

MINUTE

A & B

Special Audit and Scrutiny Committee
Council Chamber, Town Hall, Lerwick
Tuesday 28 October 2008 at 11am

Present:

F B Grains	A T Doull
A G L Duncan	A J Hughson
C H J Miller	J W G Wills

Apologies:

R S Henderson	G Robinson
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In attendance (Officers):

G Johnston, Head of Finance
M Craigie, Head of Transport
I Halcrow, Head of Roads
C Ferguson, Head of Community Care
J Edwards, Quality Improvement Officer
M Finnie, Capital Programme Service Manager
C Nicolson, Senior Capital Projects Manager
N Grant, Interim Head of Economic Development
R Sinclair, Senior Contract Manager
J Riise, Head of Legal and Administration
J R Smith, Head of Organisational Development
P Peterson, Performance Management Co-ordinator
L Adamson, Committee Officer

Invited to Attend:

A J Cluness, SIC Convener

Also:

J Budge, SIC
R Nickerson, SIC

Chairperson

Mrs F B Grains, Chairperson of the Committee, presided.

Circular

The circular calling the meeting was held as read.

Declarations of Interest

Mrs F B Grains advised that she would declare an interest in any discussion regarding the Bressay Bridge due to family connections. Mrs C H J Miller and Dr J W G Wills advised that they would also declare an interest as Bressay residents.

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36/08	<u>Capital Project Management</u> The Committee considered a report by the Head of Finance (Appendix 1).	

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	<p>The Chairperson said that the purpose of the meeting was for Members and Heads of Service to discuss ideas on how the Capital Project system could be more efficient, and to move forward without further delays. The Head of Finance said that following wider discussion on the issues included in his report, he would prepare a further report to the next Audit and Scrutiny Committee focussing on best practise for handling projects for the future.</p> <p>The Convener referred to the Anderson High School (AHS) project and explained that from the outset a team had been established comprising of Members, officers, teachers and students to try to get the best possible school for the pupils of Shetland. He said that the project had been ongoing for some time, the proposals had been revisited and during the years the costs had gone up, however lessons have been learned. He said that the Executive Director, Education and Social Care has the project well planned, and a new Project Manager will be coming in to progress the project. The Convener said that a project update would be presented to the next Services Committee and would demonstrate that a school can be built in line with what the people of Shetland want, and can be built as quickly as possible.</p> <p>Mr A G L Duncan said that there was now evidence that the project had been ongoing for 16 years, which had involved 5 previous Councils. He stated that the blame lies with the previous Councils, who had no guts or merit to take decisions, and the project had come to this Council as dead wood.</p> <p>The Convener said that the decision had been made at the Council before last, to use the AHS site, and during that time a lot of effort had been made to try to provide Shetland students with the best quality facility possible. He went on to say that he accepted that the project had gone on longer than was planned, but at the end of the day, the Council was a Local Government operating on democratic principles. He added that for the Council to have credibility with the Shetland public, progress had to be made with building the new school now.</p> <p>During the discussion, the Chairperson stated that it was totally unfair to blame the Convener for any delays with the AHS project, as he had been only one of the Members in the team. For any decision taken there had always been some Council Members who had not agreed with the team's recommendations. She commented that the present Council had been serving for 18 months, and similar debates were still going on.</p> <p>Mrs C H J Miller stated that this meeting was to decide how the</p>	

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	<p>Council could better manage capital projects in the future. She then referred to the main stages of capital project management set out in the report, namely, Policy Formulation, Project Definition, Project Planning, Project Implementation, Project Monitoring, and Post-Project Review, and said that these were the areas that the Committee should be considering today. Mrs Miller said clear Policies need to be set to give clear guidelines to officers, and that Members and officers should work as a team. The Convener agreed that priorities should be set first, however he said that with the previous Council the AHS and Bressay Bridge projects had been Council policy.</p> <p>The Head of Organisational Development advised that when he took up the post as Manager of the ICT Unit, recent performance in project deliverance had been a disaster, with the Council paying over £1 million for a computer system that did not work. However from that serious crisis an improved system of project delivery in ICT had been introduced which balanced political and senior management input better, with all projects since being presented to the ICT Management Board which included the Chief Executive, the Council's Executive Directors and ICT staff. He explained that this system was still highly effective, with projects getting the correct management attention and the correct level of political involvement. He stated that understanding and following a solid project management methodology was the basis to good Capital Project management.</p> <p>The Head of Transport reported that the Council adopted a Capital Projects Procurement Guidance document in 2003, however the Policy has not been implemented. He said that the Policy addresses all the points raised in the report prepared by the Head of Finance, with one of the main concepts being that effective planning is crucial to the successful outcome of a project. The Head of Transport proposed that the Guidance should be updated, as it would be a very good platform and starting point as a discipline to project management. The Head of Finance commented that the Guidance was good practise documented, and he was aware that the Head of Housing and Capital Programmes held the same view.</p> <p>Dr J W G Wills said when the Council discovers something wrong there is a duty to raise the point of detail in overall Policy. Dr Wills referred to the Feasibility Study for the AHS project dated August 2003, and to the project execution plan that had been prepared prior to the decision to concentrate efforts to build on the site adjacent to the school. He said that for the AHS project and the Bressay Bridge all the possible options had not been explored at the start of the process, and there should be clear documented evidence as to why a particular option had been taken forward. Dr Wills referred to</p>	

