned and everyone concerned worked hard to make them a success. Many of the Council's senior officers worked evenings and weekends to make this happen. The suggested improvements below are not a criticism of their efforts, only some constructive pointers for the future.

Baldock Town Centre Enhancement

1.5 This was a very successful project which originated from a time when town centres were a priority for the Council and it had funds available to improve them. The project was managed by Louise Symes in conjunction with Herts County Council and BDP and finished on time and within its £3.2 million budget. The scheme was successful in winning the Horticultural Landscape and Amenity Award 2009 under the Category Best Commercial Project.

1.6 There was much to admire about the project. It was very well planned, and the community engagement carried out by the designers BDP was excellent. An unattractive public space was transformed with commercial and community benefits. The materials used were of high quality obviating the need for lots of ongoing maintenance.

1.7 The project met all of its objectives except its desire to enhance the link between Tesco through the Memorial Gardens to the town. The Council had included this as a condition of Tesco's planning application for expanding the store but the scheme was subsequently dropped by Tesco. Although a relatively minor point in this project, the Group considered it was important the Council set objectives that were achievable and avoided those which we're not. This will be referred to again below.

Enhancement of Fish Hill Square in Royston

1.8 This was a similar project in many ways to the Baldock Town Centre Enhancement, albeit on a smaller scale. Once again it was successfully managed by Louise Symes in conjunction with BDP and was completed on time and on budget. It did not cost the Council anything (except officer time) as its initial budget of £450,000 was funded entirely from the Government's Growth Area Fund. Hertfordshire County Council contributed a further £45,000 for additional drainage works to ameliorate the flooding problem in Church Lane.

1.9 Once again the Council and the designers BDP did an excellent job in planning the project and in consulting and engaging with the community. They were creative in getting local school students involved in the design of the sculpture; and engaging with local residents and businesses in the naming the square.

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District Council Offices (DCO) Refurbishment

1.10 This project is the latest part of a wider project to rationalise the Council's accommodation. The first phase was vacating Town Lodge in February 2011 with attendant revenue savings of £70,000. The next phase was the Council's purchase of the building itself for £3.6 million in December 2013 which generated a net revenue saving of £128,000 which is a return on investment of 3.5%.

1.11 With the purchase of the DCO complete, the Council needed to progress the next stage of the project. However, there followed a pause between the end of December 2013 through to the summer of 2015 when the Council seemed to be undecided about what to do next and the project lacked leadership. It clearly needed to do some essential maintenance which was outstanding from its time as a lessee but was uncertain whether to do just the bare minimum, or, if more than that, how much more. The project was drifting. The Council had not learnt its lesson from Churchgate and other projects. The longer a project is in the incubation stage and the more it overruns, the more likely it is to suffer from increased costs and other unforeseen problems.

1.12 The Council appointed Howard Crompton, Head of Revenues, Benefits and IT to get the project back on track. Howard has rescued and revitalised the project by first establishing and then clearly setting out the Council's options along with the costs and benefits of each. The Council made its choice but the delays and extra project specifications have added an extra £2.4 million to the budget which now stand at £5.9 million, including contingencies. It is less clear whether the return on investment (around 1.6%) for this phase of the project is adequate, although this has to be considered alongside the other, non financial benefits to the Council.

1.13 There are two lessons here. First, large projects need leaders throughout the entire term of the project to drive them forward, which will be discussed further below. Second, it is important that the Council makes decisions and gets on with implementing them. Construction industry inflation and mission creep can add significantly to allocated budgets. Long delays can result in the Council needing to find significantly more capital than it has planned for.

Recommendation 1: The Council needs to be more decisive about what it wants from larger projects and once it decides, it needs to get on with them.

SMT Comments on Recommendation 1

SMT supports the position that the Council needs clear and expedient decision making in deciding whether to progress with projects and the basis on which projects are progressed. Furthermore, SMT advocates the concept of a 'design freeze' which worked well with Member support in Baldock and Royston in relation to construction projects or a freeze on project scope in relation to other projects. Often the Council (or Project Executive) faces external pressures to vary the project once it has been decided upon.

