

Three Rivers District Council

William Penn Review Phase 2 Report

23 January 2014

Draft v2 for Discussion



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Executive Summary

Background

In 2003 Three Rivers District Council (The Council) embarked on the refurbishment of the William Penn Leisure Centre. The Council appointed WS Atkins plc (Atkins) to provide the architectural design consultancy and project management for the refurbishment and Gee Construction Ltd (Gee) as the main contractor to build the facilities. Both firms are widely recognised as reputable in their field of expertise. The procurement of these contractors was reviewed in our Phase 1 report.

The building works had a planned duration of one year but in fact took over three and a half years to complete and resulted in an overspend of approximately £4m.

The project encountered a number of difficulties including delays and disputes between the parties which eventually led to the contract with Gee being terminated by the Council before the refurbishment was complete. The Council then took direct control of the refurbishment to take it to completion.

A settlement was agreed in January 2013 between The Council, Atkins and Gee after a mediation process to resolve the outstanding fee issues with both contractors. The Council received a settlement as a result of this process.

Scope

The brief was to carry out the following:

- Comment on the Council's approach to managing the project, both directly through its own officers and through third party involvement and the extent to which they managed risks in relation to the project; and
- Assess the Council's policy and scrutiny committee and executive committee's capacity to challenge advice, assess risk and reach informed conclusions. Ascertain the extent to which the Council was able to manage the oversight of the project.

Findings

We have identified the following key risks in relation to this project

- absence of formal project management and governance procedures implemented across all parties
- insufficient in-house capacity to manage a project of this scale
- contractor performance not to the standard expected by the Council
- potential cost overruns given the relatively low pricing of Gee
- unforeseen technical difficulties making original timings difficult to meet
- interpretation of contracts with third parties and use of sanctions

During the course of the project all of these risks became issues. The management of these risks more robustly through a formal project management approach could have mitigated these risks significantly although we recognise that no amount of risk management mitigation guarantees a successful outcome.

The Council placed trust in Atkins and Gee as they are both recognised, reputable firms (see page 14). We recognise that the Council considered it received poor levels of service from both contractors and its Officers worked very hard at all stages of the project and particularly after the dismissal of Gee at which point the Council regained control of the site and enabled the completion of the works within a challenging political environment and with limited resources. Members got heavily involved in the project which was a matter of huge local interest. These interventions did not necessarily focus on or enhance the quality of risk management surrounding the project.

We have provided recommendations to support the Council when it embarks on future projects to enable it to gain more from its contractors and help it to achieve the Council's objectives.

Background

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Project Timeline

1. Design stage (appointment of Atkins) October 2005
2. Main contract stage (appointment of Gee) January 2007 to January 2009
3. February 2009 the Council terminated Gee's contract
4. Completion Contracts February 2009- April 2010

Scope

The Council has asked us to perform an assessment of the project management procedures and governance procedures that the Council followed in relation to the refurbishment of the William Penn Leisure Centre.

We have assessed the documentation of the overall process and the decision making processes that the Council followed.

The brief was to carry out the following:

- Comment on the Council's approach to managing the project, both directly through its own officers and through third party involvement and the extent to which they managed risks in relation to the project; and
- Assess the Council's policy and scrutiny committee and executive committee's capacity to challenge advice, assess risk and reach informed conclusions. Ascertain the extent to which the Council was able to manage the oversight of the project.

We have considered the project throughout the two stages:

- the project to the end of the build; and
- the subsequent legal process to resolution.

To do this we have:

- examined documentation relating to project management and governance of the project management in connection with the refurbishment project including project meeting minutes, reports, committee minutes, risk registers and project plans to assess their fitness for purpose;
- examined the minutes of meetings at which members and senior Council officers discussed the project; and
- conducted interviews with members and officers involved in the project. A list of those interviewed is provided in the Appendix. We are grateful for their contribution to our work.

The aim of this review is to establish the degree of compliance with a formal project management approach and how the Council dealt with risks and issues as they arose during the project in order to assess to what extent management and members presented sufficient challenge to the project. This includes an assessment of what sanctions were available for underperformance and the decisions made regarding their use. We have assessed the degree to which the overall process was formally documented with particular focus on key decisions.

This report contains our findings and recommendations to help the Council strengthen its procedures for use in future projects. It covers the duties of both Officers and Members. It is not part of our scope to comment on the performance of Gee or Atkins and we have no locus to comment on those organisations but solely reflect the way the Council engaged with them based on our review of written documentation and our interviews with officers and members.

