

CITY AND COUNTY OF SWANSEA

MINUTES OF THE AUDIT COMMITTEE

HELD AT COUNCIL CHAMBER, CIVIC CENTRE, SWANSEA ON
TUESDAY, 22 MARCH 2016 AT 2.30 PM

PRESENT: Mr A M Thomas (Chair) (Minute No.72)
And Councillor J W Jones (Vice Chair) (Minute No.71) presided

Councillor(s)

C Anderson
P R Hood-Williams
R V Smith

Councillor(s)

R A Clay
L James
L V Walton

Councillor(s)

T J Hennegan
J W Jones
T M White

Officer(s)

Paul Beynon	- Chief Auditor
Sharon Heys	- Solicitor
Brian Roles	- Head of Education Planning and Resources
Louise Herbert-Evans	- Head of Capital Planning and Delivery Unit
Andrew Shaw	- Group Leader, Technical Services
Jeremy Parkhouse	- Democratic Services Officer

Also Present:

David Williams - Wales Audit Office

Apologies for Absence

Councillor(s): P M Meara, D Phillips and C Thomas

71 **DISCLOSURES OF PERSONAL AND PREJUDICIAL INTERESTS.**

In accordance with the Code of Conduct adopted by the City and County of Swansea, the following interests were declared: -

Councillor T J Hennegan – Minute No. 72 – Chair / Convenor of the Sustainable Communities Scrutiny Panel – personal.

Councillor T M White- Minute No.72 – LEA Governor at Pentrehafod School – personal.

72 **NEW BUILD FOR YGG LON LAS - REFERRAL FROM CABINET.**

The Director of People presented a report regarding the New Build for YGG Lon Las. It was explained that on 17 September, 2015, Cabinet referred the decisions and plans with regard to the capital programme authorisation for YGG Lôn Las new build project to the Audit Committee, this being in the interest that lessons may be learned and adopted within future projects.

The background to the 21st Century schools programme was provided. It was outlined that in December 2011 approval in principle was granted by the Welsh

Government to proceed with the Band A projects outlined in the Authority's Strategic Outline Programme (SOP) which provided an overarching view of the strategy. This approval was subject to contract and an Authority contribution of 50% towards the overall costs.

SOPs were devised to support the development and agreement of programmes in support of an agreed strategy/ strategies and secure an overall funding envelope, which in Swansea's case is £51m for Band A. It was unrealistic to expect that the values and detail within that programme would remain constant in any event during the lifecycle of that programme. Authorities are required to provide Welsh Government (WG) with a funding matrix, which sets out the funding profile for the duration of the programme, which in the case of Band A extends from 2011/12 to 2018/19. This matrix was adjusted to reflect the variances in project costs and programming, whilst seeking to maintain the required WG contribution for each year and the overall 50 / 50 split in contributions, so as to avoid the loss of the WG contribution. All of the business cases for projects forming part of Band A submitted to Welsh Government were therefore underpinned by the Strategic Outline Programme (SOP). Individual projects could only then be approved subject to receipt of a satisfactory business case.

The process for projects over and under £5m was provided, including details of the Five Case Business Model required by the Welsh Government. It was added that those five areas were examined at each stage of the Business Case.

The Royal Institute of British Architects Plan of Work 2013 which comprised eight work stages, each with clear boundaries, and detailed the tasks and outputs required at each stage. The cost planning and procurement process were also reported.

The governance and gateway review was outlined and it was added that throughout the lifecycle of the YGG Lôn Las project, regular reports had been made to the QEd Programme Board, underpinned by established risk management practices and issues and risks escalated as appropriate.

YGG Lôn Las new build, formed part of Band A of The Strategic Outline Programme (SOP), detailing the re-organisation and investment needs for Schools across Swansea which was submitted to the Welsh Government in 2010. The school operated out of failing, expensive to maintain buildings which were not fit for purpose for the needs of 21st century teaching and learning against a backdrop of the growing demand within the Swansea area for Welsh- medium education. Key within the transformational agenda within the QEd 2020 programme had been the need to address the issue of failing buildings. The YGG Lôn Las site was fragmented and had buildings in various states of disrepair thus constraining the delivery of foundation phase curriculum. A new purpose built primary school would enable the principles of all through primary education to be fully realised. The new school, due to be ready for occupation in September, 2017 will provide a 525 place primary school plus nursery and will be a 2.5 Form Entry school of traditional construction.

The objectives of the project and project programme were provided, including key milestones. In November 2014 the recommendation to appoint Dawnus Construction to carry out the pre-construction design service for the sum of

£353,265.80 was approved by virtue of a Delegated Powers Report and the company was formally appointed to carry out this pre-construction design phase and submit a suitable planning application for consideration. This phase completed in May 2015 culminating in a planning application on 29 May 2015, and planning approval on 8 September 2015. The planning applications for the temporary site at YG Y Cwm in Bonymaen and the temporary staff car park at Cefn Hengoed were approved on the 14 September 2015.

The report presented to Cabinet on 17 September 2015 sought approval to progress with the construction of the new YGG Lôn Las at Walters Road, Llansamlet and the construction of the temporary school in Bonymaen. The temporary facilities involved the utilisation of the YG Y Cwm infant building and the provision of demountables at the site. Given the funding constraints set by the Welsh Government, the report sought approval to progress at risk with the creation of the temporary facilities ahead of Welsh Government approval of the Full Business Case anticipated in October.