1.14 The tender exercise gave construction companies the opportunity to bid for the work but ultimately the complexity of the tender package and specialist nature of parts of the renovation meant there were no bidders. This caused a short delay to the work but did allow the Council to employ a local firm which will have many benefits to the local area. While it is inevitable some tenders will be complex, the Council should not include more options in its tenders than are necessary simply because it is unclear about its preferred outcome. Doing so increases the tenderers' costs (which will be reflected in the price) and can dissuade

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companies from submitting a bid. The group made a similar observation on the Churchgate project.

Recommendation 2: The Council should not introduce unnecessary complexity into its invitations to tender because it is unclear about its preferred outcome. It should decide what it wants and then invite bidders to tender for it.

SMT Comments on Recommendation 2

SMT supports the concept that the tender specifications should be made as clear as possible and not unduly complicated. The Council must however ensure that its contractual position is safeguarded and that the full requirements of the project are captured in the specification. There is no evidence that the position regarding a lack of bids was as a direct result of an over complex tender specification. The Scape contract has provided an effective vehicle to deliver the project.

Hitchin Swimming Centre

1.15 Leisure facilities are one of the Council's successes. This project involved providing multi functional rooms required for classes to meet rising demand and replacing the aging indoor pool changing rooms with a changing village. The Council succeeded in its objective of updating and expanding an existing facility to meet local demand. The final spend was £1.859 million coming in under the final agreed budget of £1.91 million.

1.16 The project's financial and membership benefits were less clear cut, and the Group considered that these may have been overstated. The Group did not believe the increase in membership claimed by the Council could be attributed solely to the project as membership had risen to 2755 even before work began. Membership has continued to rise since the project's completion but it is not clear how much of this is due to the extra capacity and improved facilities as opposed to the growing fitness and gym market.

1.17 The same is true for the financial benefits. The project and the related contract extensions improved the Council's annual payment position with the operator Stevenage Leisure Ltd (SLL) by £163,000 annually. However the Council does not explain that it had a significantly adverse effect on the Council's income from its profit sharing scheme with SLL which was £110,000 in 2013/4, making the overall return on investment much smaller than stated.

1.18 The Council has a tendency to be selective about the financial information it presents and tends to present it as a narrative, with or without supporting tables. It would be better if complex financial information was presented in the form of accounts so that readers can see all of the relevant spending and income associated with projects.

Recommendation 3: The Council's financial information should be comprehensive and presented in the form of accounts so the extent of profits and losses can be easily understood.

SMT Comments on Recommendation 3

The reports regarding project proposals provide appropriate information (in for example business cases) to enable decision makers to take a properly informed decision. When undertaking a project, the business case draws out the links to the Council's Corporate Objectives as well as considering the social benefit of the project alongside its monetary cost which requires both numerical and narrative explanation.

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Local authority accounts are required to separate Capital and Revenue expenditure and are prepared on an income and expenditure basis rather than profit and loss which is often inappropriate to the context in which the project is being considered. Where impacts are more difficult to assess these will be incorporated into the Risk Logs which are continually updated throughout the life of the project. The Risk Logs include financial risks and additionally these are often incorporated in the Corporate Business Planning process.

The profit share element of the Leisure Contracts contain restrictions so that it is used to reinvest in our managed leisure facilities.

North Herts Leisure Centre

1.19 The Council agreed a capital budget of £3.136 million to improve the aging leisure centre in a number of ways including a new teaching pool, a new cafeteria, refurbishment of the sports hall and leisure pool changing rooms and more. There was a good financial case for doing so. Once the facility had been completed the Council would receive an extra £18,398 a month (£220,776 a year) from Stevenage Leisure Ltd which runs the facility on behalf of the Council.