Findings

The key factor underpinning all the issues encountered on this project is the absence of a clear formal project management approach embedded across all parties that identifies and mitigates risk. This should be led by the party managing the project.

The Council is relatively small with limited staff capacity. Major projects such as the William Penn Leisure Centre refurbishment occur very infrequently. The Council's Officers therefore planned to rely on the contractors to lead the project to a successful conclusion. This is the basis for procurement of contractors by the Council and act on behalf of the Council.

They reasonably assumed that the size, capacity and good reputation of both contractors, being experts in their respective fields of expertise, would be able to help them deliver this project successfully and placed their trust in them. However, the project encountered a series of problems and Officers (and some Members) felt that the performance of their contractors was at fault. Our fieldwork found that the Council had difficulty in maintaining control of the project by holding the contractors to account, with each contractor believing that the other was to blame. As a result, delays and disputes that began to occur from the beginning of the project became compounded throughout its duration.

We have identified a risk-based approach to project management that the Council should follow when embarking on future projects. By following the approach set out in this report, the Council will be able to gain much greater control of its contractors and obtain better project outcomes.

There will always be a number of risks attached to any project, regardless of the ability and reputation of the chosen contractors. It is the ability to manage these risks by the organisation engaging with them that determines the success of outcomes.

The risks on this project that became issues could arguably have been more effectively mitigated at the very start of the project if the Council had completed a comprehensive risk assessment. This would have reduced the adverse impact of these risks on the project.

Key risks

We have identified six key risks in relation to this project:

- absence of formal project management and governance procedures implemented across all parties
- insufficient in-house capacity to manage a project of this scale
- contractor performance not to the standard expected by the Council
- potential cost overruns given the relatively low pricing of Gee
- unforeseen technical difficulties making original timings difficult to meet
- interpretation of contracts with third parties and use of sanctions

Our review of all the documentation and interviews have found that the Council's Officers did not receive the service expected from both of the contractors (Atkins and Gee) for a number of reasons and bore more of the risk attached to the project than anticipated. Both contractors failed to meet the requirements and this was a difficult project to manage.

In hindsight, the Council was not adequately prepared to take on such a major project and the contractor relationships associated with it. The use of a formal approach would have helped it to hold the contractors to account through on-going performance measurement and the imposition of sanctions when appropriate to do so.

Findings

Notwithstanding the limitations of the Council in relation to size and experience of large projects such as this, it resumed control of the project after it dismissed Gee and managed the completion of the work, so that the additional delays were reduced as far as possible. The Council's Officers worked extremely hard to enable the work to be completed and we acknowledge that this was a significant achievement given the challenging conditions and the highly charged political environment which this project had become.

We have seen how challenging the management of both contractors was for the Council and have seen how this was a significant frustration as Officers tried to obtain the service they expected from both contractors.

This review considers the approach followed by the Council and suggests areas for improvement. We have not commented on Atkins or Gee or areas where they might improve as this is outside the scope of this work.

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Findings

PROJECT MANAGEMENT AND GOVERNANCE (MAIN CONTRACT PHASE)

During the main contract phase, our interviews and review of documentation has shown that there was no formal, comprehensive project management approach employed on this project. If this had been in place and maintained throughout the project, this would have reduced the risk to the Council and provided it with more ability to hold the contractors to account. This would not necessarily have prevented issues with the contractors, but following such an approach means that risks are identified and managed earlier which makes them easier to address. It also reinforces the accountability of the contractors to the Council for the services they have agreed to provide. The responsibility for this lies with the party responsible for the project management. On this project, Atkins had the role of project management. The Council should have ensured that they would follow a formal approach.

The following key documents for successful projects that we would have expected Atkins to put in place were missing or not fit for purpose:

Risk register

We have seen a risk register but it does not state the author or date. It lists a number of risks but these are not exhaustive, have no mitigations against them and the document appears not to have been regularly updated for progress. Some of the triggers for risks identified include change of key personnel and unplanned works caused by problems not identified in the survey, but mitigations to address these are not clearly articulated. We have not seen an issues log, to which a risk register should be attached, to monitor progress against them.

There is no written evidence that the Council undertook a risk assessment at the outset i.e. before the contractors began their work and Atkins became project managers.

