



**Pembroke Road Redevelopment – Programme Governance  
Internal Audit Review (March 2020)**

**1. Background**

AVDC's waste and operations service operates out of the depot at Pembroke Road. In September 2016 a Business Case, totalling £10million, was approved for the redevelopment of the Depot. This identified 5 key drivers:

- The need to address health and safety risks (e.g. segregation of people and vehicles)
- The need to address environmental risks (e.g. flooding and pollution)
- Operational improvements
- The need to accommodate future property and waste growth (up to 50% more new households by 2033)
- Existing disrepair (e.g. re-surfacing to mitigate pollution risks)

Since then AVDC, along with external consultants, has designed the new site, which includes waste transfer stations, commercial workshop, vehicle testing bays and additional office space. In terms of design and delivery of the programme there are 3 main groups involved: 1) Major Projects – this is the capital projects team overseen by the Assistant Director - Commercial Property and Regeneration, 2) Operational – this represents the services that use the depot overseen by the Assistant Director – Community Fulfilment, and 3) Contractors – the specialist contractors procured to design and build the new site.

The redevelopment of the Depot meant that AVDC needed to apply to the Environment Agency (EA) for a new environmental permit. All applications to the EA for new permits, or variations to existing permits, must be accompanied by a Fire Prevention Plan (FPP) that conforms with the EA FPP guidance, originally published in July 2016 and subsequently updated in May 2018. Some of the issues considered in a FPP include:

- Waste storage
- Fire prevention
- Fire detection
- Fire suppression
- Water supply
- Fire water management

Early in 2019, it became apparent that the current design for the proposed waste storage facilities did not conform with the updated guidance. The design team set about reviewing the plans in order to develop practical and pragmatic costed solutions that would satisfy EA requirements and in March a proposal was submitted for a requirement of up to an additional £1m to the capital programme, on top of the already approved budget of £10 million. This proposal was rejected, and the consultants were asked to reengineer the design to achieve the EA FPP requirements within the original approved budget. The revised plans, including FPP measures, were approved by the EA in October 2019.

The issue of the EA permit led to a reflection as to how the governance and management of the project did not identify this need earlier. Various steps have been taken since then to improve arrangements and the communication between Operations and Capital Programme teams.

At the time of writing, the contractors (Morgan Sindall) are reporting they are 3.5 weeks behind the programme, however they have not requested an Extension of Time to date; and are hoping to recover this delay within the overall programme period (Practical completion is due on 20 October 2020). The majority of the delay (2.5 weeks) is due to asbestos found in the ground which was removed by hand. A further weeks delay is attributed to the poor weather conditions recently experienced. The total costs are still maintained within the approved budget.

## **2. Objectives and scope**

An advisory review was undertaken to review the governance and control environment of the project. The review commenced in September 2019 and used a combination of interviews with staff, review of documents, and desktop research to form conclusions and make recommendations for each of the Focus Areas set out below.

The review has identified a number of areas of good practice and also opportunities for improvement against each of the focus areas agreed in the Terms of Reference. Recommendations have been provided as appropriate.

## **3. Findings and Recommendations**

We have summarised below the key findings and recommendations for each Focus Area.

### ***Focus Area 1 – Business case sets out the scope and objectives of the project and had adequate stakeholder involvement and approval***

The Business Case for the project has not been revisited since its approval in September 2016. Since that time significant changes have taken place including the move to a unitary authority, changes in expected future housing numbers and changes in expected income sources. Being a unitary authority will bring new opportunities to share costs and generate other income streams. None of these changes have been re-incorporated into the Business Case to create a revised Return on Investment Schedule.

Furthermore, the original Business Case was lacking information in areas such as the specifics about depot operations, analysis of capacity and utilisation of the commercial workshop, type of skills sets required and available hours for the staff; all of which are critical to assess the financial forecast for this project.

The governance and ownership of the Business Case was found not to be sufficient. There is no formal monitoring of the Business Case and progress against it is not part of agenda items at governance meetings.

**Recommendations:**

1. The financial business case and return on investment schedule should be revised to reflect the current context. Many of the original assumptions are no longer valid and new opportunities have emerged. A new business case is required to support the ongoing operation of the service and identify future opportunities for Buckinghamshire Council to deliver a return on investment and generate additional income.

This should include a detailed resource availability, capacity and capability plan leading to a revised income forecast based on different levels of utilisation i.e. high, medium, low forecasts

2. Once revised ensure the Business Case/Plan is reviewed by the Operations and Project Management Team and is signed off by the relevant stakeholders on the Buckinghamshire Council Senior Management Team. It should then form part programme monitoring and department service plans for 2020/21 and beyond.