1.20 The project was originally scheduled to finish in April 2016 but is now scheduled to finish in June 2017 due to delays in starting work and unexpected problems during the construction. The delay in opening of 15.5 months has cost the Council £285,000 in lost revenue. Capital costs have overrun by £445,000 to date consisting of £317,300 pre-commencement costs and £128,000 after work started due to unidentified drainage and cabling work.

1.21 The Group heard that projects such as these have milestones and tolerances which are closely monitored by the project manager and the project board, with Cabinet receiving exception reports. It is important that all members of the Council are aware at an early stage if there are problems with projects and it would be useful if exception reports had a wider distribution.

Recommendation 4: When exception reports are produced by project boards, they should be circulated to all members of Council through the Members' Information Service or by e mail.

SMT Comments on Recommendation 4

The Council operates an Executive model of governance and our accepted project management methodology sits within that. Where projects require any decision making that is outside the scope of the project as defined by Council or Cabinet then an exception report is provided to the appropriate committee seeking the necessary authorisation. Information on project delivery is provided to Members at key points in the progression of projects through MIS.

1.22 There was also an underlying sense that officers' time was stretched between this and other areas of work and that this may have contributed to the delays. Evening and weekend working was a feature of many of the projects seen by the Group. It is not satisfactory for the officer leading a major project in an area outside their main job responsibilities to be required to do in the evenings and at weekends.

Recommendation 5: Projects are constrained by the resources that the Council has available. Planning a substantial project on the basis that part of it will be done in a member of staff's spare time allows no contingency. The Council should ensure that

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large projects are properly resourced. If adequate resources are not available, the project should not begin until they are.

SMT Comments on Recommendation 5

Projects need to be adequately resourced and the Council does this through its project management arrangements and Corporate Business Planning Process. There are a limited number of projects that can be resourced at any one time and workplans are finely balanced so that additional ad-hoc internal requests for “small projects” or external requirements from Government departments can impact on delivery timescales. In some instances there can be ‘pinch points’ in terms of delivering a project or other work competing deadlines which mean that a member of staff may work additional hours. Where this occurs this is with the agreement of the member of staff and time off in lieu or overtime may be payable. Where additional/external resources are required these are sourced.

Herts 7 Building Control Project

1.23 This project was a collaborative arrangement combining the building control departments of NHDC and six other Hertfordshire Councils into a new company. The new arrangement is intended to bring improved services and commercial benefits to the authorities. The review only examined the first phase of the project which was the establishment of the new company.

1.24 This was a successful project managed by Ian Fullstone, Head of Development and Building Control. This project demonstrates that projects can be managed and led in house where the project manager has the knowledge, skills and time to do so. The Group was impressed by the quality of the business case which enabled the Council to take a decision to proceed with a high degree of confidence. The project’s management has been particularly impressive given the need to coordinate seven different local authorities and get the agreement of their political leaders.

Churchgate

1.25 The Churchgate project developed from the Council’s Hitchin Town Centre Strategy. Like the Baldock and Royston projects, it was conceived in an era when town centres were a priority for the Council. Unlike these projects, it was conceived on a much larger scale with the aim of redeveloping an area of the town centre and bringing significant investment into Hitchin.

1.26 Despite preliminary expenditure of more than £1 million and the best efforts of officers and members alike over many years, it was never realised due to a combination of factors which include bad timing, lack of commercial viability, local opposition and more. While acknowledging that external factors played a central role in the project’s demise, there are some areas where the Group considered the Council could have handled the project better.

1.27 First, the Group considered that the Council was never clear about its objectives for Churchgate. The Council produced a planning brief which set out some broad outcomes without giving specifics. It hoped to attract developers who would use their expertise to produce a scheme for them. This was also a feature of the DCO refurbishment project where the Council produced a complex invitation to tender that attracted no bidders.

Recommendation 6: The Council needs to have clear, documented objectives before it embarks on projects.