If this had been carried out, the risks on page 5 of this document could have been identified and mitigations put in place at the outset, placing the Council in a stronger position with the contractors.

Project Initiation Document

We have reviewed a Project Initiation Document (PID) dated 15 September 2006. This contains sections on the key elements of a PID such as risk register (mentioned above), initial business case, structure, roles and responsibilities.

There was no written evidence of agreement by the Council and Atkins on such a document, demonstrating that it was a 'live' document and that the project would be measured against it. This resulted in a lack of clarity of roles and responsibilities making it difficult for the Council to present sufficient challenge to Atkins and consequently Gee. These should have been articulated and agreed by all parties at the outset of the project.

Communications Plan

There is a reference to a communications plan but no evidence that one was used throughout the project, therefore this makes regular meetings more difficult to mandate. Reduced communication levels increase the risk on any project.

Project Plan

We have not seen a project plan that covers all parties' responsibilities with milestones, deadlines and dependencies. This reduced the Council's ability to manage its contractual relationships, hold others to account and to ensure its best interest were acknowledged and achieved. In the absence of such a plan agreed by all parties, it is difficult to identify and deal with issues as they arise and before they escalate. This should have provided a strong framework for project progress updates. We understand that project progress meetings were held regularly at an operational level but formal minutes documentation is not evident.

Findings

The project structure was outlined in the PID but does not appear to have been updated during the project. It provides some information on the project team and governance structure. This should have been the responsibility of the party responsible for the project management, which, during the main contract phase, was Atkins and thereafter the Council.

Project Team

We have seen documentation of a proposed project team with representation from Council officers and Atkins staff. The project team included a project manager who was a relatively junior Council Officer, charged with the responsibility of the day to day running of the project. We have seen a significant volume of correspondence between this Officer and the Atkins project manager, but little evidence that he had sufficient authority to present sufficient challenge. For example, he provided evidence of numerous emails to which he did not receive a response. These matters do not appear to have been discussed at project meetings with escalation procedures in the event of responses not being provided satisfactorily.

The routine meetings of project team members appear to be just Council officers, rather than with Atkins staff, which lessened their effectiveness for escalating matters and establishing an environment of collaborative working with Atkins.

Project Board

A project board with representation from the Council and Atkins would have been expected for a project of this size. This is important to ensure that routine review of project performance is monitored at a senior level and reduce the instances of disputes lengthening and becoming more costly. We understand that the Leisure and Community Panel assumed the role of project board on this project, therefore there was no Atkins representation. This meant that escalation of issues through formal channels did not take place after it became clear that Atkins and Gee were not performing to the Council's requirements. The performance issues with Gee would have been discussed at this level and Atkins' role would have been to follow this up.

PROJECT MANAGEMENT (AFTER GEE'S DISMISSAL UP TO PROJECT COMPLETION)

When the Council had dismissed Gee and took over the running of the project, we have seen that an internal project team was formed and had regular meetings to ensure that progress was being made and identify issues. The Council internally followed project management principles to order to assist it in reaching a conclusion to the refurbishment work.

Findings

Member Challenge

We have reviewed the minutes of the Leisure and Community Policy and Scrutiny Committee from the start of the project. We note that Members received regular verbal updates on progress by Officers and presented challenge when delays and cost overruns were mentioned. Member challenge was also present at Executive Committee and Full Council. Some members felt that they did not have sufficient opportunity to challenge, did not receive the answers they were looking for and felt that there was no escalation option open to them. This led to some members being drawn into detail to satisfy their queries. For example, inspections of the site is not something that should have been necessary for a Member to discharge their scrutiny role. As the project went on and delays and disputes between the two contractors escalated, the political challenge became stronger. We heard in our interviews that this often deflected attention away from the objective scrutiny of the project.

From the meeting minutes that we have reviewed, there is significant evidence that Members asked questions in relation to the project overruns and associated escalating costs throughout the duration of the project. Our review of minutes found that Officers did provide regular updates to Members but there were delays to provide some answers due to them having to obtain this information from the contractors. Members noted in our interviews that this improved after the contractors has been dismissed and officers had more direct knowledge of facts.

There was inevitably a political element to this project due to its size and cost, particularly when delays and disputes began to escalate. It is therefore important for the Council to ensure that Members are briefed at the outset of such projects, to ensure that they are aware of the types of challenge questions required. A project such as this has a number of technical elements, the detail of which Members are not expected to investigate.

