
CAPITAL PROCESS REVIEW

Responsible Cabinet Member - Councillor Stephen Harker, Resources Portfolio

Responsible Director - Cliff Brown, Director of Community Services

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is to advise Cabinet of the developments in the effective management of capital projects and programmes.

Summary

2. This report describes the key areas of development where the use of internal best practice approaches and improvements in existing practices could be joined to help improve performance and the degree of consistency within capital project delivery.
3. The section described within this report extend across:
 - (a) Authorisation Control (Gateway) Points
 - (b) Project Monitoring and Reporting
 - (c) Risk Management
 - (d) Change Control
 - (e) Roles and Responsibilities
 - (f) Project File Structure
 - (g) Contract Choice and Selection
4. The development of Project Management Control Documents incorporating all elements described above will provide support and guidance on future project delivery to ensure that capital projects are delivered in a consistent and effective way throughout the Council.
5. This report describes the work done to ensure that Darlington is equipped to deliver quality buildings and goods value for money.

Recommendation

6. It is recommended that the actions taken to improve capital processes be approved.

Reasons

7. The recommendation is supported as there has been recognition of the need to strengthen the existing project management processes.

Cliff Brown
Director of Community Services

Background Papers

The following documents have been used to inform the work completed as described within this report:

PRINCE2™ – Managing Successful Projects
MicroPrince2™

Craig Holden : Extension 2462
LF

S17 Crime and Disorder	This will not have any direct impact on Crime and Disorder
Health and Well Being	This will not have any direct impact on Health and Wellbeing.
Sustainability	This will not have any direct impact on Sustainability.
Diversity	This will not have a direct impact on Diversity.
Wards Affected	This will not have any direct affect on any wards.
Groups Affected	This will not have any direct impact on any groups.
Budget and Policy Framework	The proposals in this report are within current frameworks.
Key Decision	This is not a key decision.
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	The proposals in this report will indirectly contribute through the projects that will use these procedures.

MAIN REPORT

Information and Analysis

8. Over the last decade the national approach to the delivery of construction projects has changed significantly. These changes have been shaped and influenced by many factors including “Rethinking Construction” produced by the Construction Taskforce and chaired by Sir John Egan (1998) and the “Modernising Construction” report produced by the National Audit Office (2001).
9. These two influential reports also recognised the vast opportunities that partnering between clients and suppliers gave the construction industry. Evidence was provided that showed where partnering is used over a series of construction projects savings of up to 30% were common. Both reports also recommended a client approach that assesses tenders on best value and not lowest price.
10. There are many other factors that have influenced the change in attitude and approach to construction projects over the last decade which include:
 - (a) Construction Design and Management Regulations 2007
 - (b) The introduction of whole life costing
 - (c) Longevity and sustainability within local authority asset management strategies
 - (d) Energy efficiency and consumption
 - (e) Drive for innovation within building design and material use
 - (f) Wider environmental impact
 - (g) Potential future use of asset
11. Darlington has responded to these challenges well with assessment results for CPA 2007 - Use of Resources scoring 3 of which the capital programme forms an integral part.
12. Darlington Borough Council has an extensive capital programme that currently includes over 170 live projects and up to £50m annual expenditure during recent years. These projects range between the refurbishment of parks and schools to the replacement of windows, doors and kitchens in the housing stock. The values of the project start from as little as tens of pounds and extend to multi millions of pounds.
13. Notwithstanding the track record of successful project management in Darlington, the reviews into the Pedestrian Heart and Eastern Transport Corridor identified areas for improvement. The re-organisation of the Development and Environment department provided an ideal base from which to enhance internal capacity in the area of capital project delivery by bringing together key construction related disciplines. Work has also progressed on the internal review on the working procedures and practices adopted across the vast array of projects that are currently delivered.

14. The internal review has now been reported to Resources Scrutiny. The focus has been on incorporating current best practice in a framework that ensures consistency across the whole range of capital activity. Through the integration of the Building Services function of the authority with the construction expertise of Community Services a number of enhancements have already been introduced outside but in support of the review findings. These enhancements include a standard approach to the development and use of project cost plans. A single project directory providing information on the stage of each project and enhanced reporting arrangements through the Corporate Management Team. These changes have brought together the best practice used within each team and department and combined these to deliver a single unified approach.

Authorisation

15. A five stage high level process embraces capital project approval and authorisation. This approach will run in parallel with existing policies and procedures for capital release and project prioritisation, the stages take a project from identification through to final close off and evaluation with each stage requiring a defined document approval process prior to commencement to the next. Each document (referred to as control point or gateway documents in the process) requires the core information relating to the project to be provided. Information provided on each control point document will be used to provide a baseline position for monitoring and measuring project progress.
16. The control point documentation has been developed and is currently being applied to a number of project areas. The feedback from this application will inform any changes required to the approach.

