

SUMMARY REPORT

DARLINGTON EASTERN TRANSPORT CORRIDOR TASK AND FINISH REVIEW GROUP

Responsible Cabinet Member - Councillor John Williams, Leader

Responsible Director – Ada Burns, Chief Executive

Purpose of the Report

1. To report the Resources Scrutiny Committee's findings and recommendations following the findings of an Independent review, commissioned by the Council, in relation to the Darlington Eastern Transport Corridor.

Recommendation

2. Cabinet be requested to :-
 - (a) endorse the following recommendations of the Resources Scrutiny Committee :-
 - (i) that the EC Harris report be noted;
 - (ii) that the actions taken to improve project management within the Authority, including the restructure of departments implemented in 2007/08, be monitored and reviewed by this Scrutiny Committee and that the definition of strategic procurement, project management and the use of external consultants in delivering capital projects be included as part of this review and that this review should commence immediately;
 - (iii) that the lessons learnt from the EC Harris report and discussions at this meeting be incorporated into the Capital Project Review Action Plan;
 - (iv) following completion of the Capital Project Review, the Action Plan be monitored by this Scrutiny Committee forthwith; and
 - (v) in light of the EC Harris report, Cabinet be requested to review its level of involvement in capital projects taking account of its duty of care and due diligence.
 - (b) receive a further report on the outcome of the capital project review.

Reasons

3. The recommendation is supported to ensure that the factors contributing to the budget overspend are understood and the lessons learned for future projects and programmes.

Paul Wildsmith
Director of Corporate Services

Background Papers

No background papers were used in the preparation of this report other than those referred to.

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S17 Crime and Disorder	It is not considered that the content of this report has any effect in the context of the requirements placed on the Council in relation to Section 17 of the Crime and Disorder Act.
Health and Well Being	There are no direct implications
Sustainability	There are no direct implications
Diversity	There are no direct implications
Wards Affected	All wards are affected
Groups Affected	No specific sections of the community are affected
Budget and Policy Framework	This report does not recommend a change to the Council's Budget or policy framework.
Key Decision	The content of this report is not a key decision.
Urgent Decision	For the purpose of the 'call-in' procedure this does not represent an urgent matter.
One Darlington: Perfectly Placed	The report seeks to strengthen the Council's capacity to deliver the Sustainable Community Strategy.

MAIN REPORT

Information and Analysis

4. As Members will be aware, following the significant projected increase in the cost of the Darlington Eastern Transport Corridor, the Leader of the Council asked for an independent investigation to be undertaken and consultants EC Harris were commissioned in November 2007 to examine :-
 - (a) the factors contributing to the projected overspend on the contract; and
 - (b) the decision made to agree a change to the road level.
5. At a meeting of the Resources Scrutiny Committee held on 1st May, 2008, the Director of Community Services submitted a report, together with the report prepared by EC Harris (**Appendix 1**) and it was agreed, at that meeting, that a Task and Finish Review Group, comprising all Members of that Scrutiny Committee, be held to enable detailed consideration to be given to the EC Harris report and its findings.
6. An all-day session was therefore held on the 9th May, 2008, and Members questioned the Officers in attendance on a number of issues surrounding the project in relation to Corporate Governance, Road Building, Corporate and Contract issues and forwarded a number of recommendations to a special meeting of the Resources Scrutiny Committee which was also held on this date.
7. The Resources Scrutiny Committee agreed to accept and endorse the Task and Finish Review Groups recommendations and to forward the following to Cabinet for consideration :-
 - (a) That the report from EC Harris be noted.
 - (b) That Cabinet be advised of this Scrutiny Committee's view that :-
 - (i) the actions taken to improve project management within the Authority, including the restructure of departments implemented in 2007/08, be monitored and reviewed by this Scrutiny Committee and that the definition of strategic procurement, project management and the use of external consultants in delivering capital projects be included as part of this review and that this review should commence immediately;
 - (ii) the lessons learnt from the EC Harris report and discussions at this meeting be incorporated into the Capital Project Review Action Plan;
 - (iii) following completion of the Capital Project Review, the Action Plan be monitored by this Scrutiny Committee forthwith; and

- (iv) in light of the EC Harris report, Cabinet be requested to review its level of involvement in capital projects taking account of its duty of care and due diligence.

Chief Executive's Comments

8. The investigation by EC Harris was thorough and has been helpful in identifying the specific issues that contributed to the cost increases on this scheme.
9. There were three key lessons emerging from the scheme and the recommendations from the Scrutiny Committee will support the work that has been done to give greater levels of confidence and assurance around capital projects.
10. It is now clear that the scheme could not have been delivered within the funding approved by Cabinet in October 2006, partly because of costs that were underestimated or missed and partly because of the timetable problems in dealing with the newts. If the Council had re-tendered or had better quality control systems operating there may still have been a significant gap between the funding received from the Department of Transport and the cost. However Cabinet should have had the opportunity at that time, before the contract was let, to decide if it still wanted to proceed and should have had the confidence in knowing what the final cost would be.
11. This project was re-visited over many years before the funding was finally secured; the investigation illustrates weaknesses in the systems that operated within the department to quality assure the estimated cost as it developed over that time. As a result costs were underestimated or missed.
12. There was always going to be a cost to the delay in securing the licence to enable the newts to be trapped and moved, and this was reported to the Tender Panel at the point when the contract was awarded, but it was a mistake for the Department to advise that the cost could be contained within the scheme budget and fixed without re-tendering.
13. There are three strands of activity relating to the recommendations from Resources Scrutiny that will embrace the learning from this scheme;
14. The reorganisation of the Council in the Autumn of 2007 strengthens access to a wide range of professional construction disciplines and allows for a consistent management approach to be taken to the development of estimates, to quality control over costs, and to project and programme management. The involvement of Scrutiny in examining these arrangements is welcomed.
15. The capital programmes review, nearing completion and developed with the involvement of Resources Scrutiny, establishes clear decision points where advice needs to be taken before the scheme proceeds, requires early consideration of the resources needed to manage the scheme and introduces consistent approaches to risk management. The involvement of Scrutiny in monitoring the implementation of these systems, which will embrace the lessons from the Eastern Transport Corridor, is welcomed.

16. The changes to the Contract Procurement Rules, agreed by Council in February 2008, will strengthen Scrutiny and Cabinet oversight of major capital schemes, at the points where risks can be fully evaluated and project management arrangements examined.

Outcome of Consultation

17. There has been no consultation with the public on the contents of this report. Officers and consultants involved in the scheme co-operated fully with the investigation.