We understand that no specific training was provided to Members before this project began. This would have been helpful in keeping the focus of debate and challenge on matters that could assist the project in running more effectively.

Overall our view is that although members rightly consider the project as important to the Council the overall impact of their interventions did not enhance the risk management surrounding the project.

Findings

Key findings

- No comprehensive risk assessment was carried out by the Council before the project started, nor a risk register documented and updated by the party responsible for project management

- No formal project management approach was used or applied rigorously throughout this project by the party responsible for project management

Impact

- Reduced ability to identify risks and manage contractors' performance during the project

Recommendation for future projects

- Ensure that a formal project management approach is followed and that if the project is being managed by the contractor that they satisfy this requirement

- Provide briefings for Members to support them in their scrutiny role

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Findings

LACK OF IN- HOUSE CAPACITY

The Council recognised that it had lost the in-house expertise of surveying knowledge when the housing stock moved out of Council control prior to this project starting. The risk attached to this is high, as it reduces the ability of the Council to understand the relevance and importance of issues brought to it by the contractors. We note from our observations of other similar building projects undertaken by local authorities, that ones managed in-house by relevant technical in-house experts have greater success (i.e. swifter completion and closer to budget). We recognise that to employ such in-house expertise would not be cost effective for the Council due to the relative infrequency of demand for such expertise.

The Council therefore sought a suitably experienced contractor, Atkins, to perform such duties on its behalf. It reasonably assumed that Atkins would have the requisite experience to perform the technical design aspects of the project and the project management. However, in practice it was allowing a third party to take responsibility for the management of a project owned by the Council. The risk of the third party not being able to discharge its duties correctly should be assessed and mitigations identified at the outset, however low that risk appears to be.

Another risk that seemed unlikely to become an issue at the project start was that in relation to the number of contractors it would engage and manage during the project. The Council reasonably assumed at the outset that the partnership would be solely between itself and Atkins but from an early stage in the project this changed. Our reading of the documentation and interviews with officers and Members showed that Atkins and Gee's working relationship was not running smoothly and was exacerbated by technical difficulties on the site.

The Council would have been within its rights to leave Atkins to deal with any issues with Gee as this is what it was paying Atkins to do. However, officers could see that these disputes were causing delays and additional cost to the project and in the interests of trying to keep the project moving, began to take an increasingly active role in the day-to-day running of the project. This included direct interaction on a regular basis with Gee, rather than being directed to Atkins. This led to a confusion of roles and responsibilities, making it harder for the Council to hold Atkins to account for its project management role.

Atkins had pointed out to the Council that Gee's low pricing could lead to a need for greater supervision, so it employed a Clerk of Works (an external contractor of the Council) to act as the intermediary between it and Gee. His role was to supervise the building works being carried out by Gee. The Council also appointed Press and Starkey, a firm of chartered surveyors, to project manage on behalf of the Council. Its role was to manage the relationship with Atkins given the loss of the Council's in-house expertise. The intention of both these appointments was to provide the challenge supported by the requisite technical expertise that the Council no longer had in-house.

We have been informed by Officers that Atkins did not welcome this appointment and this made the authority of Press and Starkey difficult to enforce. During our review of minutes and documents, we noted that communication between the two firms was not demonstrably effective with Atkins not responding to emails from Press and Starkey.

Findings

As organisations work with more partners, increased governance is required to manage the additional risk associated with loss of direct control. The Council had not anticipated that this would be a likely scenario before the project began due to its expectation that the contractors would perform in the manner expected. Therefore there was additional resource required by the Council that it had to provide in order to manage this increased risk. For example, each partnership requires monitoring to ensure that the Council's own interests are being served and that it has specified its requirements sufficiently for the contractor to perform its duties accordingly. As a result, Council officers were drawn into details of on-going operational matters. We understand that this was in the interests of maintaining momentum of the project, but this meant that significant amounts of officers' time was spent being drawn into these matters.

Key findings

- The Council outsourced the project management to Atkins but was drawn into the running of the project as delays and disputes began to occur
- The Council appointed additional external support for the project management

Impact

- Confusion of roles and responsibilities as the Council took on part of Atkins' role
- Reduced ability to have control of the project owned by the Council
- Increased governance needed to manage the additional number of contractual relationships

Recommendation for future projects

- Ensure that the ability to monitor and challenge technical decisions is agreed at the project start.
- Ensure roles and responsibilities are clearly defined and followed to avoid confusion of roles



Findings

CONTRACTOR PERFORMANCE/ PARTNERSHIP WORKING

The Council had been impressed with the contractors at the procurement stage. It also placed trust in these firms due to their reputations. They both mention on their own websites the fact that they are very experienced:

"In the UK Atkins is the largest design, engineering and project management consultancies. We plan, design and enable our clients' capital programmes in and around the built environment.

