

Briefing Note

Overview & Scrutiny Committee
14 January 2018

Responsible officer:
Mark Sheldon, Director of Corporate
Projects

This note contains information to keep Members informed of matters relating to the work of the Cabinet or a committee but where no decisions from Members are needed.

If Members have questions relating to matters shown, they are asked to contact the Officer indicated.

Why has this come to scrutiny?

On 26th February 2018 a discussion paper was presented to this committee to explain the detail of how the Leisure-at-Cheltenham redevelopment project was to be managed.

Alliance Leisure Services (ALS), providers of leisure facility development services to public sector organisations, had been appointed by The Cheltenham Trust. ALS's role has been to deliver the design and build element of the first phase of redevelopment of Leisure-at Cheltenham.

This briefing note has been submitted to this committee to provide an update on the success or otherwise, of using a development partner to deliver the Leisure-at redevelopment project, as recommended at Audit Committee on 25th July 2018. It will also be submitted to Audit Committee for information prior to their meeting on 23rd January 2019.

1.1 Procurement and contractual arrangements

- 1.2 Council approved a revised approach to managing the financing and project management of the scheme which led to the Council contracting directly with Alliance Leisure Services (ALS) who have subsequently delivered the project on behalf of the Council and its co-sponsor, The Cheltenham Trust.
- 1.3 In terms of procurement, Alliance Leisure Services has been procured through the Denbighshire Access Agreement and Framework Contract. This is a 4-year Development Framework that Denbighshire County Council procured after extensive tendering process to demonstrate value for money that complied with OJEU rules. The access framework is available to all Public Sector organisations and utilises JCT or NEC construction contracts.
- 1.4 ALS has acted as the development partner of the Council. Contractual relationships are that CBC contracted to ALS to deliver the scheme; ALS are contracted to both SPC (the project manager) and WFC (the construction company) under the terms of the Single Supplier Framework Agreement as supply chain partners, thus no direct contractual relationship between SPC and WFC
- 1.5 Under the framework agreement, a brief is determined by the client. ALS undertakes initial scoping, at its own risk, from preconstruction work e.g. surveys and design input from the consultancy team. This then informs the 'cost certainty' element of the project from which the client can enter into a call off contract with ALS.
- 1.6 This method of procuring capital works using the development partner route reflects the fact that local councils have decreasing resources to manage larger capital projects and enables councils to:

- Reduce the impact on internal resources in local authorities
- Obtain cost certainty at the beginning of the contract which is adhered to
- Gain clarity on what is being delivered as a result of the upfront testing, design and detail prior to signing a contract to provide cost certainty Create best value for local authorities through market costing before the contract is signed and holding to prices throughout the project
- Transfer the project management and contract management to a readymade team including architect and project manager and with quantity surveyor skills, who are experienced in particular areas of work
- Transfer the financial risk to the partner (Alliance Leisure Services), to protect local authorities from cost over-runs during and/or at the end of the project.

2. Summary of Roles

- 2.1** The revised approach to management of the project has meant that its successful delivery of the project is, contractually, the responsibility of Cheltenham Borough Council and, as such the project is required to work within Cheltenham Borough Council project governance and project management guidelines.
- 2.2** ALS's role will be to manage the design and build element of the project through to completion to the agreed cost and time, owning the risks on overspend and ensuring that adequate on the ground resources is available.
- 2.3** All other project impacts and risks will be the responsibility of CBC and as such, there is the need to ensure project governance processes are followed and project management resources are allocated to manage this element of the project.

3. Outcome of the Development Partner route

The Joint Commissioning Group and ALS have been asked to provide feedback on the use of a development partner on the Leisure-at redevelopment project to determine the level of success in delivering the benefits outlined in 1.6.

3.1 Development Partner Procurement

The procurement of a development partner to deliver the Leisure at redevelopment has been a new business model for both CBC and TCT. The benefits identified have been a speedier, OJEU compliant, procurement process offering a quick route to engaging a specialist team, ALS, and a fixed cost for the contract.

However, from the client side there were a number of concerns focused around development and understanding of the project brief which arose as a result of the initial lead on the project being The Cheltenham Trust.