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	<p>the Feasibility Study for the AHS project where it states that when a project is found not to be economically or technically viable value engineering should be implemented to get a plan to fit. He added that political interference affected the AHS project just two months following Council approval of the Capital Projects Procurement Guidance Policy. He said that the policy was in place, however it went wrong, and the conclusion is that lessons will be learned. He added that the report by the Head of Finance contains the procedures and the Guidance document has been prepared, but will require to be updated.</p> <p>The Convener said that for the AHS project each area had been complied with, and the team had gone through the process in detail, and each officer was committed and had followed the process. The Head of Transport stated that staff had followed the process to the best of their ability and there needs to be confidence in the process. The Chairperson said that the AHS project was top priority; the past was the past, the bickering should stop and the project move forward, and the Convener said that where mistakes had been made, lessons would be learned for the future.</p> <p>Dr Wills said that the Capital Projects addressed in the report were proper subjects for scrutiny and the purpose of this Committee was to examine what has gone wrong. He questioned that if all appropriate procedures had been followed then why had there been four different versions of one school with £3 million being spent to date. He added that if the procedures were correct then there was an expectation of political interference.</p> <p><i>(The Chairperson declared a non-pecuniary interest in the following discussion and therefore vacated the Chair. The Vice-Chairperson, Mr A G L Duncan, took the Chair).</i></p> <p>Dr Wills outlined the main stages with the Bressay Bridge project, where the Council agreed first to progress with a bridge, and after spending £1.9m it was considered not to be the best option and the Council are now progressing through the STAG process for the options and long-terms costs for building a tunnel. The Convener advised that he had never been involved in the project team for the bridge, and said that the decision to build a bridge had essentially been taken by Council in the term before he was Convener, and was the Policy of that particular Council. The £1.9m had been spent on very extensive works and the project had been ready to go ahead, however the LPA had objected to the proposal and that is where the bridge project stopped. He stated that there had been nothing wrong with the process for the bridge project. The Convener added that he could not hide his disappointment</p>	

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	<p>that the bridge project had not proceeded, as Bressay would by now have been linked to the mainland. The current preferred option of a tunnel would now take its place in the list of capital projects.</p> <p>The Head of Organisational Development said that the involvement of Council Members was an integral part of the process, but it was important to get political input at a right balance.</p> <p>The Head of Transport stated that both the AHS and Bressay Bridge projects had followed good practise at the time, however there was now a refined understanding and a clearer view to do things slightly differently, and officers would now take learning points and move onto the next stage of evolution to adopt a process the Council would have confidence in.</p> <p>Mrs C H J Miller said that she had been kept informed of progress with the Bressay Bridge project through her involvement with the Community Council, and she said there had been good partnership working with all the stakeholders involved, and lessons have been learned. Mrs Miller then asked Service Heads for their views on how capital projects could be delivered more efficiently and on Member involvement.</p> <p><i>(Mrs F B Grains assumed the Chair).</i></p> <p>The Senior Contract Manager said that it was important to have early definition of the Service needs, to work closely with the Service and for the project outputs to be defined at an early stage. In response to a question from Mrs Miller, the Senior Contract Manager said that the lack of the Blueprint for Education had affected the AHS project to a certain extent, however there is an agreed roll of 1000 pupils that is presently being worked to, and any variation to this would be a question for the Education Service. The Head of Transport said that an issue with any project was to do the best from the information known at the time, and to keep at the pace of political and public expectation.</p> <p>Mr Duncan said that it was important that the Council learns from past failures and to move to the future, however it was important to know where the failures have occurred, and to learn from them.</p> <p>Some discussion took place on the earlier decisions taken by previous Councils on the AHS project, with changing opinions altering the project. Dr Wills stated that all Members had to accept a Council decision if they lose the vote, but that did not prevent him from revisiting the issue and altering a decision.</p>	