Our business is that of a technical consultancy, and we provide advice and engineering design for public, regulated and private sector clients. The multidisciplinary nature of our skills allows us to draw on expertise from across the business to deliver complex projects both in the UK and in support of our other businesses overseas.

Key facts:

Staff: 9,606 (*Staff number at 30 September 2013*)

Revenue: £900.3m (*Full year ended 31 March 2013*)

The UK's largest engineering consultancy for the last 15 years (*NCE Consultants File 2013*)

We also rank first in the roads, rail, public sector, flooding, defence and ports/harbours/airports/canals sectors (*NCE Consultants File 2013*)"

"Gee Construction have been delivering outstanding buildings for nearly 150 years. With a wealth of experience in new build, refurbishment and modernisation both on partnering and traditional forms of contract. Gee cover all sectors within construction and are proficient in adapting to our client's needs and expectations.

Turnover in region of £25m annually"

However, once the project was underway, difficulties soon began to emerge regarding the working relationship with the contractors.

There are many examples in the public sector of unsuccessful projects even when large reputable contractors have been engaged and significant sums of money have been expended. Our experience of such projects shows that a fundamental reason for this is that the contractor has not received a detailed enough specification and uncertainties arise, leading to different expectations.

We have not interviewed any of the contractors but it may have been the case that they had a different perception from the Council of what was required of them. The mitigation of this risk is to be very explicit at the outset of the expectations, respective roles and responsibilities, to reduce ambiguity and enforce better service standards.

Atkins' appointment was confirmed in October 2005. One of the reasons behind Atkins not meeting the service standards expected by the Council was in relation to changes in staffing. There were a number of changes of personnel on the Atkins team from the start of the project. The documentation we reviewed showed that within the month of appointment, the Lead Architect who had attended the client presentation had been replaced by another individual.

Findings

The Council felt that the substitutions were not suitable but despite voicing concerns, did not obtain personnel of a level that satisfied requirements. In any project, such changes weaken its resilience and reduce the efficiency of it, even if there is a good supply of technically competent individuals.

The Council felt that as this was a reputable firm with strength in depth, substitutions (which would be inevitable to an extent on a project of this nature) would occur but be acceptable. Officers therefore did not identify this as worthy of recording as a risk, nor put in place mitigations, for example stating in the contract that substitutions for the key client interface roles of project manager and lead architect must be approved by the Council beforehand. Requesting this would have helped the Council to ensure that it could vet all replacements and choose suitably qualified individuals who demonstrate commitment to the project.

Our review of the documentation and interviews found that the under-resourcing of Atkins was compounded by other issues arising in relation to the management of Gee.

The Council repeatedly communicated with Atkins to raise concerns and query various issues. We have seen evidence of Atkins accepting some criticisms for example the enabling works package delays. The client side project manager chased repeatedly for answers and made significant attempts to persuade Atkins to act more quickly and effectively.

One example is the requirement for an electrical sub-station being required for the swimming pool. Atkins conceded that they should have picked this up as a risk much earlier than they did and that this had a time and cost implication. We have seen evidence of this being escalated by the Council to Atkins at a senior level.

In addition to the personnel substitutions with more junior staff, the Council did not receive the client service that it had expected from Atkins. The relationship management appears to have been unsatisfactory and did not result in the Council seeing improvements in service.

The overall partnership working approach between the Council and Atkins and Gee was not conducive to good outcomes for any of the parties involved, with correspondence we have seen indicating that each contractor blamed the other for the issues that arose.

Gee had also not provided the requisite resource on site and issues with their own subcontractors soon exacerbated the problem of delays. There seemed to be a lack of clarity over the exact nature and seriousness of delays. We have seen evidence of both Atkins and the Council raised questions about the competence and approach displayed by Gee, who, in turn, made counter-claims.