- The Property team were not engaged at the early stages so had no input in the evaluation. Initial pre work, design and costs were in some instances superficial, not following RIBA plan of works, which created the need for the client to continually make design decisions and closely manage cost amendments and additions throughout the project.
- This method doesn't recognise Local Authority requirement to follow strict governance and standing order rules.
- 'Cost certainty' still included a number of provisional sums and therefore a requirement for a realistic contingency budget, which was utilised. The avoidance of financial risk to the client, whilst reduced was certainly not transferred.
- Feedback varied in whether this procurement framework was favourable, ranging from a preferred model for the future to avoiding it at all costs. It was apparent that not enough preparation with regard to contractual ownership and responsibility, and cost certainty was undertaken prior to commencing procurement by the client and more preconstruction work was required from ALS.
- There was some concern that ALS favoured the contractor rather than the client.

3.2 Staff Engagement

While the project team worked hard to ensure the project was successful, concerns were raised that lack of TCT wider staff engagement resulted in missing input from subject matter experts on elements of the design.

Early engagement with staff is important to create 'buy in' for the project and ensure detailed considerations are captured. This will help build team confidence in the project and Leisure at, in general. It was suggested a 'staff champion' be selected to ensure regular updates were disseminated, feedback collated and reported back to project team.

3.3 Internal Project Management

Benefit of internal project management ensured focus on wider public sector considerations such as public and stakeholder communication, rather than solely the design and build element of the project, and a level of control of the project and financial status, particularly with costs outside of the ALS contract.

Late engagement in project impacted early understanding of requirements and historic decision making. This resulted in some duplication of activity initially.

3.4 ALS Project Management

The Project manager employed by ALS was concise, focused and professional and had a good relationship with the building contractor. The project was well managed and the need for internal full time resource was reduced.

Phase 1 snagging and initial handover dates could have been managed better and issue of planning should have been identified earlier. The ALS project manager should have challenged the works programme more.

There was some concern that cost plan and works quotations were not always scrutinised for best value and it was suggested that a quantity surveyor should be engaged for all capital projects.

3.5 ALS Project Organisation

ALS worked well with the client overall, providing a pragmatic approach to resolving issues.

Some elements of the programme could have been more efficient, particularly as working within an operational environment. Greater understanding by ALS of the importance of public perception and impact when working with a public sector organisation would have been beneficial.

3.6 ALS Project Delivery

Project was delivered on time and within budget on an operational site, with no significant safety issues reported. When building work was not up to standard the building contractor was challenged by ALS or SPC.

The initial phases were challenging and it was clear that contingency funds would be heavily relied upon. It was apparent that the Splashpad sub-contractor was not engaged in the project early on and this was partly responsible for design problems later in the project. Concern has already been mentioned with regard to flaws in the model and this resulted in lack of independent cost plan checks and need for variations to the design. There have also been no building services modification plans which could hamper building works in the future.

The project was delivered in very short time frames. More preparation time would have allowed for greater planning and design. In the future there should be a detailed client brief agreed prior to commencement of works, to be used as a benchmark.

ALS seemed to rely heavily on the project manager to take the lead on project delivery and there was some concern that ALS favoured the contractor rather than the client at times.

3.7 Financial Management

Weekly financial updates, provided by ALS, tracked and challenged at meetings by Finance and internal project manager resulted in very tight financial control of the budget and additional spending which was successfully controlled with the help of strict sign off parameters. However those parameters resulted in delays to key additional spend decisions at times, impacting the programme of work but not the completion date of the project.

3.8 Reporting Mechanism

Internal reporting mechanism and ALS reporting, site visits and progress meetings were timely and successful.

3.9 Other

A strong open relationship was experienced between all project team members and all were comfortable to share frustrations and develop solutions.

From a client perspective, clarity on which organisation was the employer for the contract should have been resolved prior to procurement of the design partner. This would have helped a number of challenges regarding legal positions that arose throughout the project.

No consideration was given to work arising as a consequence of the project delivery which has since been proposed, with additional resource and cost implications.

4. Summary of the feedback

The project was ultimately successful, being delivered on time and within budget.

Greater discussion and agreement prior to procurement of a development partner with regard to how the project should be approached and resourced was necessary. A comprehensive client brief must be prepared before seeking delivery partners and a comprehensive procurement strategy must be defined at project inception.

Early engagement of key CBC personnel is required at initial discussion stages. This will help to ensure the correct level of preconstruction work is undertaken to finalise the survey and design element of the project prior to commencement of works. Higher levels of internal resourcing of the project were required than should have been necessary, had the appropriate level of planning, pre-works, been completed.

In conclusion, the project has resulted in many positive outcomes for Leisure-at-Cheltenham and provided an opportunity to test this procurement framework, identifying its strengths and weaknesses.

This report will be made available for consideration when approaching development of a capital project in the future.

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Accountability

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