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	<p>Mrs Miller said it was necessary to first identify a Service need, then Policy Formation, with Members having the ultimate responsibility to identify projects, to adhere to the decisions, then to move forward with Project Definition. She added that Council Policy at this time is to build a school for 1000 pupils at the AHS site and to build a fixed link to Bressay in the form of a tunnel.</p> <p>Mr A J Hughson said that the most important issue was to identify where a project could go wrong and to learn from mistakes. He then referred to the Council's commitment of £3 million to the Viking Energy project and questioned whether any lessons learned could be applied to the project. The Head of Finance said that the Viking Energy project was at the planning process, and a decision could be taken to not award in favour of planning permission, and the project could come to an end with the Council having spent the money getting it to that stage.</p> <p>The Head of Finance said that the format of his further report would be that the Guidance document would be updated, best practise identified, and that lessons had been learned. There was a need for the Council to be more disciplined in the handling of projects so that firm decisions can be taken, with less deviation as projects move on. The Head of Finance said he had confidence in the AHS project, which was now in the hands of a team and managers who would do justice to the project. He then referred to the Bressay link project and said he agreed that the STAG process was the systematic approach to hold projects in good stead for the future. He added that appropriate and firm decisions had been made on the capital projects, and he considered that the expenditure incurred so far had been properly proportionate to the type of projects.</p> <p>Dr Wills said that having read the report, the lessons learned were that there needs to be a clear appraisal of the options, a clear budget appraisal stage, with no budget being committed until the appraisal stage, and there should be post project updates. Dr Wills then referred to Section 4.2.6 of the report where it stated that in relation to the AHS project "...there is not yet a final settlement decision in favour of building a particular design at a particular location". He stated that it was Council policy to try to build the AHS on the existing site, and to build a tunnel to Bressay, however as yet there was no budget and he considered that there should be, and there also needs to be accountability.</p> <p>Mrs Miller said that if the Bressay Bridge project had gone ahead then there would now be a bridge in place, however Council Policy was now to build a tunnel with no budget</p>	

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	<p>allocation. She added that the Council has to look very closely at linking projects with what the Council can afford to do and to be realistic.</p> <p>The Convener stated that all the expenditure on the three projects had gone through External Auditors and had been spent properly in accordance with legislation. He went on to say that the Auditors also look whether the money has been spent ultra vires and for accountability for Councillors and officers, and to ensure that every single pound has been spent in accordance with the law. He added that the Auditors do not consider the actual political decisions that were made, but the processes.</p> <p>The Chairperson said that when the Council approves a project there should be an agreed budget, specification, timetable, and contract price, with very regular monitoring and reporting as the project progresses, and the financial outturn at the end of the project to show where and why if any problems had arisen.</p> <p>Mrs Miller referred to Section 6.2, where it states that, "Existing policy doesn't yet give sufficient guidance on what is required, what are the relative priorities, what are the timescales, and what are the resource constraints", and said that sufficient guidance and relative priorities are completely at the hands of this Council.</p> <p>Dr Wills stated that he was grateful for the work the auditors carry out, however if the auditors do not examine whether the Council has followed best practise and policy, then he questioned who would. The Convener said that the auditors question procedures, but whether the Council made the right decisions was a different matter, and the buck stops with the Council.</p> <p>Dr Wills then referred to the report where it stated that, "the Mareel Project was not generated by a policy imperative. Instead it was generated by an enthusiastic arts community.....". During the discussion, the Convener advised that the Council decided to invest a certain amount of money in the Mareel project, which was agreed in advance, as the project required external funding. He added that the project was taken forward essentially at the Council's request. The Head of Finance said that proper decisions were taken, albeit done in the absence of Policy, however the decision would be strengthened by the creation and maintenance of a Policy framework. With the agreement of the Chairperson, Mr R C Nickerson addressed the meeting and clarified that it was Council Policy in the Corporate Plan of the previous Council to proceed with the Mareel project, however the project had been allocated to an external body.</p>	

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	<p>Dr Wills referred to one of the Council's procedures for the requirement to conduct a full appraisal of project/s, and he asked why the Council had not insisted that an outside body conduct a full appraisal of the Mareel project. The Convener said that after the original Council decision, the Council had considered this but had been satisfied that an investigation had been undertaken. The Chairperson added that the Council had been satisfied that the outside body was capable and able to do what was required.</p> <p>Dr Wills then enquired whether arms-length projects were required to meet the same standards as Council projects. The Head of Finance said that insofar as the Council has yet to develop consistent definitions of option appraisal, it had not insisted on a vigorous approach, however option appraisal had to be developed and be applied to both Council and outside projects.</p> <p>Mrs Miller thanked the Heads of Service for attending and contributing at the meeting. The Committee agreed to the suggestion that any additional points they might have could be discussed further with the Head of Finance and included in his report as appropriate.</p>	

The meeting concluded at 12.25pm.

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F B Grains
Chairperson