The Council noted in its documentation that both Atkins and Gee agreed that the Council had not contributed to delays through:

- no significant client variations, either before or after the termination of Gee's contract
- no overruling or undermining of the design team
- no significant site issues that could not have been identified by a competent survey.
- no interruptions by the client

Findings

In hindsight there were a number of steps that the Council could have taken to establish the extent to which working in partnership with these contractors would be successful. BS11000 Collaborative Working Relationships provides a good framework for this and we provide details in the recommendations section of this document. This includes consideration of the respective goals of the partnering organisations in order to establish if these are co-terminus which provide an indication of the likelihood of a good working relationship. For example, understanding why a contractor would wish to take on this specific work:

- is the size and fee comparable to its other projects?
- would the project add strength to its portfolio of assignments?

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Findings

Key findings

- Contractors' performance was not to the standard expected by the Council

Impact

- Cost escalation due to delays and disputes
- Reduced ability of the Council to manage the contractual relationships

Recommendation for future projects

- Understand more about the contractor before engagement
- Be clear about roles and responsibilities

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Findings

POTENTIAL COST OVERRUNS

The price given by Gee for the works was the lowest by a significant margin. This indicated that it was likely that there would be additional costs in order for them to complete the project. This point was recognised and Atkins highlighted that the low level of the fee could mean that they would be required to perform greater supervision of Gee and this could have an adverse effect on their fees. The Council sought to mitigate this risk by employing a Clerk of Works to support the supervision on site.

Cost over-runs began at a relatively early stage and continued throughout the duration of the project. We understand that there were inevitable budget constraints when planning this project, but an analysis to ascertain costs of comparable refurbishments would have provided a realistic benchmark. For example, another district council of similar size to the Council met its budget for a similar refurbishment project of £10m, being significantly higher than the eventual cost of this project but for a fixed fee. It is appropriate to consider cost carefully and seek value for money from contractors and the eventual cost to the Council was less than £10m, but at the outset of this project it would have been impossible to foresee the exact cost of the project. It may have risen higher than £10m. This increases the risk attached to the project and requires more management control.

Key findings

- The risk of cost over-runs was higher due to the relatively low cost submission by Gee

Impact

- Uncertainty regarding total cost of the project and reduced ability to control the cost when delays and disputes began to arise

Recommendation for future projects

- Benchmark prices with other comparable projects to ascertain a realistic quote

UNFORESEEN TECHNICAL DIFFICULTIES

There were a number of issues identified when the project was in progress that were not anticipated at the outset and therefore mitigations not put in place by either the Council or Atkins. This included technical issues relating to mechanical and electrical services that arose which the Council believed could have been identified by a competent survey at the outset of the project.

Assessing the risk and putting in place mitigations at the outset may not have eliminated these issues, but reduced their impact on the project. For example, was the survey on the site carried out competently and accepted as such by Atkins? The survey was carried out by another firm and relied upon by Atkins. When unforeseen technical difficulties arose, Atkins could state that they were not liable for the competence of a survey carried out by a third party.

We have seen from the documentation that the survey issues contributed to the disputes and delays in relation to Atkins and Gee's work.

We have seen from the documentation that Atkins accepted it exacerbated delays when survey issues had become known. Robust project management as mentioned above would have prevented this becoming a significant delay.

Key findings

- Unforeseen technical difficulties arose making the original timings difficult to meet

Impact

- Additional cost, delays and disputes to the project

Recommendation for future projects

- Ensure that the survey is robust and accepted by the architect placing reliance on it

Findings

INTERPRETATION OF CONTRACTS

Our interviews and review of documentation showed that Officers found that there were ambiguities in the contract i.e. it did not appear clear to them when it would be in a position to take legal action against the contractors. Officers took expert legal advice from large, well respected external legal experts regarding the options open to the Council and were advised to try to resolve the disputes without recourse to termination of the contract. The Council rightly recognised that its own internal legal department was not suitably experienced in the nature of such a contract and so carefully sought a law firm with such expertise that it could rely upon for the right advice. We understand that the Council wanted to avoid legal action due to the additional cost and disruption, therefore sought to try to remedy the situation through working with the contractors.

Other sanctions were imposed throughout the duration of the contract, such as withheld payments.

At the outset of the project the likelihood of underperformance of the contractors should have been identified as a risk and regard given to the exact nature of remedies available, what evidence the Council would need to support them and when they might be appropriate.

