



BILLET D'ÉTAT

WEDNESDAY, 25th JANUARY, 2006

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III
2006

B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY, the 25th JANUARY, 2006**, immediately after the meetings already convened for that day, to consider the items contained in this Billet d'État which have been submitted for debate by the Policy Council.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House
Guernsey
6th January 2006

PUBLIC ACCOUNTS COMMITTEE

REVIEW INTO THE BEAU SEJOUR REDEVELOPMENT

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

25th November 2005

Dear Sir

1. Executive Summary

- 1.1. In 2001 the States of Guernsey approved £9 million from the Capital Reserve Account to be spent on redeveloping the Beau Sejour Leisure Centre. A further £1,388,614.48 will be requested from the Capital Reserve to cover the additional funds needed for the project over and above the original capital allocation.
- 1.2. An independent post implementation report was carried out on the project. Therefore, the Public Accounts Committee decided to hold a Hearing based on this report to ascertain why more than the capital allocation had to be expended. This review was essential not only to ensure that the States of Guernsey could note good practice but also to learn from any mistakes that had been made. (The methodology behind the hearing process has been outlined in Section 2.)
- 1.3. The current procedure of earmarking a capital allocation some time before a project is tendered for, publicising that allocation over a protracted period of time, and then keeping to that figure during a period of rapid building inflation, has been a major factor in more than that original capital allocation being expended. In addition, by determining an allocation in this traditional way, the States of Guernsey ignored clear indicators that the allocation may not suffice, such as: the increase in consultancy costs, reducing the amount available for construction costs, too high provisional figures in the contract, and too low contingency sums. Sections 4 and 8 provide further analysis of these indicators. **As a result of this review, the Public Accounts Committee recommends that Treasury and Resources Department examines the method and timing of allocating capital for specific projects. Setting a budget many months ahead of commencing a project is unacceptable regardless of whether tender price inflation is positive or negative.**
- 1.4. One of the main failings of this project was the lack of constant corporate project management and the expectation that Department/Committee senior management could manage projects in addition to their normal duties, as

outlined in Sections 6, 7, 8 and 12. Within its ranks, the States of Guernsey has a skill base dedicated to the project management of construction projects, but this was unavailable at the time of this project. Therefore, the staff with these disciplines should be mobilised in a way that benefits the States as a whole and assists individual Departments in the implementation of their capital projects. In future, the States should support efforts to ensure that a Guernsey orientated management structure for any future capital project is in place well before the commencement of any project.

- 1.5. The Public Accounts Committee exonerates the Culture and Leisure Department (formerly the Recreation Committee) from sole responsibility in spending more than the capital allocation and details for this decision are provided in Section 7 of this report. The Culture and Leisure Department achieved its objectives and although mistakes may have been made, it was the system that was at fault and not a committee charged with promoting and supporting the development of sport and recreation in the Island.
- 1.6. Finally, there were procedural difficulties encountered in the capital project which are now being rectified. These are described in Sections 5, 9 and 10. The Public Accounts Committee congratulates the commitment of the staff involved in redressing the way in which contracts are handled throughout the States of Guernsey and in ensuring that those who embark on future projects can learn from past experiences.

2. Review Evidence

- 2.1. The Public Accounts Committee normally holds hearings following earlier research undertaken directly by the Committee or by third parties commissioned by the Committee or other States' Departments.
- 2.2. This Report is based on the evidence given at a private hearing of the Committee in the light of the contents of a report entitled "Final Report - Post Implementation Review Beau Sejour Leisure Centre" dated January 2005 and prepared by Wheelers Group LLP (the Wheelers Report). Following a tender process, the Wheelers Group had been commissioned by the Treasury and Resources Department to carry out an independent post implementation review into the Beau Sejour Development. An Audit Commission Report on Project Management dated May 2003¹ recommended that post implementation reviews should be mandatory and a condition of funding and, although not made mandatory, was applied in respect of this project.

- 2.3 The Wheelers Group's brief was as follows:-

"To examine and assess the methodology, processes and procedures adopted by all parties, including the client committee and its advisors, technical or otherwise, in commissioning, carrying out and supervising the construction

¹ Billet d'Etat XIII, 25 June 2003, page 1366

of the redevelopment of Beau Sejour Leisure Centre.

To assess whether good practice was followed and value for money achieved

To consider any alternative methods of working and improvements in working practices that could be proposed.”

- 2.4 The purpose of the Public Accounts Committee hearing was to clarify the facts and confirm the action that has been and will be taken on the recommendations in order to improve the manner in which States of Guernsey capital projects are managed.
- 2.5 In addition to this primary evidence, the Public Accounts Committee review has been enhanced by supplementary evidence comprising:
- minutes of the Capital Works Sub-Committee of the Advisory and Finance Committee,
 - minutes of the Estates Sub-Committee of the Advisory and Finance Committee,
 - Billets D’Etat
 - the joint Advisory and Finance Committee and Board of Industry Report entitled “The Guernsey Capital Spending Programme and the Construction Industry” (May 2003), and
 - The Culture and Leisure Department draft States Report.

3. Redevelopment Brief

- 3.1. The Redevelopment of Beau Sejour was first mooted in 1996, when the Recreation Committee approached the States² some 20 years after the building had been constructed. Although this policy letter considered the funding of Beau Sejour (which was subsidised at the time from part of the profits generated from the CI Lottery), it did review the use of the Centre indicating that the building was ‘tired’ and in need of capital injection to attain standards expected in the twenty-first century. The Committee was instructed to return to the States with a report on the Centre’s funding and improvements to facilities to enable the Recreation Committee to fulfil its role within the community.
- 3.2. During the latter half of 1997, the President of the Recreation Committee requested that the States’ Department of Architecture prepare sketch designs and costings on Phase One of the proposed development.
- 3.3. In 1998³, the Recreation Committee reported to the States on the funding of

² Billet D’Etat XXVII, 11 December 1996, page 1663

³ Billet D’Etat III, 28 January 1998, page 276

Beau Sejour and on the future aspirations for the Centre. Again, the Committee highlighted that limited refurbishment of the Beau Sejour Centre would be required and that a policy letter on the costs and benefits of such a refit would be prepared. In 1998, this limited refurbishment was provisionally estimated at £2m⁴.

- 3.4. Subsequently, the Recreation Committee commissioned DC Leisure Management Ltd to investigate the development and refurbishment of Beau Sejour⁵. A condition survey⁶ was carried out and this indicated that, during the following ten year period, it would be necessary to spend in the order of £4m purely on repairs.
- 3.5. Later that year, in October 1998, Advisory and Finance Committee was informed that a working party was to be established to prepare a master plan for the Centre giving due regard to its operation and funding and to a comprehensive refurbishment plan for the building.
- 3.6. A Project Team was set up comprising representatives of the Recreation Committee and its senior staff, the Department of Architecture, and DC Leisure Management Ltd. This Project Team subsequently carried out a feasibility study, indicating the best time to undertake the works and setting objectives for the proposed redevelopment.⁷
- 3.7. Members of the Public Accounts Committee questioned whether these objectives had been achieved. While a number of the objectives did specifically relate to improving sporting and leisure facilities, some were measurable. For example:
 - 3.7.1. *Providing a high quality civil building that reflects its importance to the island*
In 2004, Beau Sejour was commended at the Civic Trust Awards.
 - 3.7.2. *Enabling more effective and economic operation of the Centre ...costing less to run while improving its levels of service and quality.*
In March 2005, in relation to improving its levels of service and quality, Beau Sejour received a Quest Quality Scheme⁸ accreditation with a score of 78%. This ranked the Centre equal fourth in the UK out of 500 graded facilities.

⁴ As footnote 3, page 272

⁵ Billet D'Etat XXIII, 29 November 2000, page 1393-1405

⁶ As footnote 5, page 1407-1411

⁷ Billet D'Etat VI, 28 March 2001, page 369

⁸ Quest Quality Scheme is a benchmark in sports and leisure services in the Country to help improve and enhance the quality of service provided to the customer. They measure services against nationally set standards.

3.7.3. *Retaining multi-use concept, including upgrading the Sarnia Hall for conferences, functions and exhibitions.*

The refurbished Centre now has a light, bright environment and is busy with many meetings and functions, especially in the dedicated David Ferguson Hall (formerly the Sarnia Hall).

- 3.8. The Project Team also indicated that, as a result of the redevelopment, there would be financial savings in the order of £250,000 per annum⁹. This was achieved in the first full year of operations with the annual operating deficit decreasing by £308,481 (27%) in 2004

Figure 1: Beau Sejour's Financial Performance 1996-2004

Year	Operating Income £	Operating Expenditure less depreciation £	Deficit £
1996	2,401,068	3,061,990	660,922
1997	2,225,653	2,928,060	702,407
1998	2,254,625	2,920,509	665,884
1999	2,444,335	3,042,678	598,343
2000	2,426,327	3,059,509	633,182
2001	2,317,260	3,022,993	705,733
2002	1,543,364	2,660,138	1,116,774
2003	2,013,263	3,171,533	1,158,270
2004	2,702,547	3,552,336	849,789

- 3.9. The diminishing deficit was attributed to a growth in income of £690,000, derived from an increase in memberships to 3,981 members at the end of 2004 and an increase in expenditure of £382,000. The greatest individual expenditure increase in 2004 was staff costs as a result of improved staffing levels and increased opening times, as well as sickness cover.¹⁰

- 3.10. **The Public Accounts Committee is of the opinion that the operational objectives set out in the feasibility study undertaken at the beginning of the Project have been achieved.**

⁹ As footnote 7, page 372

¹⁰ Billet D'Etat XII 2005, 27 July 2005, Accounts Billet page 181

- 3.11. The brief also indicated that the Centre should remain open during the refurbishment period, that this refurbishment would cost £9 million with £800,000 for professional fees and, that the works should be carried out during 2002 and early 2003 so that all such works would be completed before the Island Games opened in the summer of 2003¹¹.
- 3.12. Although the Public Accounts Committee initially was of the view that the Island Games may have contributed to the overspending, there is no direct evidence to confirm this. There are always reasons for projects having to be finished by a certain date and this contract was no different.

4. Appointment of Consultants

- 4.1. The Wheelers' Report (page 2/4) indicated that all professional services were provided by the private sector, including the project manager. In April 2000, the Capital Works Sub-Committee approved the appointment of an independent architect and quantity surveyor further to refine the whole Beau Sejour redevelopment scheme and reduce costs to an acceptable level. The project had a cap of £7.9m and advisors were sought to assist in developing the scheme to meet this budget.
- 4.2. The tender process was carried out during the summer of 2000 and, by November of that year, the Recreation Committee informed the Capital Works Sub-Committee of the appointments. The invitation to tender documents stressed the £9m project budget and the completion date of April 2003. Once Gardiner & Theobald Ltd had been appointed as Project Manager, other members of the design team were appointed.
- 4.3. **The Public Accounts Committee has no reason to believe that the tendering procedures to appoint the design team were not followed.**
- 4.4. The Scheme had been valued at £9m and the total value of the consultancy fees at £800,000 (approximately 9% of the total cost). As at November 2000, following the tendering exercise, the consultancy fees totalled £1,250,000¹² some 56% above the original estimate.
- 4.5. No evidence was given at the hearing to suggest that the level of these fees was queried, that any post tender negotiation took place, or an alternative way of obtaining professional advice was considered in order to reduce this cost.
- 4.6. By that time, the valuation of £9m (inclusive of consultancy fees) had been set for one year and, in March 2001, the Recreation Committee returned to the

¹¹ Billet D'Etat VI, 28 March 2001, page 367 and 376

¹² Billet D'Etat VI, 28 March 2001, page 375

States¹³ for permission to go out to tender for the construction work. From the evidence given at the hearing and the supplementary evidence reviewed, there is no indication that the increase in consultancy fees was a serious issue possibly resulting in the capital allocation being too low.