*Note – as of March 2020 a fully costed business plan for the commercial workshop element of the programme has been developed. This will be taken forward for approval by the new Service Director, forming the basis of the future service plan. Income and costs identified will need to be incorporated into the overall revised business case and ROI schedule for the redevelopment.*

**Focus Area 2 - Governance arrangements are adequate to enable effective decisions and programme oversight**

Overall, when reviewing minutes and observing the timely completion of actions from one meeting to the next, this was found to operate effectively.

Improvement could be future made in the use of actions trackers and final documentation of minutes.

It was also noted that there was no formal process for reflection or identifying lessons during the lifetime of the project.

**Recommendations:**

3. Minutes at the Site Communications Meeting should be moved from email format to the template format used at the Principal's Meeting.
4. A lessons learned exercise should be conducted in 2020 which involves all those who attend the Principals Meeting and Operations Meeting. The discussions should be captured and converted into a lessons learned log that sets out:
  - The lessons learned in sufficient detail
  - The importance/significance of the lesson in a red, amber and green rating system with red being the most important lessons

- Any implications this has for the current project
- Any implications this has for wider Council projects
- A list of actions needed to be done in reflection of the lessons

***Focus Area 3 – Programme and budget reporting is adequate to enable visibility of the programme progress and inform decision making***

Contractor reports are clear and produced regularly with effective summary and progress reports. The contractor also has adequate representation at meetings to support discussions. This is summarised in a Highlights/Contractors Report which shows the operational progress via a Gantt Chart breaking down milestones in design, procurement, mobilisation and construction; this is updated each time for elements which have to be re-designed.

In terms of financial monitoring there is a Major Projects Contracts Register which sets out the headline line by line financial costs. This includes the contract reference, purchase order and approval. At Principal Meetings contractor payments are presented for authorisation so there is collective agreement and these are then updated into financial records to monitor the financial position. This is then summarised and reported in the Highlights/Contractors Report.

We could also see that re-designs were sufficiently budgeted, for example, during the project there was additional time required to remove asbestos. AVDC worked closely with the contractor to absorb this additional cost of c. £30k in initial overrun provisions in budget lines and via re-designing later aspects of the project to drive efficiencies resulting in a net zero impact.

***Focus Area 4 – Risk management processes are in place to ensure identification and recording of risks to allow mitigation***

The risk register is maintained throughout the contract and operationally reported by the contractor each month to the Council for collective discussion. The risk register clearly sets out the risk and consequences and for completeness shows those which are closed. It is considered to be robust, following good practices of identifying the inherent risk and residual risk along with mitigating controls and actions.

There is also a matrix to ensure consistency of risk ratings from green, amber and red and the ownership of risk between the Council and contractor is clear with no jointly owned risks.

Most importantly this report is regularly discussed and updated and used as a key document in managing the project and supporting good governance.

***Recommendations:***

5. The risk register could be further improved as follows:

- The risk register should be updated to include an estimate risk cost for those risks deemed Amber or Red
- It should be assessed whether the 'risk cause' column can be completed for this project for Amber or Red risks
- For action mitigations in the risk register the 'Date by' column should be completed

***Focus Area 5 – Contract management procedures support effective scrutiny of contractors***

Contractor reports are clear and produced regularly with effective summary and progress reports. The contractor also has adequate representation at meetings to support discussions

From observing the Principal's Meeting we found the Council's oversight of the contractor was adequate. This oversight included assessing whether the contractor was on track to meet key milestones, discussion and scrutiny of any staffing challenges or technical construction discussions to ensure adequate steps are being taken. We also found there were good discussions held around senior contract management staff from the contractor. This was in part assessing consistency of senior contractor personnel as there were challenges with this earlier in the contract. The discussions directly questioned any known staff changes and plans to ensure adequate handover to mitigate against loss of project memory.

***Focus Area 6 – Ensuring compliance with regulations***

Regulatory compliance is now well managed. After challenges with the Environment Agency, an exercise was undertaken to assess other regulations/rules that may be needed for completeness. This identified requirements with the Driving Vehicle Standards Agency (DVSA) and these discussions have been held at contract meetings. No authority can be 100% sure of compliance however good steps have now been taken to ensure discussions occur and actions happen.

It should be noted that in the Highlights/Contractor Report there is a specific section on 'Safety, Health and Environment'. This is often more operational, setting out the key movements of vehicles over the upcoming month and any particular dangers/risks due to construction work. However, it also covers any known regulation or compliance breaches and actions to be taken to rectify these. This report is also presented to the Project Manager at the Principal's Meeting (which also includes Assistant Director attendance) and Contractor Site Meeting, who can openly challenge any assumptions or bring in their knowledge to ask the contractor if certain new requirements are being met. The risk register also sets out key activities of higher risk and whether this is owned by the contractor or AVDC and therefore if any future areas of concern were identified resulting in works not being compliant with legislation then it would be clear who owned the risk per current arrangements.

#### **4. Next steps**

The recommendations outlined in this report will be taken forward by the Capital Projects Manager and shared appropriately with the new Buckinghamshire Council Service Directors.