Key findings

- The Council found that there were ambiguities in the contract which did not make it clear to them when it would be in a position to impose sanctions for underperformance
- The contractors presented challenges to the Council's proposed actions

Impact

- There were delays to reaching a conclusion on the issues regarding contractor performance which caused further cost to the project

Recommendation for future projects

- Clarity of contract terms at the outset and agreed by all parties in the event of dispute
- Confirmation that sanctions will be used for underperformance



Summary of key findings and recommendations for future projects

Key finding	Impact	Recommendations for future projects
<ul style="list-style-type: none"> No comprehensive risk assessment carried out by the Council before the project started, nor a risk register documented and updated by the party responsible for project management No formal project management approach was used or applied rigorously throughout this project by the party responsible for project management 	<ul style="list-style-type: none"> Reduced ability to identify risks and manage the contractors' performance during the project 	<ul style="list-style-type: none"> Ensure that a formal project management approach is followed and that if the project is being managed by the contractor that they satisfy this requirement
<ul style="list-style-type: none"> The Council outsourced the project management to Atkins but was drawn into the running of the project as delays and disputes began to occur The Council appointed additional external support for the project management 	<ul style="list-style-type: none"> Confusion of roles and responsibilities as the Council took on part of Atkins' role Reduced ability to have control of the project owned by the Council Increased governance needed to manage the additional number of contractual relationships 	<ul style="list-style-type: none"> Ensure that the ability to monitor and challenge technical decisions is agreed before the project start Ensure roles and responsibilities are clearly defined and followed to avoid confusion of roles
<ul style="list-style-type: none"> Contractors' performance was not to the standard expected by the Council 	<ul style="list-style-type: none"> Cost escalation due to delays and disputes Reduced ability of the Council to manage the contractual relationships 	<ul style="list-style-type: none"> Understand more about the contractor before engagement Be clear about roles and responsibilities
<ul style="list-style-type: none"> The risk of cost over-runs was higher due to the relatively low cost submission by Gee 	<ul style="list-style-type: none"> Uncertainty regarding total cost of the project and reduced ability to control the cost when delays and disputes began to arise 	<ul style="list-style-type: none"> Benchmark prices with other comparable projects to ascertain a realistic quote

Summary of key findings and recommendations for future projects

Key finding	Impact	Recommendations for future projects
<ul style="list-style-type: none"> Unforeseen technical difficulties arose making the original timings difficult to meet 	<ul style="list-style-type: none"> Additional cost, delays and disputes to the project 	<ul style="list-style-type: none"> Ensure that the survey is robust and accepted by the architect placing reliance on it
<ul style="list-style-type: none"> The Council found that there were ambiguities in the contract which did not make it clear to them when it would be in a position to impose sanctions for underperformance The contractors presented challenges to the Council's proposed actions 	<ul style="list-style-type: none"> There were delays to reaching a conclusion on the issues regarding contractor performance which caused further cost to the project 	<ul style="list-style-type: none"> Clarity of contract terms at the outset and agreed by all parties in the event of dispute Confirmation that sanctions will be used for underperformance

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Recommendations for future projects: BS11000

BS11000 is the British Standard for Collaborative Working Partnerships. It provides a structure and discipline that is respected by others and sets the tone that an organisation has considered the project carefully and put effort and resource into it. It affords more transparency with speedier identification and resolution of issues. Public sector bodies that have followed this approach have found that this is helpful in setting its expectations with contractors and partners to ensure that all parties achieve their respective goals from the arrangement.

There is a formal accreditation process for which some organisations apply, but many others rely on observing the principles through the eight step approach which we outline below:

Eight Step Approach

1.Awareness

How does relationship management fit in with your organisation's expectations? For example, consider the following:

- are they able to fulfil the communications you require?
- do they demonstrate an understanding of working with the public sector e.g. the profile of such projects, the capacity constraints of smaller authorities, the political aspects of local government?
- do they share the interest in the public sector?
- how important will this project be to them?
- what other projects will they be working on at the same time?

Objectives need to be clearly defined so that others know your expectations. This can be ascertained by due diligence, for example finding out if other local authorities say they understood them sufficiently well and asking these questions at pitch presentations.

2.Knowledge

It is important to understand the scale of the undertaking, for example:

- how significant is it in terms of size and cost compared to other activities within the organisation?
- how important is it for the profile of the organisation and what will the degree of scrutiny be?

The Council is aware that future building projects will be high profile, so the risks associated to these will be higher.