- 4.7. The Wheelers' Report (page 2/7 paragraph 2.2.14) confirmed that the cost of the construction was reduced to £7,750,000 (a reduction of 5.5% on the original estimate) to cater for the increase in consultancy fees.
- 4.8. In 1996¹⁴, the Recreation Committee was aware that the development may not be accepted by the States taking into account capital requests from other States committees. The same sentiment was expressed by the members of the Capital Works Sub-Committee in 2000¹⁵ that, taking into account the volatile nature of the construction industry, the likelihood of the development taking place was unlikely bearing in mind the sheer volume of other capital projects.
- 4.9. **The Public Accounts Committee believes that the desire to keep within the £9m capital allocation and to ensure the development went ahead, clouded judgement and ignored potential problems. The higher than expected cost of consultancy was a clear indicator that original estimates might well be questionable. In addition, the consultancy fees were not questioned in any way at the expense of the construction costs (which were reduced accordingly).**
- 4.10. **Whilst it is necessary and normal practice to clarify the range of expected costs in order to indicate the overall size of the contract, the declaration of a construction cost before a tendering exercise is not the proper way to conduct affairs and procedures should be changed to ensure that this does not happen in future.**

5. Procurement of Construction Contract

- 5.1. There is no clear evidence as to why the Joint Contracts Tribunal¹⁶ 1980 (JCT80) form of contract was used for the appointment of the project contractors. However, at the hearing it was claimed that this form of contract was the Capital Works Sub-Committee's choice, supported by the Design Team (comprising mostly UK specialists) and was selected prior to any formal risk assessment. The Wheelers' Report on page 2/7, paragraph number 2.3.2 indicates that the basic 1980 contract had been amended many times to incorporate particular sections. In addition, it was the first time that this form of

¹³ As footnote 13, page 366-396

¹⁴ Billet D'Etat XXVII, 11 December 1996, page 1661

¹⁵ Capital Works Sub-Committee minutes, 17 November 2000

¹⁶ The Joint Contracts Tribunal was established in 1931 and has for 75 years produced standard forms of contracts, guidance notes and other standard documentation for use in the construction industry

contract had been used by the States of Guernsey and that it took some time to ensure that the contract was compatible with Guernsey Law.

- 5.2. The JCT form of contracts is much respected in the building industry and is widely used. However, in 1998, the Joint Contracts Tribunal Limited updated JCT 1980 incorporating into one set of covers¹⁷ all the amendments issued since JCT 1980. One of the primary functions of any construction contract is to allocate risk between the parties. Criticism of JCT80 is such that it places risks too heavily against the employer.
- 5.3. [At the hearing the witnesses were unable to confirm whether the contract was a good contract for this redevelopment. However, the size (£1.3 million) allocated to provisional sums was a weakness.]
- 5.4. **The Public Accounts Committee expresses surprise that, in 2001, the JCT80 was used when it had been replaced by JCT98. As the contract had not been used in Guernsey before, the most up-to-date form of the contract surely would have been preferable.**
- 5.5. The use of an amended JCT80 form of contract **may** have reduced the number of main contractors expressing initial interest in the work with only three companies (two local, one UK) tendering.
- 5.6. A departure from JCT80 was the tender exercise for choosing domestic sub-contractors and in particular the mechanical and electrical (M and E) contractors. The Wheelers' Report (page 2/8, section 2.3.9) indicated that tenders for sub-contractors under JCT80 are sought direct by the Main Contractor from persons listed in the Bill of Quantities placing responsibility with the main contractor.
- 5.7. The Public Accounts Committee was advised at the hearing that this action of separate tendering for M and E was not supported by the Project Manager and it was the wish of the Capital Works Sub-Committee to see the price of sub-contractors before the contract went out to the main contractor. Yet, the minutes of the Estates' Sub-Committee (successor of Capital Works Sub-Committee) indicated the concern of some of its members in the procurement procedures adopted¹⁸.
- 5.8. **With the acknowledged difficulties likely with any contract, the Public Accounts Committee is concerned that:**
 - 5.8.1. **the form of contract used should allocate risks to those best able to manage those risks.**

¹⁷ Guide to JCT98 by Sarah Lupton

¹⁸ Advisory and Finance Committee Estates Sub-Committee Minutes 17 August 2001 and 5 October 2001.

- 5.8.2. **once a decision had been taken to adopt a certain type of contract (professionally accepted within the construction industry), that the procurement procedures within the selected contract type were not followed.**
- 5.9. Tender documentation was received late by the contractors and also there were late tender addendums made to the M and E tender documents, resulting in an extension of two weeks. When the tender replies were received, they were incorrect and there was insufficient time for the tenderers of the main contract to discuss the sub-contractors responses (Wheelers' Report page 2/9, paragraph 2.3.10). The response date for the M and E tenders was 17 August 2001, one week before the main contractor's response date.
- 5.10. The Wheelers' Report on pages 2/8 and 2/9 indicated that difficulties started to arise at the early stages of the project when tender documents were issued. Post deliveries were late; the estimated time allowed for work to be carried out was insufficient and resulted in changes to the tender, such that requests were then made to provide alternative tender forms A and B.
- 5.11. The difference between tenders A and B related to the grouting of the swimming pool (A included this cost, and B did not), and it is not surprising that one of the tenderers did not provide both tender forms given the lateness of the request to provide the two quotes. The action taken following the receipt of the tenders was a departure from the States of Guernsey tendering guidelines which recommends that tender details supplied after the closing date shall not normally be considered.
- 5.12. However, these are only guidelines and the decision was taken to accept Tender A from Dew Construction. The Public Accounts Committee was informed that the difference between the two tenders was a single line item that could be extracted from the original submission.
- 5.13. **The Public Accounts Committee questions whether the action taken over the tender quotes was the correct one, but notes that the contractor's first tender submission was in accordance with the original tender documentation. Furthermore, the Public Accounts Committee is concerned that one part of one contractor's tender was received after the due date, and yet was still considered.**
- 5.14. All tenders received were in excess of the budgeted figure of £7,750,000. As is normal, the two lowest tender documents were checked for arithmetical and other errors. Dew Construction was subsequently allowed to amend their tender to take account of genuine errors that they had made.
- 5.15. This adjustment resulted in one contractor having the lowest tender A and the other the lowest tender B. At this stage the difference between the two tenders

under consideration was £20,535 or 0.20%. In order to achieve a construct figure to meet the budgeted sum of £7.75 million, it was decided to enter into post tender negotiations (and value engineering¹⁹) with the lowest tenderer - the UK contractor with experience in the leisure construction. In accordance with accepted procedure.

- 5.16. Value engineering and post tender negotiations resulted in reducing the cost of the tender by £0.75m²⁰. At the hearing, it was cited that the process of value engineering [exercises] in any contract could, but should not, lead to removing aspects of a project which would then have to be put back in at a later stage.
- 5.17. It should be stressed that, even at this stage, the possibility of completing the contract at a figure some 5.5% below the original budget estimate and some 9.7% below the tender price appears never to have been seriously questioned.
- 5.18. **The Public Accounts Committee recommends that, in future, an unconnected third party within the States be utilised to have oversight of all construction contracts prior to the awarding of a contract.**
- 5.19. The final construction figure was set at £7,749,562. In the normal course of events, a contract would be signed at this point. However, letters of intent were issued to allow the development to commence, a limited letter of intent was issued to Dew Construction Ltd on 2 October 2001 and, following States approval of the tender in October 2001²¹, an unconditional letter of intent was issued on 20 November 2001.
- 5.20. It took some time to ensure that the contract was compatible with Guernsey law, as a result of the workload at the Law Officers and the unfamiliarity with the type of contract. The contract has since been signed. The Law Officers now employ a lawyer specialising in contract law resulting in all standard contracts incorporating Guernsey law.
- 5.21. **The Public Accounts Committee applauds the employment of a specialist contract lawyer within the civil service and that contracts are now signed at the proper time (i.e. prior to commencement of work).**
- 5.22. The Wheelers' Report (page 2/13) identified the large provisional figure of £1.3m within the contract sum, as a high risk. It stated that this indicated that 17.5% of the design was inadequate for the work to be properly measured. This was confirmed as a weakness in the contract.

¹⁹ Value engineering is a systematic review of all projected costs within a product, conducted at the design and engineering phase of product life.

²⁰ Billet D'Etat XXI, 31 October 2001, page 1459

²¹ As footnote 21, page 1451-1464

- 5.23. In addition, the contingency of £350,000²² (4.7% of the remainder of the contract sum), was too low a risk allowance for a project with a critical completion date and with the work being carried out in a building that was remaining open to the general public.
- 5.24. The Wheelers' Report indicates that the Professional Team recognised the contingency figure was relatively low but believed that it was achievable. In fact, a section of the monthly reports, prepared by the Project Manager and Quantity Surveyor, reported on the contingency.
- 5.25. **The Public Accounts Committee is of the opinion that, in future, States Departments should question the value (and percentage) of provisional and contingency sums within contracts against the total cost of capital projects.**

6. Project Management Procedures

- 6.1. The Project Management procedures put in place by the Project Managers were in accordance with accepted practice. They produced monthly project reports which were discussed at monthly meetings attended by political and staff representatives of the Recreation Committee. Monthly project and cost reports were produced by the Quantity Surveyor for the Recreation Committee and the Director of Recreation forwarded these to his Committee and the Capital Works Sub Committee (Wheelers paragraph 2.4.4, page 2/15).
- 6.2. Although the decision was taken to appoint external consultants, there was little in-house professional consultation throughout the redevelopment. The independent monitoring body of the States, the Capital Works Sub Committee should have received all the monthly reports and there was no evidence from the Committee's minutes to confirm whether members of the Capital Works Sub Committee received all reports.
- 6.3. The loss of States' and local control on the project is further emphasised on page 2/16 paragraph 2.4.8 of the Wheelers' Report where meetings of the Design Team were held in London, were not minuted, although an action list was produced after each meeting, and the local contact (QS) only attending as required.
- 6.4. **The Public Accounts Committee is concerned at the lack of involvement of States' and other local professional advisors in the project. Although the UK Design Team was dedicated to the redevelopment, the lack of local knowledge of the decisions being reached may have contributed to the end financial position.**

²² Billet D'Etat VI, 28 March 2001, page 375

7. Role of Sponsoring Committee

- 7.1. The soundness of the Project Management framework set up at the beginning of a project is one of the most fundamental aspects of determining the success or failure of a project. Identifying ownership, responsibility, and accountability has to be accepted by all parties involved.²³
- 7.2. In capital projects, it is normal for a Project Board to monitor the work of the Design Team. The Wheelers' Report, on page 2/18 paragraph 2.5.14, indicates that although there was a Project Board, it was led by the Project Manager and not by the Client Committee.
- 7.3. Politically a number of the members of the Recreation Committee had a potential conflict of interest in the project but despite this, a States member of the Committee attended meetings on behalf of the Recreation Committee.
- 7.4. **The Public Accounts Committee re-iterates the recommendation of the 2003 Audit Commission Report on Project Management in that committees seek to structure their projects in accordance with best practice²⁴ and that Sponsoring Committees take the lead in monitoring the performance and outcomes of the projects.**
- 7.5. The continuous local in-house involvement in the project were the Recreation Committee's senior staff, who, in addition to their day jobs, were preparing for a major sporting event (the Island Games) as well as being involved in two capital projects – that of the refurbishment of Beau Sejour and the redevelopment at Footes Lane.
- 7.6. Projects are resource intensive and the pressure placed on the Recreation Committee's senior staff to become instantaneously skilled in carrying out capital projects with no prior experience of working on large building projects was unacceptable.
- 7.7. The only independent building project advice they received was from the Strategic Property Advisor, a chartered quantity surveyor. However, he had numerous other property and contract matters to deal with and obviously could not devote by any means his entire time to the Beau Sejour contract.
- 7.8. During the period of the redevelopment, the Capital Works Sub-Committee was replaced by the Estates Sub-Committee, both sub committees of the Advisory and Finance Committee. There is evidence of only four visits to these sub-committees following the appointment of consultants on 19 January 2001, 15 June 2001 (no consultants present), 5 October 2001, and then 20 June 2003. The change of sub-committee structure resulted in the removal of other

²³ Billet D'Etat XIII, 25 June 2003, page 1350

²⁴ Billet D'Etat XIII, 25 June 2003, page 1352

disciplines of professional advice from the strategic centre, although bringing in a political membership from outside the Advisory and Finance Committee. This was a mistake at staff level as States projects lost the wealth of experience and knowledge within its civil service ranks. A matter that is now being considered as part of the Review into the Machinery of Government.

