

OPERATIONAL PROPERTY ACQUISITIONS

To: **Assets & Investments Committee**

Meeting Date: **24th February 2017**

From: **Deputy Chief Executive & Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **N/a** *Key decision:* **No**

Purpose: **To inform the Committee of the findings of the Internal Audit review of the Ely Archives project.**

Recommendation: **The Committee is asked to note the management actions arising from the Ely Archives Lessons Learned review.**

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1. BACKGROUND

- 1.1 Members of the Committee have already received a joint briefing note produced by the sponsor and the capital team in respect of the Ely Archives Project. This briefing note set out a self-assessment of some of the issues that led to the problems in relation to the project. In addition to this the Council's Internal Audit Team undertook an independent review using both the lessons learned document, interviews with key personnel and some of the project documentation.
- 1.2 Members of this Committee requested sight of the management actions that had been agreed as part of these processes. The Internal Audit action points are set out in the **Appendix** to this report.

2. ACQUISITIONS FOR SERVICE DELIVERY

- 2.1 As an organisation that is seeking to rationalise its estate the occasions that the Council will be seeking to acquire property for operational purposes are likely to be few and far between. However the recent requirement for accommodation to support the delivery of the new highways contract is an illustration that from time to time such situations could arise.
- 2.2 The Assets and Investments Committee clearly was not in existence when the original proposal for a new home for the Archives Service was first raised. In fact neither was General Purposes Committee as it pre-dated the committee system. Going forward any proposal that involves the acquisition of new property as part of an operational service solution will need to be within the Business Plan proposals of this Committee. As the responsibilities of this Committee are more focussed, than those of the Cabinet and GPC, there will be more opportunity for Member engagement, ownership, and challenge than probably would have been the case under the previous political governance structures.

3. CULTURE

- 3.1 Officers are aware that providing answers that they believe Members wish to hear is not in the Council's long term interests. This review has clearly shown however that Officers have, on occasions in the past, provided information that they believe Members wish to hear rather than a more realistic projection of the likely outcome. As Officers we have a responsibility to be honest with Members to ensure that decisions are made with the most accurate information that is available and with the risks and assumptions upon which that information is predicated. This is however more of a cultural issue than a process issue. Articulating a management action where progress can be demonstrably measured will therefore be more challenging but senior management will work with Officers and Members across the organisation to reinforce the culture of openness and transparency.

4. ALIGNMENT WITH CORPORATE PRIORITIES

- 4.1 **Developing the local economy for the benefit of all**
There are no significant implications for this priority.
- 4.2 **Helping people live healthy and independent lives**

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

5. SIGNIFICANT IMPLICATIONS

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	No
Are there any Equality and Diversity implications?	No Name of Officer: Chris Malyon
Have any engagement and communication implications been cleared by Communications?	There are no significant implications within this category.
Are there any Localism and Local Member involvement issues?	No Name of Officer: Chris Malyon
Have any Public Health implications been cleared by Public Health	There are no significant implications within this category.

6. SOURCE DOCUMENTS

Source Documents	Location
Ely Archives Project Review report	Council website

Ely Archives Lessons Learned Summary

- Spokes should be consulted on briefs for options appraisals for projects to acquire property.
- Before the Council embarks on an options appraisal for a project to acquire property, Spokes should be consulted on the brief.
- For projects which constitute a Key Decision under the Council's Constitution, a Business Case should be completed and approved by management, which should then be provided to Members in full at the point when the budget or purchase is approved. If, due to time constraints, sufficient detail is not available for this to be completed in full at the point of budget/purchase approval, detailed information regarding the risks of the purchase should be provided, and the completed Business Case should be brought back to Members at a later date to approve the scope.
- A clear change control process for changes in project scope should be in place for all major projects, including Member approval. Approval of a purchase (or subsequent Business Case) by Members should represent a design and cost freeze on the project.
- When figures from a significant project are reported to Members to inform their decision-making process, the level of risk around the figures should be clearly communicated, and in some circumstances it may be more appropriate to give an estimated cost range rather than a specific amount.
- Officers need to be candid about the level of assurance they can provide over figures and the reason(s) for any caveat to projected costs. Definite assurances over final project costs cannot be provided at Milestone One phase.
- A report should be taken to the project's single decision maker to sign off decisions over the proposed procurement approach to be taken by major Council projects.
- Contract Procedure Rules should be updated to specifically state that as part of the exemption request process, where competition exists, price comparison exercises should be undertaken against prices from suppliers other than the supplier who has proposed the price under review. In addition, although clearly implied, consideration should be given to specifically stating that prospective contractors should not be involved in writing applications for exemptions from Contract Procedure Rules.
- Procurement exemptions should be requested for the full value of the work to be awarded to the supplier if the exemption is granted, even if part of this is paid indirectly by the Council.
- Projects of this size should be subjected to as much genuine competition as possible, to increase the likelihood of the best price being tendered.
- Risk allowances (a contingency) for construction projects should accurately reflect the known risks and exclusions at the time, including where possible a costed risk register, and should be clearly communicated to Members. The contingency balance should be routinely updated and challenged throughout the development phases of the project.
- Figures for construction projects should include allowances for tender price inflation, or Members should be specifically made aware of the fact that this has been excluded from reported figures.

- Roles and responsibilities of officers and teams involved in major projects should be clearly defined, to a level of detail beyond the allocation of titles such as Project Manager. A template set of standard project roles and responsibilities should be produced and made available to officers on the Council's intranet, and project management guidance should be updated to reflect the importance of clearly allocated roles.
- Projects should have a detailed Project Plan in place which sets out the actions, timescales and action owners for internal activities.
- When actions are identified to mitigate risks in a project risk register, these actions should have clearly defined due dates and action owners, and should feed in to the Project Plan. The Council's Risks and Issues Register template should be amended to include a separate column to specify the timescale for actions. The Council's Guide to Approving and Managing Projects should be updated to include a reminder to incorporate monitoring as part of the Project Plan.
- Recommendations identified as a result of a Lessons Learned exercise should be included within an action plan which is implemented and monitored by the service.
- Officers should identify a revised estimated total cost which takes account of the exclusions identified above and whether any of these are planned to be met from revenue budgets. This revised estimate should be presented to the Assets and Investment Committee along with details of the current risk provision and the remaining areas of uncertainty over the cost of the current proposals.