Project Monitoring and Reporting

17. The current method for monitoring project expenditure will be supported by the schedule monitoring of the same projects. All capital projects will provide high level information through the control point documentation on the anticipated dates for delivery against each stage. Supporting this is the continued use of the cost plan reporting. Where it is identified by a Project Manager that the cost or schedule of a project is deviating outside of an agreed tolerance level, an exception report will be required. Again this will run in parallel with existing reporting arrangements.
18. Each project will have a Project Closure report and Post Project Review carried out. As part of these, assessment on cost and schedule performance will be made. This approach will help ensure that a clear auditable trail exists when projects deviate outside of agreed tolerance levels.

Risk Management

19. To support the audit trail within the project environment, a standard approach to the identification and management of project risks has been developed. The standard approach has been based upon the corporate approach to risk management and has brought together the current working practices across a number of areas. The standardisation of the approach will help to better inform future projects based upon past experiences.

20. It has been recognised that risk management approaches have developed and training will be rolled out in this area. This reflects the fact that capital projects have become increasingly complex with multiple clients. An example of this was the Coleridge Centre that encompassed a school, childcare centre, community facilities and Multi Use Games Area (MUGA), all with different funding streams and requirements.

Change Control

21. The approach to change control within the project environment varied between each team reviewed. Although these variances were not substantial, the need to introduce a standard approach to the recording and actioning of change within projects is considered essential. The revised approach uses a standard Issues, Actions and Changes Log. This will help ensure that a clear audit trail on key design and constructional change is captured throughout the project delivery with an appropriate assessment on the time and cost plan being completed.

Project File Structure

22. The restructuring of the Council provided opportunities to standardise the document management aspects of projects. Standard file dividers, structures and checklists are now being used. This supports the standardisation in the areas described above. The ability to assess any project using the same standard forms and approach ensures consistency can be achieved.

Role and Responsibilities

23. Given the complexity of many projects the need for clarity on roles and responsibilities performed as part of project delivery is key. To further support this approach more regular project meetings are now taking place to discuss, agree and align project objectives with all internal stakeholders. Where appropriate Project Boards will be established to give corporate oversight of major projects.
24. The roles and responsibilities document has been produced as an aide memoir and provides details on what should be expected within the various key roles of project delivery. The documents can be used to better inform the meetings that are now in place and help ensure that all individuals and teams are aware of what is expected.

Contract Choice and Selection

25. The evidence provided in the national reports described earlier clearly indicates that the drive to establish close client/contractor relationships has been shown to provide substantial benefits to both parties in time and cost savings. The Modernising Construction report states:
 - (a) Partnering does not mean that departments or agencies should have a cosy relationship with contractors". The report goes on to say, "if established reliably, partnering should provide departments with greater assurance that value for money is being achieved".

26. The development and introduction of partnership forms of contract have helped facilitate these relationships. However, there is an extensive range of contracts that are now available for use in the construction environment. Many of these contracts are premised on a partnering ethos. The introduction of the Procurement Strategy requirements will require careful consideration to be given on the form of contract to be used for each project. As part of this evaluation, the level of internal expertise and experience in the use of the contract will also be a key consideration. Under the procedures expert legal and other advice will be sought where appropriate when considering the type of contract to be used. This again will help ensure that the risk of choosing an inappropriate form of contract is significantly reduced.
27. The choice of contract is only the first stage. The internal understanding on the contract and its application is even more critical to ensure that value for money can be delivered. Training has been provided on the main types and forms of contract and differences between them. This has included an overview on the Engineering Conditions of Contract (ECC - Options A-F), the Project Partnering Contract (PPC) 2000; the Specialist Partnering Contract (SPC) 2000 and the Term Partnering Contract (TPC) 2005.

The Management Manual

28. The final part of the review identified the need for Project Management Control Documents (PMCD). These contain the information and guidance on all aspects described above and is being further developed to include generic terms, the array of existing standard checklists and tick sheets and the links to existing procedures and policies e.g. Financial Procedure Rules, Contract Procedure Rules and procurement Rules.
29. It is intended that these overarching procedures will continually improve as projects pass through the revised procedures and lessons can be reintroduced into the working approach to ensure continual development of the approach adopted.

Capacity and the Use of Consultants

30. The Council routinely uses consultants to enhance internal capacity on major projects and to support areas where it is difficult to recruit and retain relevant expertise.
31. The standard systems described within this report proved a framework to keep capacity under review and ensure that the correct balance is maintained between internal and external project management.

Conclusion

32. Darlington has a long track record of delivering major capital projects within the arena of housing, school, highways and civic buildings. The environment has become increasingly complex with multiple clients for many projects and new demands for greater focus on whole life costing and sustainability.
33. This report describes the work being done to ensure that Darlington is equipped to deliver quality buildings and good value for money.

34. Resources Scrutiny Committee has provided valuable oversight to the review and will continue to monitor performance. The recommendations from Resources Scrutiny will be fed back verbally to Cabinet at the meeting. Officers across the Council with responsibility for capital programmes are inputting into the strengthening and standardised approaches described in the report.

Outcome of Consultation

35. None.