- 7.9. Whilst these changes were occurring in the composition of the independent monitor, there is little indication in the minutes of the newly formed Estates Sub Committee that details of the work at Beau Sejour were available to be discussed at length.
- 7.10. **The Public Accounts Committee believes that the discipline associated with project sponsorship is specialised and recommends that all major construction contracts are managed by one central body, staffed by adequately and appropriately trained personnel, and preferably operating as an independent non-government organisation. As an alternative the Strategic Property Unit should always be retained as project sponsor either directly or for specialised contracts as client representative in direct contact with a specialist sponsor.**

8. Budget and Cost Control

- 8.1. One of the major factors of this development was the question of the cost of the Project. In 1998, the cost of the limited refurbishment was estimated at £2m²⁵. A condition survey then indicated that £4m was needed for repairs over ten years to extend the life of the Centre²⁶. In October/November 1999 the Department of Architecture (now incorporated into the Guernsey Technical Services) provided a valuation of £9m, of which £8.2m related to capital costs.
- 8.2. The minutes of 17 December 1999 meeting of the Capital Works Sub-Committee of the Advisory and Finance Committee stated that the Recreation Committee was concerned at the accuracy of the estimated costings (provided by the Department of Architecture) - not that they were too low, but that they were so much higher than its estimates. The Recreation Committee informed the Sub-Committee that it believed that a figure between £4m and £5m was more in order with £2 million for repairs. As a result of this, an independent Quantity Surveyor was appointed and consideration was given to appointing a project manager. The Sub-Committee deferred detailed consideration of the proposals until after the independent valuation had been received and the Recreation Committee resubmitted its plans.
- 8.3. In the following month (January 2000), the Recreation Committee requested the Department of Architecture to support its external architects. As the Department did not have the resources, this assistance was not forthcoming and

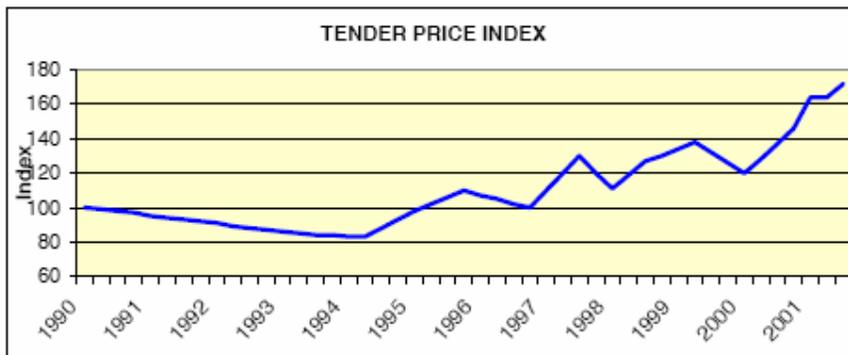
²⁵ Billet D'Etat III, 28 January 1998, page 272

²⁶ Billet D'Etat XXIII, 29 November 2000, page 1367

the project management was all externally provided.

- 8.4. By March 2000, WT Partnership confirmed that the initial costings provided by the Department of Architecture had not been overstated and that the Recreation Committee was to embark on a cost reduction exercise. The valuation provided by this independent advisor was £8.4 million²⁷, some £200,000 higher than the Department of Architecture's valuation. It was proposed by the Head of Architectural Services that the redevelopment proposals should be separated from the much needed maintenance work.
- 8.5. The Recreation Committee reported the true cost of the project to the States²⁸. It indicated the difficulty of reducing the scope of the project to meet the costs set by the States in March 2001²⁹ and also outlined the cost cutting details. This warning, if it could be interpreted as such, was not heeded.
- 8.6. In May 2003, a document entitled "The Guernsey Capital Spending programme and the Construction Industry" was jointly produced by the Board of Industry and Advisory and Finance Committee. This document identified that, during the period 1998 to 2001, tender prices started to climb (as shown in Figure 2 below). During this period tender prices increased by over 25%.

Figure 2: Guernsey Tender Price Index 1990 – 2001



- 8.7. The Wheelers' Report highlighted the inflationary factors in the UK and the fact that the independent Quantity Surveyor allowed an inflationary element of 12.5% - which was lower than the 13.6% in the UK and the 25% quoted in the above named document. The Wheelers' Report (page 2/20, 2.6.4/5) then indicated that, from July 2001 as the project design developed, it was flagged that the project costings were likely to be low.

²⁷ Billet D'Etat XXI, 31 October 2001, page 1454

²⁸ As footnote 28, page 1454

²⁹ Billet D'Etat VI, 28 March 2001, page 375

- 8.8. There were a number of indicators that would question the accuracy of the capital cost of the Beau Sejour project:
- The low original estimates
 - Doubt expressed over the in-house professional valuation
 - Confirmation of the in-house valuation
 - Proposed schemes to reduce costs
 - Larger than expected consultancy fees
 - Higher tender quotes
- 8.9. Already the construction costs had been reduced to allow for the increase in consultancy fees - if the construction costs had been retained at £8,200,000 then the tender value would have been only £308,000 (3.8%) higher. In practice, the construction costs were cut twice - once following receipt of the consultancy fees and then as a result of the tender prices.
- 8.10. The Advisory and Finance Committee also put pressure on the Recreation Committee to keep to the capital allocation set in the 2000 Policy Plan. It did not “expect any further requests from the Recreation Committee for significant expenditure on the Centre in the short or medium term”³⁰.
- 8.11. **The Public Accounts Committee is of the opinion that the valuation of capital projects and the amount allocated from capital budget should be revisited prior to the commencement of a project. Setting a fixed capital budget two years before a project is commenced is unwise and could lead to project overspends.**
- 8.12. Throughout the redevelopment, there were monthly reports with variations to the work being identified as well as costings incurred on the project (the anticipated final account, balance of contingencies and valuations gross certified).
- 8.13. At the time of the opening of the refurbished Beau Sejour, the project was reported as being £160,438 overspent. At this time, 20 June 2003, members of the Design Team and Director of Recreation met with the Estates Sub-Committee. The Project Architect declared that the project was the most complex and challenging ever to be completed by the States of Guernsey. The Project Manager reported that the project had met its objectives with the exception of cost.
- 8.14. The Estates Sub-Committee was informed that the final cost could be as much as £8,950,000 as a result of a substantial claim (in excess of £1m) presented in April 2003 by the contractor for additional costs incurred. A two day workshop was proposed by the Project Managers to review the costs in detail, but whether

³⁰ Billet D’Etat XXI, 31 October 2001, page 1463

this occurred cannot be substantiated.

- 8.15. The Wheelers' Report (page 2/22 paragraph 2.6.9) is critical that there was little or no advance warning in the reporting process to the Recreation Committee of the "hugely increased" overspend.
- 8.16. Wheelers state:
- "The major reasons for the Quantity Surveyor's inability to accurately predict the Financial Account figure appear to be:
- variations issued to the Contractor of which the Quantity Surveyor was unaware.
 - no allowance being made for a claim by the Main Contractor for loss and expense under Clause 26 of the JCT Standard Form of Contract."
- 8.17. Variations to the original design were issued by the project administrator and the contractor would act on these as being instructions from the States of Guernsey and implement them in good faith.
- 8.18. Although not reported, it would appear that there was a breakdown in communications between the UK and local project team, along with perceived inexperience of the States in the significantly amended JCT80 contract.
- 8.19. A large proportion of the overspend resulted from the Architect's Instruction No. 25 (dated 11 August 2004) with 996 items resulting in an additional cost of £1,333,360.89. This specific Architect's Instruction, according to Wheelers was a sweeping up exercise incorporating all instructions not on previous AIs. Up until this point in time, the processes had conformed with best practice and nobody could have predicted the number of items included on the final Architect Instructions. Whether the distance between the architect and the project had led to the omission of some work is purely speculative.
- 8.20. The Public Accounts Committee is of the opinion that had the Sponsoring Committee had experience or received continuous advice and support from States' professionals then some of the shortcomings in the project administration would have been picked up at an earlier stage and rectified prior to the receipt of AI25.
- 8.21. **The States should ensure that there are suitably qualified and experienced project team members, with knowledge of local and States procedures, allocated for each high value capital project.**

9. Change Control Procedures

- 9.1. The Wheelers' Report (page 2/25, paragraph 2.7.5) identified that there was no formal change control procedure in place during the construction period of Beau

Sejour and that variations were not costed prior to their implementation.

- 9.2. **The Public Accounts Committee recommends that, prior to commencement of any major construction project, change control procedures are put in place and clearly understood by all parties to the contract. Thus, no change to the agreed contract can be authorised and approved until the full effect of such change on the overall programme and the net cost has been ascertained and approved by the sponsoring States department.**

10. Programme

- 10.1. The driving factor for the completion of the redevelopment of Beau Sejour was the Island Games, but added to that, was the commitment by the Recreation Committee to keep the Centre open to the public.
- 10.2. This latter action raised costs as each area being worked on with complex knock on effects on the project. Although not quantified, it did complicate the project. However, all those involved in the project including the contractor were aware of these constraints at the outset.
- 10.3. Part of the post tender negotiation with Dew Construction Ltd had brought forward the completion date by 8 weeks³¹. The last section of work was completed on 27 June 2003, 12 weeks after the revised completion date of 7 April 2003. Therefore, the work was finally completed one month after the specified date.
- 10.4. Costs may have been driven upwards by the overtime worked on a Centre that was open sixteen hours a day, seven days a week. In addition, the liquidation of the sub-contractor could not have helped the project. If extra labour costs were required to maintain the originally agreed programme and overcome the implications of any actions or inactions of a domestic sub-contractor/s, then these were matters solely for the contractor to resolve.
- 10.5. Although all attempts were made to maintain the project timetable, even the contractor struggled to keep to it.
- 10.6. **The Public Accounts Committee appreciates that, despite the difficulties encountered, Beau Sejour was the showcase and centre piece for the Island Games.**

11. Management of Risk and Contingencies

- 11.1. The Wheelers' Report outlines the management of risk and contingencies and that a number of risk workshops had taken place. The main risks were noted as:

³¹ Billet D'Etat XXI, 31 October 2001, page 1462

- Management of contingency
- Expenditure of provisional sums
- Programme.

11.2. The Public Accounts Committee has no comments to add to the Wheelers' Report.

12. Wheelers' Report Recommendations

12.1. Fourteen recommendations have been made by Wheelers and these have been supported by the Strategic Property Unit as the way forward in construction project management for the States of Guernsey. Eight of these recommendations are also included in another post implementation review carried out for the Advisory and Finance Committee.