Cabinet approved the continuation of the project and authorised a variation to the stage one pre-construction contract previously entered into with Dawnus Construction Ltd in November 2014. The value of the Stage One pre-construction contract was increased from £353,265.80 to £1,103,265.80, to enable the development of temporary facilities for YGG Lôn Las pupils to commence earlier than the award of the Stage Two contract.

The report also detailed the cost plan, reasoning for choice of site, Welsh Government conservation area consent and Cadw Planning response. The reasons, process and costs of locating to temporary school facilities were given.

In addition, the summary of the business case development timetable, the new build cost per pupil comparison and key dates for stakeholder engagement were highlighted.

It was concluded that the development of the business case for the new build for YGG Lôn Las had taken place over a five year period commencing with the approval of the Strategic Outline Programme in 2010. The process resulted in the scope of the project changing twice (in response to uncontrollable external factors) from complete rebuild, to partial rebuild to the final approved scope complete rebuild. These changes reflected the effective review of the economic case for the project in conjunction with subject matter experts and Welsh Government colleagues. Both the new build and temporary arrangements were subject to economic appraisals, which were approved at all stages of the business case process by Welsh Government. The two areas of apparent slippage were programme and cost.

The protracted business case development process which the project dictated, resulted in the slippage of the project beyond the parameters originally provided in the spend profile agreed with Welsh Government and contained in the 21st Century Schools financial matrix. The changes in the cost plan since SOP/SOC stage could be attributed to a number of factors and these were outlined.

Despite this however, the project has been managed within the parameters of the programme envelope, both in terms of time and cost. The remaining projects within the programme which were at different stages of progress were summarised in the report. Lessons had already been learned and were being implemented in the delivery of these outstanding projects.

For future programmes, possible strategies to improve the robustness of the individual components of the programme could include;

- Establishing a more robust case for the preferred way forward for each project prior to the submission of the SOP. This may have involved for example, increasing project intelligence by for example, where appropriate, the earlier commissioning of detailed site investigations (with provision of the necessary feasibility budget).
- Reviewing the means of cost planning at SOP development stage, ensuring that all costs were accounted for and adequate contingency/optimism bias allowances were made. This point had in reality already been addressed as more robust cost planning had already been implemented and optimism bias applied appropriately.

It was added that Welsh Government advised that capital expenditure could include any architects and surveyors fees where they led to the acquisition or the construction of a building, and they would therefore consider professional fees from RIBA Stage 2 onwards (architects design fees etc.) to be capital if the appropriate business case was approved and the asset was created/built. However, where the fees were incurred in the very early stages of a capital programme, relating to the inception and strategic briefing stages (RIBA Stages 1-2), they would be deemed revenue activities. This would require, provision of an adequate budget and appropriate resource to facilitate business case development at risk and prior to SOP submission.

Whilst YGG Lôn Las was not affected by school organisation proposals e.g. closures and amalgamations, it was important to continue to ensure that all such proposals were completed where possible prior to SOP submission to ensure that proposals were deliverable and within the proposed timescales.

The Committee asked a number of questions of the Officers, who responded accordingly. Discussions centred around the following areas: -

- Collaborative procurement route;
- South West Wales Framework tender evaluation process;
- Advantages of two stage tendering process;
- Level of contingency built into each stage;
- The benefit of early engagement with contractors;
- Fee income compared to costs and how such 'internal money' was calculated;
- Responsibility for payment for equipment, which is largely for schools to cover;
- Welsh Government process requirements;

- Involvement of Internal Audit in the process;
- The original plan to remain 'on site', the involvement of Llansamlet Ward Members in the process and the reputational damage to the Authority following the need for a full decant to the temporary site;
- Additional costs incurred as a result of a full decant to the temporary site;
- Why work to assess the groundworks at the site could not have been completed much earlier in the project and the need for more funding to be available at this stage;
- Why alternative sites highlighted by Llansamlet Ward Members could not have been considered as potential sites and how decisions were perceived by the local community;
- Costs per pupil of the project being very good;
- How more notice could have been taken in the Business Case Development in relation to additional costs;
- Stage 5 construction – use of local contractors as required by Welsh Government;
- Programme Management arrangements;
- Significant financial savings made by the project and how these were achieved;
- Consultation process;
- Planning process and health and safety issues;
- The importance of learning lessons from this project;
- The suggested need for clearer accountability within the Authority with regard to the oversight of all major building projects, and possible need to appoint a senior responsible officer for all such projects;
- Programme governance and findings of the external Gateway Review;
- Risk assessments undertaken as part of the project plan;
- The Welsh Government to recognise recognising that funding needs to be made available at key early stages in project planning;
- Sufficient resources being made available to the project team to meet the requirement for thorough and proper initial planning for projects.

RESOLVED that: -

- 1) The contents of the report be noted;
- 2) The Chair / Chief Auditor draft a report summarising the key lessons to be learned, for consideration by the Audit Committee prior to being submitted to Cabinet.

The meeting ended at 4.30 pm

CHAIR