

Address:

4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Telephone:

0845 146 1010

Email:

info@audit-scotland.gov.uk

Website:

www.audit-scotland.gov.uk



21 September 2014

Bruce West
Head of Strategic Finance
Argyll and Bute Council
Kilmory
Lochgilpheadl
Argyll
PA31 8RT

Dear Bruce

Argyll and Bute Council 2013/14**Review of the Council's CHORD programme - Helensburgh Redevelopment Project**

Due to the profile of the CHORD project in the community and receipt of correspondence from members of the public, we have undertaken some targeted audit work reviewing the council's governance over the Helensburgh redevelopment project. Our findings are detailed below.

Background

The Helensburgh CHORD Project is designed for the regeneration and economic development of Helensburgh Town Centre and West Bay Esplanade. The CHORD programme, covers redevelopment of a number of sites and fits with the Council's Corporate Plan, Single Outcome Agreement and approved Development Plan policy for town centre regeneration.

The role of elected members

The elected members have been involved in making decisions at key stages of the project. In November 2008 the Council agreed an allocation from CHORD funds of £6,660,000 for the Helensburgh project. The Helensburgh CHORD Project Board were responsible for the monitoring of the project until January 2014.

Following the council's review of political arrangements the progress of the project is now monitored by the Helensburgh and Lomond Area Committee. Their August 2014 progress report records that progress to date against the original programme is behind schedule. Cost for delivering the Helensburgh CHORD Public Realm works is reported as within budget.

The area committee, meets in public and discusses Progress Update reports on the project in public session but discusses some Risk Register reports and Highlight/Progress reports in private session on the basis that these reports contain details of contract negotiations. The last Progress Update report was discussed in public session by the Helensburgh and Lomond Area Committee at its meeting on 12 August 2014. At that meeting, the Risk Register and Highlight/Progress reports were discussed in private session. The council has explained that consideration is given on each occasion as to which reports should be discussed in private. The process is that officers decide if the report contains information that might be considered exempt and then the board makes a decision on whether an item is exempt or not when they resolve to exclude the press and public. The reason that

a number of reports were taken in private was to discuss contractor performance. Members of the public have told us that they would like to see more progress information available on key projects.

Procurement of the contract

The detailed design for the project was originally approved by the CHORD Project Board in December 2010. The original contract procurement had a target completion date of May 2013. However the project has been slowed down because of the procurement process being retendered twice. The first procurement process was completed in December 2011. However following a challenge by an unsuccessful tenderer in relation to the sub criteria and interview process, in March 2012, the Executive approved a retendering exercise. This was based on legal advice to ensure compliance with all relevant legislative and procurement requirements.

Alongside the retendering, a review was carried out by Internal Audit in March 2012 to identify the factors which contributed to the weaknesses in the council's initial procurement process. Eleven recommendations were identified as a result of the review of which seven were of high priority. Internal Audit's report was noted by the Audit Committee at its meeting in June 2012. The Audit Committee also noted that the Council's overall approach to Procurement and Commissioning would be reviewed by Internal Audit during 2012/2013. Progress reports submitted by Internal Audit to the Audit Committee record that all eleven recommendations arising from the review were implemented within the agreed timescale.

The retendering of the contract due to weaknesses in the council's procurement procedures, identified by Internal Audit and the council's legal advisors, led to some delays and increased costs for the project.

In May 2012 ten contractors submitted tenders. However following the council elections, in May 2012 the Council decided to suspend the Helensburgh CHORD procurement until a public consultation was carried out on the design of the works. Following this consultation, in June 2012, the Council agreed to progress an amended design. Based on legal advice at that time, due to the scale of changes being made to the design, the Council decided to re-procure the contract again. In April 2013 the Council entered into an Agreement with MacLay Civil Engineering Ltd to undertake the Helensburgh Town Centre Public Realm works, with a planned completion date of 1 July 2014. This work is now ongoing with a revised completion date of April 2015.

This second retendering of the contract was approved by the council with an aim of better reflecting the views of the community. A consequence of this however was further delays and increased costs. Despite the issues with the procurement process, the project is currently within its revised budget figure of £7.33 million. Delays to the project were not solely due to the procurement processes but also due to a range of issues including failures on the part of the contractor and ground conditions.

The council has plans in place to carry out a post implementation review and then a longer term evaluation of success for the project.

Project governance arrangements

The council has acknowledged that project governance arrangements could be improved and that the project has not progressed as planned. Members of the Project Board have previously criticised communication between project managers, the public and members. As a result, in September 2013 the council undertook a review of the project's governance arrangements.

As a result of the review, a number of actions were implemented to enhance governance, monitoring and reporting of the project including the appointment of a full-time roads officer to support the CHORD Project Manager, along with extra on-site support for the contractor to assist delivery and communications. As part of the review it was agreed to postpone Phase 2 of the works until January

2014 (original start date September 2013) to avoid disruption during the festive season. It was also reported that the contractor would be seeking views from those directly affected by the first phase of works, including retailers, other businesses and local residents to identify ways performance could be improved. The council is to continue to review the effectiveness of its revised arrangements over similar projects.

Funding towards local projects

In February 2012, the Planning, Protective Services and Licensing Committee agreed to approve build of a Waitrose supermarket in Cardross Road, Helensburgh. Part of the planning consent involved an £880,000 contribution towards local projects. This included £220,000 which is included in the CHORD project for improvements to public realm/public space. Representatives from Business Gateway, CHORD and the council's planning and roads officers formed a team to oversee delivery of the contribution. A further £100,000 is ring fenced for the provision of Public Art in Colquhoun Square. The council has confirmed that 6 monthly reports on the use of this funding are discussed by the Helensburgh and Lomond Area Committee.

Overall Conclusion

Elected members have overseen the CHORD Helensburgh redevelopment project. They have been involved in making decisions at key stages of the project.

The original target completion date for the Helensburgh redevelopment contract was May 2013. The latest target date for completion is April 2015. Delays in completion became inevitable due to the contract being retendered twice. The first retendering was due to poor procurement practices and the second retendering of the contract was approved by the council with an aim of better reflecting the views of the community. A consequence of both these retendering exercises was delays and increased costs. Having said that the project is currently within its revised budget figure of £7.33 million. Delays to the project were not solely due to the procurement processes but also due to a range of issues including failures on the part of the contractor and ground conditions.

The council has acknowledged that project governance arrangements needed to be improved and that the project has not progressed as planned. The council is to continue to review the effectiveness of its revised arrangements over similar projects. The council is also to complete its planned post implementation review to report on whether the objectives of the Helensburgh project have been realised.

Next steps

A draft of this letter was issued to officers for comment on 19 August and comments have recently been received and reflected in these findings. This letter should now be presented to the council's Audit Committee on 26 September for consideration. We will include a summary of our findings in the 2013/14 Annual Audit Report in October 2014. We will also copy it to correspondents who have contacted Audit Scotland about this issue.

Please contact Fiona Mitchell-Knight or myself if you have any queries on this management letter.

Yours sincerely



David Jamieson
Senior Audit Manager