12.2. These were:

- More careful assessment of risk – starting with the preparation of feasibility reports at an early stage of the project and continuing throughout the project
- More rigorous evaluation of tenders – in terms of value (including fixed and non-fixed elements of the contract price) and risk
- More active monitoring of progress of contract
- More control over variation to works once the contract commences
- Improved contract procedures to be used
- Appropriate forms of contract to be used
- More active management of construction contracts required (for client)
- Appropriate expertise (in-house and consultants) should be developed and used in independently reviewing (before tender process), commissioning and managing construction contracts (for client).

12.3. The Strategic Property Unit of the Treasury and Resources Department is implementing the recommendations with a number of the changes already having been adopted as a result of the Audit Commission Report on Project Management issued in 2003³². These are:-

- Recommended guidance notes for Departments have been drafted, highlighting good practice to Departments, (however, the Strategic Property Unit has no authority to compel the Departments to implement them).
- The appointment of a contract lawyer who has incorporated Guernsey law into standard contracts, which are signed before commencing a project.

³² Billet D'Etat XIII, 25 June 2003, page 1367

- Promoting and implementing in house training so that basic knowledge on contracts has been obtained by those involved within the Departments.
- 12.4. One of the main weaknesses of the project was the lack of interface with the professional civil servants experienced in construction and associated disciplines and the external consultants. The Wheelers' Report identified the lack of a project sponsor and this shortcoming has been highlighted in this report.
 - 12.5. The States of Guernsey has, amongst its employees, a professional skill base across the various disciplines necessary to monitor and control consultants employed for specialist constructions. However, they are dispersed across States Departments and although the Head of Profession has been appointed as a point of contact, this has yet to be firmly established.
 - 12.6. When the Beau Sejour project commenced the centre monitoring body was advised by a triumvirate comprising architects, engineers and surveyors. With the creation of the Estates Sub-Committee the advice was only from one discipline - that of surveyor.
 - 12.7. The Treasury and Resources Department proposes to bring a Report to the States on the management and administration of States' land and property, recommending the creation of a Central Property Unit. The bringing of key skills together is fundamental to the ability of States of Guernsey to control capital spending. The ability to call on professionals to advise and take responsibility for project management of capital projects will enable staff, employed for a different purpose, to concentrate on their core areas of responsibility.
 - 12.8. **The Public Accounts Committee welcomes the Treasury and Resources Department taking the lead in rectifying the States shortcomings in property management. However, the problem of how one States' department may seek financial redress from another department of the States must be resolved.**

13. Conclusions

- 13.1. It is unfortunate that the over expenditure on the refurbishment of Beau Sejour has been brought to the States by the Culture and Leisure Department. It is through no direct fault of this Department that the project cost more than the capital allocation set by the States.
- 13.2. The Island should be proud of the commitment and achievements of the staff of Culture and Leisure Department and the redevelopment of Beau Sejour. The objectives set for the Centre at the initial brief have been met and the outstanding accolade that the Centre has received since completion along with being the showcase for the Island Games in June 2003 are impressive.

- 13.3. This review has emphasised that the method of capital allocation has been at fault and it should be no surprise that the project was over budget, due to:
- the preparation of a valuation well in advance of the project being approved by the States and then holding the allocation for over two years during a period of high building inflation;
 - the desire (and pressure) to keep within the £9m capital allocation;
 - fear that returning to the States with a higher capital allocation could result in support for the project being withdrawn;
 - ignoring clear indicators - such as the higher than expected consultancy fees and valuation confirmed at £8.4 million on construction costs - that the allocation was no longer sufficient;
 - cutting the construction costs to meet the budget and not questioning the consultancy fees;
 - going to the States in the knowledge that the construction costs would be tight;
 - declaring the capital allocations in public documents such as Policy Plans and Policy Letters before a tendering exercise is carried out.
- 13.4. The Public Accounts Committee is of the opinion that the way in which the valuation of capital projects and the amount allocated from the capital budget is undertaken should be revisited prior to the commencement of a project. Setting a capital budget two years before a project is commenced is unwise and may contribute to project overspends.
- 13.5. This project was always going to be difficult due to the enormous pressure to complete all work before the Island Games, the decision to keep the Centre open whilst major works were carried out on a 'tired' building, and inadequate records on previous alterations to the building. The States recognised the fact that there were not the skills to carry out this complex development and appointed external consultants to project management the scheme. Where this fell down was:
- a lack of continuous involvement in the project by States professional advisors,
 - a lack of local involvement in some stages of the project,
 - the Sponsoring Committee not taking the lead in monitoring the performance and outcomes of the project,
 - a lack of adequate change control procedures.
- 13.6. The Public Accounts Committee recommends that each project should be supported by adequately and appropriately trained staff, whether by appointing dedicated in-house project managers or supported by technical experts employed

by the States. This would reduce the contribution of senior staff of the sponsoring committee to the project on a daily basis but retain their involvement at Project Board level.

- 13.7. The States should ensure that there are suitably qualified and experienced project team members allocated for each capital project for high value projects (value determined by the number of projects in a given year and the number of staff available).
- 13.8. There are areas where this development has already led to changes in procedures, such as:
- in the tendering procedures and appointment of design team and construction company;
 - allowing amendments to tender submission as a result of changing tender documentation;
 - signing contracts in advance of capital projects commencing;
 - incorporating Guernsey law into standard construction contracts;
 - taking action to implement the Wheelers' Report's recommendations.
- 13.9. However, there were other areas where the action taken was unusual:
- use of JCT80 when it had been replaced by JCT98. As the contract had not been used in Guernsey before surely it would have been preferable to use the most up-to-date form of the contract;
 - excess amending of JCT80, a recognised construction contract;
 - dictating departure from a tried and tested construction contract;
 - not following procurement procedures strictly within the States tendering guidelines;
 - accepting high provisional and contingency sums
 - apparent lack of consideration of risk allocation:
 - a) prior to seeking tenders and
 - b) during post tender negotiation.
- 13.10. Since 2003, and the publication of the Audit Commission on Project Management, the States has been aware of its shortcomings in project management. The Public Accounts Committee is of the opinion that it is not unexpected that projects are "overspent". The summary of major capital project issues identified in Appendix IV of the 2005 Interim Financial Report presented to the States in June 2005, indicates that this will be one of many declarations of over spending on capital allocations.

13.11. However, it is the responsibility of the States to ensure that adequate support, whether financial or otherwise, is given to put methods and controls in place so that capital projects are run efficiently, effectively and economically for the people of Guernsey.

14. Comments of the Culture and Leisure and Treasury and Resources Departments

14.1. The normal procedure for Public Accounts Committee reports is that Departments involved at the hearing have the opportunity to convey their views on the report findings and recommendations, which are documented at this point.

14.2. However, in this instance, the Departments are required to do more than express their views, as the overspend of £1,388,614.48 requires the approval of the States.

14.3. Both Departments will make representations attached under separate cover in this Billet with their comments on the redevelopment and the Public Accounts Committee Report.

15. Recommendations

15.1. The Public Accounts Committee recommends the States:

- a) To note the report.
- b) To recommend the Treasury and Resources Department to review the existing procedures and processes, including timing, for setting the budgets for specific individual capital projects and to request the Public Accounts Committee to monitor such action taken by Departments and to report back when appropriate.

Yours faithfully

Deputy L Gallienne
Chairman

**APPENDIX****FINAL REPORT****POST IMPLEMENTATION REVIEW****BEAU SEJOUR LEISURE CENTRE****JANUARY 2005****Prepared by:****Wheeler's
Norfolk House
57/61 London Road
Southampton
SO15 2AB****Tel: 023 8063 7155****Fax: 023 8033 9429****Website: www.wheelergroup.com**



FINAL REPORT

POST IMPLEMENTATION REVIEW

BEAU SEJOUR LEISURE CENTRE

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1.0 INTRODUCTION



1.0 INTRODUCTION

1.1 Brief

- .1 Following the submission of a competitive tender Wheelers were commissioned by the Treasury and Resources Department of the States of Guernsey to undertake a Post Implementation Review of the redevelopment of the Beau Sejour Leisure Centre.
- .2 The objectives of the Review are:
 - To examine and assess the methodology, processes and procedures adopted by all parties, including the client committee and its advisors, technical or otherwise, in commissioning, carrying out and supervising the construction of the redevelopment of Beau Sejour Leisure Centre.
 - To assess whether good practice was followed and value for money achieved.
 - To consider any alternative methods of working and improvements in working practices that could be proposed.
- .3 The Phase 1 Report described in item 1.2.1 below has been prepared and issued to the Strategic Property Unit who subsequently instructed the Phase 2 Report.
- .4 The Phase 2 Report described in item 1.2.1 below has been prepared and issued to the Strategic Property Unit. The Phase 2 Report was presented to the Treasury and Resources Department on 15 February 2005.
- .5 This document is the Phase 3 Final Report.

1.2 Approach

- .1 The Review is divided into three phases as follows:

Phase 1

- Visit the site and review all information available on the project.
- Hold initial meetings with identified principal parties to ensure all key information has been made available
- Revisit the brief to ensure salient points are being examined
- Submit Phase 1 Report to the Strategic Property Unit to advise on initial findings and seek further instructions



1.0 Introduction (Contd.)

1.2 Approach (Contd.)

Phase 2

- Carry out the post implementation review on the information available (including further interviews with relevant personnel) leading to the preparation of a draft report addressing the following:
 - Establishing the Brief for the project
 - Was the Brief robust, did it address the scope of the works and were objectives met?
 - Procurement processes including selection, roles and responsibilities of all advisors, organisational structure, type of contract procurement, form of contract and selection of the contractor and sub-contractors
 - Project Management of the design stage and the construction stage
 - Management of advisors
 - The role of the Sponsoring Committee and its staff
 - Setting the budget and cost control
 - Variations and change control
 - Programming and compliance with the programme
 - The identification and management of risk and contingency provision
- Submit draft Phase 2 report to the Strategic Property Unit and seek further instructions

Phase 3

- Prepare and submit Final Report
 - Presentation of findings and recommendations
- .2 The meetings held and the documentation identified during the preparation of the Phase 1 Report have been listed in Appendix 1.
- .3 The meetings held and the documentation reviewed during the preparation of the Phase 2 Report have been listed in Appendix 2.

1.3 Review Team

Joseph S Greevy BSc FRICS (Team Leader)	- Partner of Wheelers, Construction Consultants & Quantity Surveyors
Owen Davies BSc BArch RIBA (Team Member)	- Partner of Owen Davies Architects
Les Bishop CEng MCIBSE MEI (Team Member)	- Partner of L Bishop & Partners, Services Engineers
Christopher Boys MRICS (Team Member)	- Associate of Wheelers, Construction Consultants & Quantity Surveyors



2.0 FINDINGS



2.0 FINDINGS

2.1 Redevelopment Brief

- .1 As part of its strategy for sport and recreation in the Island the States Recreation Committee (the Committee) considered in the late 1990s how the Beau Sejour Leisure Centre (the Centre) contributed to the Committee's main objective which was defined as being:

"To promote and support the development of sport and recreation in the Island with the aim of increasing the number of those participating and improving the excellence and enjoyment of that participation".

- .2 The Committee consulted a wide range of users and organisations as to the need for a centre such as Beau Sejour and whether alternatives could be proposed for its future role. From the information gathered the Committee concluded the Centre had an important social role to play, whether in its importance as a leisure facility or in encouraging participation and higher standards in sport. The Centre's value to the Island in providing a venue for theatre, exhibitions and conferences was also identified.
- .3 At that time the Committee identified the main objectives of the Centre as:
- To offer Islanders and Visitors alike access to a range of sporting, recreational, cultural and entertainment activities to meet social and economic needs.
 - To continue to be operated by the Recreation Committee in an efficient, effective and economical manner within specific financial limits.
 - To maintain an image and level of quality consistent with the character of the Island.
- .4 The Committee was mindful of the need to continue to examine opportunities for further improvements in efficiency and economy and, in particular, to fulfil the States resolution requiring it to undertake a review of possible methods of operation by drawing on the lessons learned in other communities.
- .5 A report was therefore commissioned from DC Leisure Management Ltd, one of the UK leisure industry's largest management contractors who manage over eighty leisure centres and entertainment venues on behalf of local authorities.