3.Internal Assessment

Identify what your own capabilities are, recognise the strengths and weaknesses and put in place measures to mitigate the weaknesses from the outset.

The Council is not likely to invest significantly in surveying or building resources as the call upon them is not routine. Therefore in-house expertise will always be limited. Outsourcing this task to a third party is therefore essential but increases the risk as it represents a loss of direct control for the management of a project that will still remain the responsibility of the Council.

Recommendations for future projects: BS11000

4. Partner Selection

Assess the suitability of partners to work with you in terms of their working style as well as their technical competence. This is ascertained during the due diligence process. Questions may include:

- What type of project management approach will they employ?
- How many other projects will their project team be working on at the same time as this one?

5. Working Together

Establish the mode of working together for mutual benefit. For example the project management approach expected, reporting and communications to meet your expectations. How regularly will they communicate, by what method and at what level of seniority?

Ensure that accountabilities are clearly articulated, agreed and communicated so that there is no ambiguity of duties.

The governance arrangements should include senior level accountability for contractor performance with enforceable sanctions.

6. Value Creation

Stating that this partnership will add value to all parties if successfully completed and that as much can be gained by each party as possible but not to the detriment of others. To be effective, this should be clearly articulated and communicated to all. A benefits realisation plan (a document that lists all the expected benefits for all parties at the outset and the measures of success) is often used to monitor progress against this objective.

7. Staying Together

The Council has seen on this project that it is important to try to resolve disputes without recourse to termination of contracts. This step encourages the building of rapport through regular communication, even if the project is running smoothly. It means that if problems do arise at a later stage, the goodwill has been established and will help to keep the relationship as positive as possible.

Consider key staff retention as a performance measure for contractors in order to help continuity and increase the opportunity for developing good working relationships.

8. Exit Strategy

Clarity from the outset regarding how the project/partnership will end is important, whether it ends happily or not and if the partnership ended before the project, as was the case here. We have learned that there was uncertainty within the Council regarding whether termination of the contract was a viable option open to it. Understanding in what circumstances this is possible is required so that action may be taken swiftly if needed.

Recommendations for future projects: Prince 2

Evidence shows that successful projects follow a formal project structure. Using a recognised tool such as Prince 2 is good practice and commonly used in the public sector. The key features are outlined below:

Documents

Project Initiation Document (PID)

This document should be completed at the outset of a project and shared and agreed with all the parties involved in the project. The party responsible for the project management should maintain ownership of this document. It should contain the following sections:

Risk Register and Issues Log

The risk register should contain a comprehensive list of all identified risks, their likelihood of becoming an issue, the severity of it and the mitigations in place to prevent it from happening. Each risk must have an individual owner who will be held accountable for mitigating it. It should be reviewed and updated at every project team meeting and progress recorded. New risks may be identified during the project.

Project Plan

The project plan should be a detailed document listing all the activities on the project, deadline dates, dependencies and key milestones. This should be updated weekly and circulated to the Project Team and Board.

Project Communications Plan

The success of a project is dependent on the co-ordination and collaboration of all parties. Therefore the communications plan is important to share information about the project as it progresses. This keeps all stakeholders informed and prevents there being any surprises as facts are shared as soon as possible.

Governance

Project Sponsor

The individual who maintains overall responsibility for the project should be identified, being a senior ranking Officer. This person will hold ultimate responsibility for the project therefore must be involved in the project.

Project Team

The Project Team will comprise individuals at an operational level and will be responsible for the day to day running of the project from the Council and any third party responsible for the management of the project.

The Project Manager will lead the Project Team and is responsible for ensuring that the project is capable of achieving its objectives as set out in the business case.

Project Board

The Project Board will comprise senior level representation from the Council and any third party responsible for the management of the project. The Board's responsibility will be to oversee the project.

Ensuring that the governance arrangements include Council and directly involved third parties means that the accountability and risk is shared, not just borne by the Council.

Appendix

List of interviewees

Members

Councillor Ann Shaw OBE

Councillor Matthew Bedford

Councillor Chris Whately-Smith

Councillor Tony Barton

Councillor David Sansom

Councillor Chris Haywood

Councillor Ralph Sangster

Officers

Dr Steven Halls

Mr Peter Brooker

Mr Chris Hope

We have not been able to contact Mr Patrick Martin for this phase of work but have referred to the detailed notes he provided for our phase 1 review which covers the entire duration of the project in detail.

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