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SMT Comments on Recommendation 6

The Council prepared a detailed planning brief with extensive public consultation. Project initiation documents capture the objectives of a project. In relation to the Churchgate Project it was agreed by Full Council in February 2010 to enter into a contract with Simons for them to bring forward proposals to regenerate the area. The scheme was complex and involved ownership outside the control of the Council (ie the long lease to Hammersmatch) and the relocation of the market. Despite extensive efforts Simons were unable to bring forward a viable scheme which met the objectives within the contract period and in January 2013 Full Council declined to extend their contract.

1.28 Churchgate was a large, complex project which affected many conservation, community and business groups as well as the current lease holder. Such projects need strong leadership in order to drive them forward in the face of the inevitable obstacles which accompany any large scale redevelopment. There was a sense that the Churchgate project lacked both vision and leadership at times, and progressed as a series of bureaucratic exercises conducted by a Council more focused on processes rather than outcomes.

1.29 The Council has limited funds so employing outsiders is not always feasible, nor is it necessary if the right person is available in house. But for projects on this scale a champion, either internal or external, is needed.

Recommendation 7: Large scale projects should have a champion to drive them forwards.

SMT Comments on Recommendation 7

Agreed. There is already a 'champion' in the Lead Member and the Project Executive.

1.30 Project Boards need to have the right mix of skills with an appropriate number of members. The Churchgate Project Board's membership was rather top heavy with senior Cabinet members and it could have benefited from wider, backbench experience.

Recommendation 8: The Council should be more flexible about membership of project boards

SMT Comments on Recommendation 8

The Council has operated Project Board membership in a flexible way to ensure that there is a balance on 'inputs' to the Board whilst keeping Boards to a manageable size. On the Churchgate Project Board there were four elected Members one of whom was not an Executive Member. The composition of Project Boards varies between projects and it should be recognised that in an Executive model Council there will be appropriate representation from the Executive on Project Boards.

1.31 The Churchgate project's progress was slow. It is hard to pinpoint when the preliminary work on the project actually began. Timing and momentum can be important factors in projects. The project's slow progress meant that it missed its best window of opportunity and got caught up in the fallout from the Roanne legal case in 2007 and the economic downturn in 2008. The latter, in particular, reduced its chances of success. As has been pointed out earlier, it is important for the Council to be decisive about what it wants and then get on with it.

1.32 The project was criticised at every stage of the process by the public, conservation groups and other stakeholders. The Council did make genuine efforts at consultation, but officers themselves acknowledged that their efforts had not been successful. Those members of the public who spoke about Churchgate were clear that this was a shortcoming.
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However, this does not always have to be the case. The Baldock and Royston town centre enhancement projects were both excellent and creative examples of public engagement and consultation by the Council and its designers BDP, and the Council would do well to examine the features of these projects and learn from them.

Recommendation 9: The Council should improve its consultation and engagement with the public.

SMT Comments on Recommendation 9

The Council always strives to undertake meaningful consultation and uses a variety of mechanisms to do so. It is true that not all consultation is equally successful however the public acceptance of the outcome should not, in itself, be used to measure the success of the consultation. The Council sought to use a tried and tested method of public engagement which Simons had used successfully in other town centre schemes to gather public opinion leading to development of a scheme for submission to the Local Planning Authority.

1.33 The Council's decision to use a confidential competitive dialogue tender process was costly to the Council and developers alike, and fuelled suspicion about the Council's motives. The process' lack of transparency made it unsuitable for a sensitive development like Churchgate. There may be circumstances where the Council might wish to use the process again but before it does so it should ensure the benefits outweigh the disadvantages.

Recommendation 10: The Council should be mindful of the disadvantages of the Competitive Dialogue process and think very carefully before using it again in future projects.

SMT Comments on Recommendation 10

Whilst the Competitive Dialogue process can have its limitations, there are circumstances where it is the most appropriate method of procurement and the Council should keep all options open. At the time that this piece of work commenced Full Council considered it to be the most suitable procurement route given all of the circumstances. The end of project review reflects on all aspects of the project including the procurement process.