Their brief was to:-

- Review the current operation and management
- Advise on possible future operation and management options
- Investigate development and refurbishment opportunities
- Prepare a financial projection for the operation of Beau Sejour.



2.0 Findings (Contd.)

2.1 Redevelopment Brief (Contd.)

.5 (Contd.)

They carried out their review in December 1998 drawing on their experience of the UK leisure market. The report highlighted areas of good performance and also areas where performance was not up to the UK company's expected levels.

The main conclusion of the report was that change was necessary having regard for increasing pressures on States resources, the threat of further competition and rising customer expectation.

- .6 A Condition Survey of the Centre was undertaken in 1998 which identified many elements of the building were approaching the end of their useful life and that in order to maintain basic standards it would be necessary to spend in the order of £4 Million over the course of the next ten years.
- .7 The Committee sought further advice from DC Leisure Management in respect of redevelopment options and a project team was set up constituting members of the Committee and its senior staff with technical advice from the Department of Architecture and operational advice from DC Leisure Management.
- .8 A preliminary brief was drawn up by the project team which identified the following objectives for the proposed redevelopment:
- Providing a high quality civic building that reflects its importance to the Island, the new Centre should be visually attractive with easy access and with its public areas offering a clean and safe environment suitable for the activities being held. The entrance should be distinctive in its design drawing on modern architectural thinking. The creation of a display area adjacent to the entrance would allow Guernsey's past and present sporting heroes to be honoured in a hall of fame for local sport as well as other temporary cultural and promotional displays.
 - Enabling more effective and economic operation – it should 'mimic' the best practices of the private sector in its management. Efficiency, effectiveness and economy must be balanced to provide best value against agreed financial targets. The Centre should cost less to run while improving its levels of service and quality standards. Areas that are expected to provide increases in income will be more closely grouped together enabling more economical use of staff.
 - Retaining the original multi-use concept – providing flexibility of use for the wide range of activities and events held at the Centre. It should continue with its sports development role as a venue for a number of those sports that are unable at present to have their own dedicated facilities. The Sarnia Hall will be upgraded to provide attractive and improved facilities for conferences, functions and exhibitions.
 - The pool will continue to balance casual and competitive swimming until such time as a dedicated competition pool can be built. This would most probably be on a school site. Beau Sejour Centre would then be able to accommodate increased casual use. The viewing facilities will be substantially improved particularly at pool side for the training pool.



2.0 Findings (Contd.)

2.1 Redevelopment Brief (Contd.)

.8 (Contd.)

- The theatre will maintain its dual use capability as a cinema when not used for its primary role as a venue for drama, ballet, dance, music etc.
- Improving the facilities available – ensuring that current and future activity requirements are met and that areas maintain high standards.
- A major improvement will be made in the provision of Health and Fitness facilities including new changing rooms.
- The Bar and Catering and Shop facilities along with a large scale children's play area should be located as close to the main entrance as possible. An enlarged Creche facility to meet demand for family use will also be provided.
- It is intended to create a changing village for pool users, with more provision for families whilst maintaining individual needs, relocating and upgrading dry sport changing rooms closer to their point of activity.

- .9 As a result of the proposed redevelopment which would accommodate changes in the operation of the Centre the Committee believed it would be possible to reduce the operating cash deficit by approximately £250,000 per annum. The following summary shows the Centre's financial performance prior to commencement of the redevelopment:

	1996 Accounts £	1997 Accounts £	1998 Accounts £	1999 Accounts £	2000 Budget £
Income	2,401,068	2,225,653	2,254,625	2,444,335	2,513,800
Expenditure	3,061,990	2,928,060	2,920,509	3,037,774	3,097,800
Cash Operating Deficit	660,922	702,407	665,884	677,000	672,000

10. Having established the preliminary brief the Committee, in conjunction with the Department of Architecture and the Capital Works Sub-Committee of the Advisory and Finance Committee, agreed that the professional services required to complete the design should be provided by the private sector.

2.0 Findings (Contd.)



2.1 Redevelopment Brief (Contd.)

- .11 In addition to the objectives listed in 2.1.8 the Preliminary Brief identified that, while areas would have to be closed for periods of time during the redevelopment, the Centre should remain open offering as many activities as possible.
- .12 Based on the Preliminary Brief an indicative estimate of cost was produced by an independent Quantity Surveyor showing a likely overall cost of £9 Million at March 2000 prices, including an allowance of £800,000 for professional fees.
- .13 The feasibility study incorporating the Preliminary Brief also identified that the optimum time to carry out the works would be during 2002 and early 2003 in order for the works to be completed in time for the Island Games that were to be held in Guernsey in the summer of 2003.

2.2 Appointment of Consultants

- .1 The States Recreation Committee acting in the role of Client for the redevelopment of the Beau Sejour Leisure Centre agreed in consultation with the Architects Department and the Capital Works Sub-Committee to procure professional services to complete the design and implementation of the redevelopment from the private sector.
- .2 In June 2000 the Recreation Committee issued invitations to tender for Project Management services to the following companies:

MDA (Jersey) Ltd
Drivers Jonas Ltd
Gardiner & Theobald Ltd
- .3 The invitations to tender for Project Management contained an extensive list of duties which included advising the Committee on the appointment of the design team, other professionals and procurement strategy. The invitation to tender also stressed that the project budget of £9 Million inclusive of fees must not be exceeded and that the project must be completed by April 2003.
- .4 Following return of tenders to the President of the States Recreation Committee all of the tenderers were interviewed and Gardiner and Theobald Ltd who submitted the lowest tender in the sum of £140,000 plus agreed expenses were appointed. The Royal Institution of Chartered Surveyors Standard Project Management Agreement and Conditions of Engagement were used for the formal appointment of the Project Managers which was completed in the name of Gardiner and Theobald Management Services Ltd and is undated.
- .5 Upon appointment Gardiner & Theobald Management Services Ltd (GTMS) advised the Recreation Committee in conjunction with the Strategic Property Advisor upon the selection process for the remainder of the design team based on procuring the main contract works traditionally.



2.0 Findings (Contd.)

2.2 Appointment of Consultants (Contd.)

- .6 Tenders for consultant services for Architects, Quantity Surveyors, Structural Engineers and Service Engineers were sought from both Guernsey based and mainland UK based organisations with the exception of Services Engineers as there are no Services Consultants in Guernsey. GTMS issued tender documentation to the agreed list of tenderers on 9 October 2000 as follows:

Architects

- 1) Speakman Sayers & Partners
- 2) ORMS
- 3) Pope Priestley Associates
- 4) Marks Barfield Architects
- 5) Lovell Ozanne
- 6) D Falla Associates

Quantity Surveyors

- 1) WT Partnership
- 2) Tillyard

Structural Engineers

- 1) McCathie Associates
- 2) Dorey Lyle Ashman
- 3) Whitby & Bird
- 4) Oscar Faber
- 5) Furness Green

Services Engineers

- 1) Hoare Lea & Partners
- 2) Capita Property Services
- 3) Furness Green
- 4) Hurley Palmer Partnership

- .7 Tenders were returned to the Director of Recreation at the Beau Sejour Centre on 23 October 2000 for all consultants with the exception of the Architects who returned tenders on 30 October 2000. The Architects were granted a longer tender period to allow sufficient time to give due consideration to the design proposals for the redevelopment works.
- .8 The tenders were opened by the Vice President of the Recreation Committee and noted on Receipt of Tenders Schedules. GTMS attended both tender openings.

Further to the receipt of tenders, GTMS reviewed in detail the consultant submissions and recommended to the Director of Recreation the tenderers proposed for short listing and attendance at a post-tender interview.



2.0 Findings (Contd.)

2.2 Appointment of Consultants (Contd.)

- .9 The post-tender interviews were held at the Beau Sejour Centre and were chaired by GTMS. The interview panel consisted of GTMS, Members of the States of Guernsey Recreation Committee, The Director of Recreation and The States Strategic Property Advisor. In addition for the Architects' post-tender interviews DC Leisure also attended.
- .10 Interviews for Quantity Surveyors, Structural Engineers and Services Engineers were held on 31 October 2000 and interviews for the Architects were held on 6 November 2000.
- .11 Tenderers were assessed against a predetermined set of selection criteria. Against each selection criteria an individual mark was given ranging from 1 – 5. This score was then multiplied by its "weighting" to allow an overall total score to be calculated for each consultant.

The selection criteria that each consultant was assessed against at the post-tender interviews are given below with its particular weighting:

Selection Criteria	Weighting
Experience	8
Approach & Methodology	10
Team, personnel & CVs	8
Fee level	8
Tender compliance/PI Cover/Financial Status	4
Added Value Proposals	2

- .12 Following the tender assessment process GTMS recommended appointment of the following consultants:

Discipline	Name	Total Capped Fee*
Architect	ORMS	£514,700
Quantity Surveyor	WT Partnership	£147,000
Structural Engineer	Oscar Faber	£131,200
Services Engineer	Furness Green Partnership	£132,615

* Excluding airfares/accommodation

Although ORMS' fee was not the lowest, it was considered by the appointment panel that the quality of their approach, proposed team and overall performance out-weighed the additional fee cost associated with their appointment. ORMS confirmed in executing the project that they would link with an on-island Architect for certain elements of their role, i.e. site meetings and some detail design whilst retaining overall design responsibility.



2.0 Findings (Contd.)

2.2 Appointment of Consultants (Contd.)

- .13 The various consultants were appointed utilising the relevant professional bodies' standard forms of engagement, except for the Quantity Surveyor (WT) whose appointment is based on an exchange of letters. Although the standard forms of engagement used have been completed in detail to identify the services required and are signed by both parties, only those for the Services Engineer (Furness Green Partnership) have been dated.
- .14 The total value of the consultants' fees was £1,250,000 including an allowance for travel and subsistence. The allowance for consultants fees in the £9 Million Project Budget was £800,000 and therefore the element remaining for construction had to be reduced to £7,750,000.

2.3 Procurement of Construction Contract

- .1 Following advice from the Capital Works Sub-Committee and the appointed team of consultants, the States Recreation Committee decided to utilise a traditional form of construction procurement whereby the project is designed by the Client's appointed team of consultants prior to the appointment of a main contractor to carry out the construction works.
- .2 The form of contract used was the Joint Contracts Tribunal (JCT) Standard Form of Building Contract Local Authorities With Quantities 1980 Edition with amendments 1 to 13, 15 to 17 and TC/94. The JCT Contractor's Design Portion Supplement 1981 revised July 1994 and Sectional Completion Supplement revised July 1994 were also incorporated in the Contract. This was the first time this particular standard form of contract had been used by the States of Guernsey.
- .3 Bills of Quantities were prepared by the Quantity Surveyor for the Building and Civil Engineering works based on detailed design drawings produced by the Architect and Structural Engineers. The Services Engineer prepared design drawings and specifications which formed the basis of obtaining tenders for the Mechanical and Electrical Installations.
- .4 An advert was placed in Building Magazine and the Guernsey Press requesting "expressions of interest" from main contractors and mechanical and/or electrical contractors wishing to be considered for inclusion on the finalised tender list. A briefing pack was issued to all companies who expressed an interest in tendering for the project giving details of the nature, scope and timescale for the redevelopment works. The briefing pack required contractors to provide details of their proposed site team, CVs, relevant experience etc. to provide the Committee and its professional team with an objective basis for the selection of tenderers.



2.0 Findings (Contd.)

2.3 Procurement of Construction Contract (Contd.)

- .5 Only three contractors submitted an expression of interest and following pre-qualification interviews all three contractors were placed on the tender list. The three companies were:

R G Falla (Guernsey based)

JW Rihoy and Son Ltd (Guernsey based)

Dew Construction Ltd (UK based)

- .6 Eleven mechanical and electrical contractors expressed an interest in tendering for the project and following an assessment of each submission and pre-qualification interviews, the following approved list was agreed:

Mechanical	(Location)	Electrical	(Location)
Lorne Stewart PLC	(UK)	Lorne Stewart PLC	(UK)
Longcross Engineering Ltd	(UK)	Longcross Engineering	(UK)
Dudley Bower Services Ltd	(UK)	Dudley Bower Services Ltd	(UK)
Air Cool Engineering Ltd	(UK)	FW Rihoy & Son Ltd	(Guernsey)
Mitie Engineering	(UK)	Meggitt Marsh Ltd	(UK)

- .7 These approved mechanical and electrical contractors were named to the main contractors' tendering who all agreed that the list of names supplied were acceptable to them as domestic sub-contractors.
- .8 Tender documentation was sent out to the Mechanical and Electrical tenderers separately from the Main Contract tenderers and consisted of drawings and specification with the associated Tender letter which requested that tenders be returned to the Director of Recreation by 12 noon on Friday 3 August 2001. Postal problems led to delays in some of the tenderers not receiving their tender documentation until considerably after they should have done. In addition certain tender addendums were issued which jointly resulted in the tenderers being granted an extension of the Tender Period of two weeks until 12 noon on Friday 17 August 2001 – one week before the proposed receipt of the Main Contract tenders.
- .9 In accordance with the requirements of the Advisory and Finance Committee these sub-contract tenders were returned to the Recreation Committee for opening, recording, copying and directing on to each of the main contract tenderers as well as the consultants. This procedure differs from that envisaged in the JCT Form of Contract in that it is the usually adopted procedure that tenders are sought direct by the Main Contractor from persons listed in the Bills of Quantities for specialist sub-contract works and therefore the responsibility is entirely with the Main Contractor to establish that he has included everything necessary to satisfy the requirements of the Mechanical and Electrical Tender Documentation.



2.0 Findings (Contd.)

2.3 Procurement of Construction Contract (Contd.)

- .10 The mechanical and electrical sub-contract tenders were opened on Friday 17 August 2001. Many of the tenderers had not complied with the tendering return requirements with several not completing the appropriate tendering forms, which made direct comparison difficult. The time proved inadequate for the Services Engineer to make comment, send their comments to each of the Main Contractors and for them to discuss those comments with the Sub-contractor concerned, prior to the Main Contractors submitting their tenders which had to incorporate the mechanical and electrical sub-contractors prices.
- .11 The tender documentation was delivered to each of the Main Contractor tenderers on 17 July 2001. During the tender period one of the Contractors expressed their concern at the additional costs that would be incurred in completing all of the works to the pool within the eight week period indicated in the Tender Documents. Consequently each of the Main Contract tenderers were sent alternative Tender Forms 'A' and 'B' with the latter deleting the pool grouting from the project.
- .12 Each tenderer was asked to provide a fully priced Bill of Quantities with his Tender. Given the limited time available to analyse the tenders and to agree the basis of Tender Reductions it was decided to check both of the two lowest tenders arithmetically.
- .13 The Main Contract tenders were opened on Friday 24 August 2001 in the presence of Deputy Kevin Prevel, who was the Senior Member of the Recreation Committee available on that date.

Tenders received for the project were as follows:-

	Tender 'A'			Tender 'B'		
	£	Weeks		£	Weeks	
		Whole	S4		Whole	S4
Dew Construction Limited	8,484,620.00 *	70	12	8,419,830.00	70	10
J W Rihoy & Son Limited	8,560,583.00	78	20	8,529,303.00	78	12
R G Falla Limited	9,143,476.68	68	12	9,099,530.47	68	9

* Dew Construction Limited initially only submitted Tender 'B' inserting the words "Not available" for Tender A. It is understood Stuart Whittaker of Gardiner and Theobald spoke to Steve Ratcliffe of Dew Construction Limited asking what was the meaning of this statement. Subsequently on 28 August 2001 WT Partnership received a completed Form of Tender 'A' direct from this Tenderer.

- .14 Given that the Budget for building work was £7,750,000 and all the tenders exceeded this figure, a Tender Reduction exercise was undertaken.



2.0 Findings (Contd.)

2.3 Procurement of Construction Contract (Contd.)

- .15 Each of the two lowest tenderers were informed that their Bills of Quantities were to be checked. It was apparent from examination of the Bills of Quantities that both had included the lowest mechanical and electrical tenders so were sent a list of queries and questions from the Services Engineer, on their inclusions concerning these works.
- .16 When both of the two Main Contract tenderers under consideration confirmed they had had sufficient time to discuss the Sub-contract Mechanical and Electrical tenders and the Quantity Surveyor had checked both of the Bills in accordance with the Clause 6.4 of the Code of Procedure for Single Stage Selective Tendering, the arithmetical and other genuine errors were confirmed to the lowest Tenderer. Dew Construction Limited were given the opportunity of either confirming their offer or amending it to correct genuine errors. Dew Construction chose to raise their tenders as follows:

	Tender 'A'			Tender 'B'		
	£	Weeks		£	Weeks	
		Whole	S4		Whole	S4
Dew Construction Limited	8,573,558.00	70	12	8,508,768.00	70	10

- .17 Clause 6.4 of the Code of Procedure for Single Stage Selective Tendering then envisages that if the revised tender is no longer the lowest the offer of the firm now the lowest in competition should be examined. The question was which was now the lowest tender given that J W Rihoy & Son Limited had now submitted the lowest Tender 'A' and Dew Construction Limited the lowest Tender 'B'.
- .18 All tenderers had been informed that tenders 'A' and 'B' were alternative tenders and either could be accepted and given that in the Tender Reduction exercise the re-grouting to the pool would be omitted the lowest Tenderer was chosen from the Tender 'B' submissions. The difference therefore between the lowest and next lowest tender was £20,535.00 or 0.20%.
- .19 In accordance with the National Joint Consultative Committee for Building (NJCC) Code of Procedure for Single Stage Selective Tendering negotiations were entered into with Dew Construction Ltd to reduce the Contract Sum to within the budget of £7,750,000 for construction works.
- .20 Following identification of the lowest tenderer an intensive period of negotiations took place during which the Recreation Committee, their team of consultants and Dew Construction Ltd questioned every aspect of the brief to identify possible reductions without compromising the overall integrity of the scheme. A value engineering exercise was also carried out by the project team and its outcome was agreed with Dew Construction Ltd.



2.0 Findings (Contd.)

2.3 Procurement of Construction Contract (Contd.)

.21 The cost reductions achieved can be summarised as follows:

Dew Construction Ltd Tender B	£8,508,768
Post-tender Savings	
1) Amendments to the Enabling Works associated with the revised programme and sequence for the redevelopment works agreed with Dew Construction Ltd	£72,029
2) Amendments to the Bills of Quantities measured items and provisional sums	£138,429
3) Amendments associated with the resolution of Building Control and IDC approvals	£122,653
4) Rationalisation of the scheme back to the "core" scope of redevelopment works as defined in the original client brief	£172,856
5) Post-tender value engineering achieved with Dew Construction	£186,420
6) Specification amendments to the submitted tender to achieve savings	£66,819
Proposed Dew Construction Ltd Contract Sum	£7,749,562

A more detailed schedule of the savings achieved to reduce the Dew Construction Ltd tender to £7,749,562 can be found in Appendix 3.

.22 A limited letter of intent was issued to Dew Construction Ltd on 2 October 2001 by the States Recreation Committee for and on behalf of the States of Guernsey which contained the following information:

Contract Sum:	£7,749,562.00
Contract Period:	70 weeks
Commencement Date:	3 December 2001
Completion Date:	7 April 2003



2.0 Findings (Contd.)

2.3 Procurement of Construction Contract (Contd.)

.22 (Contd.)

Sectional Completion Dates:

Section	Commencement Date	Completion Date	Duration	LADs @ Clause 24.2.1
Section 1 – Enabling Works	3 December 2001	24 December 2001	3 weeks	£310.00
Section 2/5 (Part) – New Extension, Level 2 & 3 and Works to the Central Area of the Building and External Works	7 January 2002	21 October 2002	41 weeks	£14,035.00
Section 3 – Works to Theatre	20 January 2003	3 February 2003	2 weeks	£600.00
Section 4 – Works to Pool Area and Changing Village	20 May 2003	12 August 2002	12 weeks (10 week shutdown)	£6,950.00
Section 5 (Part 1) – Works to Level 1	30 September 2002	7 April 2003	27 weeks	£675.00
Section 6 – Works to Sir John Loveridge Hall	29 July 2002	23 September 2002	8 weeks	£3,020.00
Section 7 – Works to Sarnia Hall	20 January 2003	17 March 2003	8 weeks	£680.00

Limit to Letter of Intent: Enabling Works to the value of £53,000.00.

- .23 An unconditional letter of intent was issued to Dew Construction Ltd on 20 November 2001 by the Recreation Committee for and on behalf of the States of Guernsey which confirmed all the contract information identified in the Limited Letter of Intent issued on 2 October 2001. The Letter of Intent dated 20 November 2001 also noted that formal Contract Documents would be issued for signing by the Main Contractor on 29 November 2001.
- .24 Due to delays in receiving amendments from the Law Officers to the Standard Form of Contract for Guernsey law the Construction Contract remains unsigned.



2.0 Findings (Contd.)

2.3 Procurement of Construction Contract (Contd.)

.25 Analysis of the Contract Sum shows that it comprised the following:

1. Preliminaries	1,302,392.03
2. Measure Work (Fixed)	4,802,161.61
	<hr/>
Subtotal	6,104,553.64
3. Measure Work (Provisional)	693,158.36
4. Provisional Sums	601,850.00
5. Contingencies	350,000.00
	<hr/>
Contract Sum	£ 7,749,562.00
	<hr/> <hr/>

Only items 1 and 2 from the above breakdown are fixed lump sums in accordance with the contract conditions.

There were therefore almost £1.3M of provisional items within the contract sum. Provisional Sums and Provisional Quantities are used when the design is inadequate for the works to be properly measured. On the basis of this analysis it would appear that 17.50% of the project had not been fully designed at Contract stage. The Review Team consider that this level of Provisional Sums and Quantities would represent a high risk when advising a Client as to whether a Final Account figure is likely to exceed the Contract Sum.

- .26 The £350,000 contingency represents 4.7% of the remainder of the Contract Sum which, particularly in the context of the large Provisional element of the Contract Sum, represents too low a risk allowance for a project with a critical completion date, carried out over 7 phases and to an existing building whilst in occupation.
- .27 In the Construction Contract Documents ORMs have been named as Architect under Article 3A and WT Partnership – Guernsey have been named as Quantity Surveyor under Article 4.



2.0 Findings (Contd.)

2.4 Project Management Procedures

.1 Following their appointment as Project Managers, Gardiner & Theobald Management Services Ltd (GTMS) commenced their commission by agreeing with the Head of the Recreation Committee a Pre-construction Programme which identified the key tasks to be undertaken prior to commencement of construction which were as follows:

- Review and Development of Project Brief
- Procure Design Team
- Prepare Scheme Proposals for submission to Capital Works Sub-Committee (CWSC)
- Obtain States approval for Scheme Proposals
- Develop detailed design
- Prepare Tender Documents
- Invite Main Contract Tenders
- Report on Tenders to CWSC
- Obtain States approval for appointment of Main Contractor
- Contractor Mobilisation
- Commence Main Construction Works

The Pre-Construction Programme identified the timescale for the above activities as commencing in September 2000 and culminating with the Main Contractor starting on site in January 2002.

.2 GTMS produced detailed monthly Project Reports which commenced in October 2000 and continued through to completion of construction. The monthly Project Reports contained the following:

1.0 Executive Summary

2.0 Progress Review

- 2.1 Procurement
- 2.2 Programme/Site Progress
- 2.3 Planning/Permissions
- 2.4 Cost
- 2.5 Design
- 2.6 Future meeting dates

3.0 Consultants Appointments

4.0 Project Cashflow

- 4.1 Cashflow – Stages 1 – 4
- 4.2 Consultant Fee Budget

5.0 Cost Control



2.0 Findings (Contd.)

2.4 Project Management Procedures (Contd.)

.2 Contd.)

6.0 Risk Management

6.1 Risk Register

7.0 Quality

8.0 Health and Safety

9.0 Contractor's Report

10.0 Consultants' Reports

10.1 Architect's Report

10.2 Consulting Services Engineer's Report

10.3 Consulting Structural Engineer's Report

10.4 Quantity Surveyor's Report

10.5 Planning Supervisor's Report

- .3 The Project Reports were presented to the Director of Recreation at monthly meetings which were also attended by relevant members of the Recreation Committee and members of the Design Team once they had been appointed. The minutes of these meetings were prepared by GTMS and circulated to all attendees and members of the Recreation Committee.
- .4 Copies of the monthly Project Reports and Cost Reports produced by the Quantity Surveyor after their appointment were forwarded by the Director of Recreation to the Capital Works Sub-Committee (CWSC).
- .5 In addition to the monthly Project Reports GTMS also produced reports for key decisions such as the Appointment of Consultants and Main Contractor. These reports were used by the Recreation Committee as a basis for their policy letters requesting States approval to proceed to the next stage of the redevelopment.
- .6 In addition to the monthly meetings with the Recreation Committee GTMS chaired and minuted the Site Meetings once construction commenced. The Site Meetings normally occurred in the morning with the Client Meetings with the Recreation Committee in the afternoon of the same day.
- .7 Risk Management and Value Engineering exercises were organised by GTMS at key stages of the project and were reported on in the subsequent monthly Project Reports. A Risk Register formed part of the monthly Project Reports and was monitored and updated regularly.



2.0 Findings (Contd.)

2.4 Project Management Procedures (Contd.)

- .8 GTMS took overall control of the management of the Design Team on behalf of the Recreation Committee and held regular Design Team meetings particularly during the Pre-construction Stage. These meetings were normally held in London as the Project Manager, Architect, Services Engineer and Structural Engineer were based there. The Quantity Surveyor who is based in Guernsey attended the Design Team meetings as required. Although the Design Team Meetings were not minuted GTMS produced a list of actions following each meeting.
- .9 When requested to do so by the Recreation Committee GTMS also attended meetings of the CWSC. Minutes of these meetings were taken by CWSC. It is believed that GTMS and members of the Recreation Committee attended three or four meetings of the CWSC at key stages of the Project. The minutes of the CWSC meetings attended by GTMS have not been viewed by the Review Team.

2.5 Role of Sponsoring Committee

- .1 The States Recreation Committee (now Culture and Leisure) have the responsibility for operating the Beau Sejour Leisure Centre as part of their objectives to promote and support the development of sport and recreation in the Island.
- .2 In their policy letter to the States of Guernsey dated 29 September 2000, the Recreation Committee recognised the role that the Beau Sejour Leisure Centre plays in delivering its objectives and in order for the Centre to be both effective and efficient it was necessary to improve the operation of the Centre and also to carry out a major redevelopment scheme which would bring Beau Sejour up to modern standards for leisure facilities.
- .3 It is also stated in the policy letter dated 29 September 2000 that, following initial input by the Department of Architecture, it had been agreed with the Capital Works Sub-committee of the Advisory and Finance Committee that the professional services required to complete the design should be provided by the private sector.
- .4 With the agreement of the Capital Works Sub-Committee and the advice of the Strategic Property Advisor, the Recreation Committee sought by competitive tender in June 2000 to appoint a Project Manager for the redevelopment of Beau Sejour.
- .5 From their appointment as Project Managers in September 2000 Gardiner and Theobald Management Services Ltd (GTMS) acted as the principal advisor to the Recreation Committee on the redevelopment of Beau Sejour.
- .6 Procedural and strategic advice continued to be provided by the Strategic Property Advisor with the Capital Works Sub-Committee being regularly updated on the progress of the redevelopment by means of the Project Manager's monthly Project Reports.
- .7 The Recreation Committee then obtained the approval of the Capital Works Sub-Committee to tender for, interview and appoint the remainder of the project design team.



2.0 Findings (Contd.)

2.5 Role of Sponsoring Committee (Contd.)

- .8 The appointed Project Design Team reviewed the original feasibility and developed a concept design which provided a number of options. The Recreation Committee in conjunction with their Design Team explored the various options against the parameters of the original objectives established in the Policy letter dated 29 September 2000 as well as budget and time scale restrictions.
- .9 The preferred design concept was recommended to the States of Guernsey by the Recreation Committee in their Policy letter dated 19 February 2001. The Policy letter dated 19 February 2001 stated that the Committee and its Project Team expect the scheme as detailed to fall within the budget of £9M including professional fees and the main construction works to commence in January 2002 and be completed in advance of the Island Games in June 2003. It was further noted in the Policy letter that the works would be phased to allow the sequential decanting of areas occupied by centre activities.
- .10 The Policy letter from the Recreation Committee to the States of Guernsey contained the following recommendations:
- "To improve in principle the redevelopment of Beau Sejour Centre as described in this report and the attached plans at an estimated cost of £9,000,000 including professional fees.*
- a) *To direct the Committee to seek tenders for the redevelopment of Beau Sejour Centre as detailed above and to report back to the States with details of the tenders received.*
- b) *To vote the States Recreation Committee a credit of £800,000 to cover the cost of consultants' fees for feasibility studies, planning and design work, which sum shall be taken from that Committee's allocation for capital expenditure.*
- c) *To authorise the States Advisory and Finance Committee to transfer from the Capital Reserve to the capital allocation of the States Recreation Committee the sum of £800,000."*
- .11 The recommendations contained in the Policy letter dated 19 February 2001 were accepted by the States of Guernsey Resolution dated 11 April 2001.
- .12 Following the completion of detailed design work and the tendering procedures described in Item 2.3 of this Review the Recreation Committee submitted a Policy letter dated 19 September 2001 to the States of Guernsey which contained the following recommendations:



2.0 Findings (Contd.)

2.5 Role of Sponsoring Committee (Contd.)

.12 (Contd.)

- "a) *To approve the redevelopment of Beau Sejour Centre as set out in this report at a cost not exceeding £9,000,000.*
- b) *To authorise the States Recreation Committee to accept the revised tender submitted by Dew Construction Ltd for a sum not exceeding £7,750,000 to carry out the works.*
- c) *To authorise the States Recreation Committee to appoint the professional consultants as described in this report to supervise the post-contract works at a total cost not exceeding £450,000.*
- d) *To vote the Recreation Committee a credit of £8,200,000 to cover the outstanding cost of the above, which sum shall be taken from that Committee's allocation for capital expenditure."*

- .13 The recommendations contained in the Policy letter dated 19 September 2001 was accepted by the States of Guernsey Resolution dated 1 November 2001.
- .14 Once the Main Contract for the redevelopment started on site, members of the Recreation Committee and the Director of Recreation met with the Design Team at least once a month to review all aspects of the project. Minutes of this meeting prepared by the Project Manager were provided to all members of the Recreation Committee. The Director of Recreation also attended monthly site meetings.
- .15 Monthly Project Reports prepared by the Project Manager and containing updates from all members of the Design Team were provided to the Director of Recreation and the Capital Works Sub-Committee every month during the construction period.
- .16 At key stages during the redevelopment the Director of Recreation and the Project Manager attended Capital Works Sub-Committee meetings to provide updates on the redevelopment. The Strategic Property Advisor also continued to provide ad hoc advice as required.
- .17 The Review Team have been advised by the Director of Recreation that at the commencement of the tender process in accordance with the States procedures four of the seven members on the Recreation Committee declared a possible conflict of interest with the redevelopment as they were directly or indirectly involved with companies who would wish to tender for all or part of the redevelopment. Due to the limited number of Committee members available because of conflicts of interest it would appear that the bulk of the responsibility of the Recreation Committee for the project fell to Deputy Peter Sirett who generally attended the meetings with the Project Manager and the Design Team.



2.0 Findings (Contd.)

2.6 Budget and Cost Control

- .1 The original budget of £9Million for the redevelopment of Beau Sejour Leisure Centre was set on the basis of the feasibility study prepared by the Recreation Committee, the Department of Architecture and DC Leisure Management. This budget was confirmed by the independent Quantity Surveyor who was eventually appointed, after competitive tender, to the Project Design Team. The budget of £9Million was established in 2000 and was sub-divided as follows:

	£
Construction Cost	8,200,000
Professional Fees	800,000

Total Overall Budget of	£ 9,000,000
	=====

- .2 After the appointment of the Design Team at the end of 2000 the element of the overall budget necessary for Design Fees had increased to £1,250,000 which resulted in the amount left for construction being £7,750,000.
- .3 The overall budget of £9Million was summarised in the Recreation Committee Policy letter to the States of Guernsey dated 19 February 2001 as follows:

	£
Building Costs	7,200,000
Allowance for Inflation	200,000
Contingencies and Design Risk	350,000

	£ 7,750,000
Professional Fees	1,250,000

Total Cost	£ 9,000,000
	=====

The foregoing figures are based on an Indicative Estimate prepared by the Quantity Surveyor, which states as one of the exclusions, increases in Tender Prices after January 2001 in excess of the "increased" cost factor (£200,000). This allowance for inflation represents a 2.8% estimated increase in tender prices over a one year period. The Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyor was predicting at that time an average UK tender price increase of 3.8% for the period 4th Quarter 2000 to 4th Quarter 2001.



2.0 Findings (Contd.)

2.6 Budget and Cost Control (Contd.)

- .4 As the Scheme Design developed through the first half of 2001, the Quantity Surveyor monitored the costs of the evolving design to check that the Project remained compatible with the construction budget of £7,750,000. Cost Checks Nos. 1 and 2 did not identify any major likely increases, however their Cost Check No. 3 dated 4 July 2001 identified a possible increase of £960,000 due mainly to an additional £700,000 allowance for possible tender price inflation. The Quantity Surveyor decided to increase the inflation allowance from 2.8% to 12.5% due to an increase in tender prices contained in tenders he had recently received. The BCIS indices for the period show an actual average UK tender price increase for the period 3rd Quarter 2000 to 3rd Quarter 2001 of 13.6%.
- .5 This likely increase in Construction Cost was advised to the Director of Recreation in the Project Manager's monthly Project Report No. 7 issued on 18 July 2001. The Main Contract tenders had been issued on 17 July 2001 and the Project Manager advised in his Project Report No. 7 that he had arranged a review of the tendered scheme to identify and cost potential amendments to the current scope of the works or specification that may be required prior to tender return.
- .6 As described in Section 2.3 of this Review the tenders did exceed the budget by £760,000 and therefore a period of negotiation was entered into with the lowest tenderer, Dew Construction Ltd, and a final Contract Sum of £7,749,562 was agreed based on the adjustments listed in Appendix 3.
- .7 Once the appointed Main Contractor commenced on site the Quantity Surveyor produced monthly Cost Reports. The monthly Cost Reports were summarised in the Project Manager's monthly Project Reports but were also issued separately to the Director of Recreation.
- .8 An analysis of the Costs Reports and Interim Certificates issued showing a comparison by month of the advised Anticipated Final Account, Balance of Contingencies and the Gross Amount Certified for Payment follows:



2.0 Findings (Contd.)

2.6 Budget and Cost Control (Contd.)

.8 (Contd.)

BEAU SEJOUR POST IMPLEMENTATION REVIEW			
	COST REPORTS		ARCHITECTS CERTIFICATES
DATE	ANTICIPATED FINAL ACCOUNT	BALANCE OF CONTINGENCIES	VALUATIONS GROSS CERTIFIED
November 01	7,749,562	360,577	31,000
December 01	7,749,562	333,933	57,000
January 02	7,749,562	247,735	283,826
February 02	7,749,562	229,933	442,165
March 02	7,749,562	207,961	648,981
April 02	7,749,562	203,769	945,476
May 02			1,346,713
June 02	7,749,562	168,500	2,144,330
July 02	7,749,562	39,200	2,672,784
August 02	7,749,562	131,943	3,278,997
September 02	7,749,562	62,500	4,235,802
October 02	7,749,562	18,400	4,848,523
November 02	7,749,562	600	5,343,806
December 02	7,749,562	5,000	5,747,968
January 03	7,779,562	-15,000	6,148,025
February 03	7,769,562	-20,000	6,467,589
March 03	7,769,562	-20,000	6,987,774
April 03	7,801,562	-52,000	7,461,672
May 03	7,850,000	-100,438	7,740,021
June 03	7,910,000*	-160,438	7,912,230
July 03			7,958,376
August 03			
September 03			8,198,673
October 03	9,580,000	-1,830,438	8,233,350
November 03			
December 03			8,290,685
January 04	9,317,975	-1,625,458	8,600,000
February 04			
March 04			
April 04			
May 04	9,105,975	-1,356,413	8,740,305
June 04			
July 04			
August 04			8,988,000

* Although not included in the Anticipated Final Account Figure of £7,190,000 the Quantity Surveyor noted that the Main Contractor had included in his Interim Application No. 20 a provisional loss and expense claim of £544,310.39 which if projected forward to a Completion Date of 17 June 2003 could increase to £800,000. The Quantity Surveyor also noted that if all the items noted as excluded from the Anticipated Final Account were successfully claimed by the Main Contractor the Final Account would be £8,949,045.



2.0 Findings (Contd.)

2.6 Budget and Cost Control (Contd.)

.8 (Contd.)

There is no evidence that the possible Final Account Figure of £8,949,045 was referred to in the Project Manager's Monthly Report No. 26 dated 9 June 2003.

- .9 It can be seen from the table in item 2.6.8 that up until completion of the main construction works on site around June 2003 the Quantity Surveyor was reporting an overspend in the region of £160,000. There is extensive evidence in the Project Manager's monthly Project Reports, minutes of meetings and correspondence files that the Design Team and the Recreation Committee had expended an enormous amount of energy and skill in trying to keep the construction costs within budget. This had proved a difficult task without fundamentally altering the objectives of the scheme.

There appears to have been little or no advance warning from the Design Team to the Recreation Committee of the hugely increased overspend of £1,830,438 reported in October 2003.

- .10 The major reasons for the Quantity Surveyor's inability to accurately predict the Final Account figure appear to be:

- .1 Variations issued to the Contractor of which the Quantity Surveyor was unaware.
 .2 No allowance being made for a claim by the Main Contractor for loss and expense under Clause 26 of the JCT Standard Form of Contract.

- .11 Since completion of the project on site the Quantity Surveyor has been preparing the Final Account and a negotiated Final Statement of Account has been agreed between the Quantity Surveyor and the Main Contractor. The Final Statement of Account is summarised below:

	£
Contract Sum	7,749,562.00
Architect's Instructions (including adjustment of Provisional Sums and Provisional Quantities)	831,787.00
Negotiated Loss and Expense Claim	506,921.00
	<hr/>
Total of Final Account	9,088,270.00
<u>Less</u> Agreed reduction in lieu of Liquidated and Ascertained Damages	(100,270.00)
	<hr/>
Negotiated Final Settlement Figure	£8,988,000.00
	<hr/> <hr/>



2.0 Findings (Contd.)

2.6 Budget and Cost Control (Contd.)

- .12 Analysis of the Final Account identifies that the majority of the costs for Architect's Instructions (AI) are associated with AI No. 25. AI No. 25 was issued on 11 August 2004 and comprises 996 items, with an apparent additional cost of £1,338,360.89. The net effect of AI No. 25 is impossible to assess as only some of the Provisional Sums have been omitted against the AI expending them, whereas others have been omitted from the Contract Sum on the Summary Page of the Final Account.
- .13 AI No. 25 appears to have been a sweep up exercise to incorporate all instructions given by whatever means that had not been covered on previous AIs. The items contained in AI No. 25 are not cross-referenced to Confirmations of Verbal Instructions, Technical Queries, Drawing Issues etc. and it is therefore impossible to tell how or when they were initially instructed.
- .14 The Review Team have been advised by the Quantity Surveyor that as the proposed Final Account figure agreed with the Main Contractor was negotiated no calculation for the monies included for loss and expense exist. At the time of this Review the Main Contractor had received only a 4 week extension of time on Section 4 (Pool and Changing Village).
- .15 The Architect has advised that it was their intention to issue further extensions of time and drafts of these were provided to the Review Team. A summary of these proposed extensions of time is contained in the table in item 2.8.7 of this Review.
- .16 The Review Team has carried out an analysis of the extensions of time that are proposed, along with an estimate of additional preliminaries cost likely to have been incurred by the Main Contractor as a consequence of the associated delay. The Review Teams analysis is summarised below:

Section	Section Value £	Proportion of Preliminaries by Value £	Original duration weeks	Value of Preliminaries per week £	Duration of Extension of Time Proposed Weeks	Value of Possible Additional Preliminaries Costs £
1.	80,114	17,113	3	5,704	-	-
2.	3,815,754	815,068	41	19,880	30	596,400
3.	7,427	1,586	2	3,172	20	63,440
4.	805,784	172,120	12	14,343	5	71,715
5.	1,057,092	225,802	27	8,363	9	75,267
6.	192,810	41,185	8	5,148	24	123,552
7.	138,189	29,518	8	3,690	1	3,690
TOTALS	£6,097,170	£1,302,392	101 weeks		89 weeks	£934,064



2.0 Findings (Contd.)

2.6 Budget and Cost Control (Contd.)

- .17 The possible additional preliminaries figure of £934,064 does not take into account the concurrency of various phases. The original contract period was for 70 weeks with the total duration of the various sections being 101 weeks. This suggests a concurrency of around 30% which would reduce the possible additional preliminaries costs from £934,064 to £653,845.
- .18 The Review Team's analysis can only provide a rough guide as to the Main Contractor's entitlement to loss and expense due to the extensions of time proposed however it provides some guidance that the £506,921 included within the negotiated Final Account is fair and reasonable.
- .19 Based on the proposed extensions of time summarised in the table in item 2.8.7 of this Review the following entitlement for the Client to deduct liquidated and ascertained damages can be calculated.

Section	L&A Damages in Contract £/week	Delay without extension of time awarded Weeks	Total Deductible L&A Damages
1	310	-	-
2	14,035	5	70,175
3	600	-	-
4	6,950	-	-
5	675	3	2,025
6	3,020	-	-
7	680	-	-
Total deductible L&A Damages			£ 72,200

The calculated figure of £72,200 compares favourably with the figure of £100,270 deducted from the Final Account of £9,088,262 to reach the negotiated final settlement figure of £8,988,000.

- .20 It should be noted that the amounts included in the final settlement figure for loss and expense and the deduction in lieu of liquidated and ascertained damages can only be classified as ex-contractual and are therefore not within the Architects power to certify without the prior agreement of the Client and the Main Contractor.

2.7 Change Control Procedures

- .1 The majority of changes on the Project have occurred either as a result of Value Engineering exercises carried out to reduce cost, or resolving problems which became apparent as the works progressed on site.



2.0 Findings (Contd.)

2.7 Change Control Procedures

- .2 The changes introduced as a result of Value Engineering exercises generally reduced cost and those introduced to resolve problems on site increased cost.
- .3 The cost of changes as a result of Value Engineering were estimated by the Quantity Surveyor prior to their implementation whereas many of the changes introduced to resolve problems on site were instructed without any formal process for estimating the likely cost.
- .4 The total value of changes introduced by the Client during the construction period was approximately £27,000.
- .5 No formal change control procedure appears to have been in place during the construction period for estimating the likely cost of variations, prior to their implementation.

2.8 Programme

- .1 From the early feasibility stages of the redevelopment a Completion Date of June 2003 had been established in order that the refurbished Beau Sejour Leisure Centre would be available for the Island Games. Having the Centre available for the Island Games was paramount within the procurement of the redevelopment.
- .2 From the appointment of the Design Team at the end of 2000 the opening of the redeveloped Centre by June 2003 drove the design, tendering and construction process.
- .3 To provide some element of time contingency the Main Contract works were programmed to be complete by 7 April 2003.
- .4 The programme for the Main Contract works was by necessity complicated. To enable the Centre to continue operating the works were divided into 7 sectional completions, with each section having its own commencement and completion date. This enabled most functions of the Centre to continue to operate. Almost from the first day of construction commencing on site problems were encountered due to unforeseen circumstances. Structural slabs were thicker and more heavily reinforced than anticipated and existing mechanical and electrical services installations were not as envisaged. Due to these difficulties the programme began to change early in the construction phase. This involved an enormous effort from the Centre Staff who continually had to decant themselves around the site as the works progressed, often with very little notice as to what sections or part of sections would be completed when.
- .5 All parties interviewed for this Review have expressed their admiration for the heroic efforts made by the staff of the Beau Sejour Leisure Centre during the construction works in managing to keep the Centre operational under extreme conditions.



2.0 Findings (Contd.)

2.8 Programme (Contd.)

- .6 Although the Main Contractor attempted to mitigate delays he was hampered by an apparent difficulty in obtaining additional labour, a situation which was exacerbated when his main building works sub-contractor went into liquidation. It appears that although some of the delays were caused by changes introduced by the design team the delay was compounded by difficulties encountered by the Contractor in obtaining site labour and because of changes in site management.
- .7 The following table compares the Contract Programme Section Completion Dates and the extensions of time that the Architect is proposing to issue with the actual Practical Completion dates:

<u>Section No.</u>	<u>Description</u>	<u>Completion Date</u>	<u>Practical Completion</u>	<u>Proposed Extension of time</u>	<u>O/A Delay (EOT Award)</u>
1.	Enabling Works	24.12.01	21.12.01	-	-
2.	New Extension etc.	21.10.02	19.06.03	15.05.03	35 weeks (30 weeks)
3.	Works to Theatre	03.02.03	19.06.03	19.06.03	20 weeks (20 weeks)
4.	Pool & Changing Village	12.08.02	21.09.02	21.09.02	5 weeks (5 weeks)
5.	Central area existing building	07.04.03	27.06.03	06.06.03	12 weeks (9 weeks)
6.	Sir John Loveridge Hall	07.10.02	24.03.03	24.03.03	24 weeks (24 weeks)
7.	Sarnia Hall	17.03.03	24.03.03	24.03.03	1 week (1 week)



2.0 Findings (Contd.)

2.8 Programme (Contd.)

8. It can be seen from the table in item 2.8.7 that the last section was completed on 27 June 2003 (Section 5) which is 12 weeks after the original Completion Date. This is a simplistic view of the programme changes as in order to maintain progress many items of work and areas to be worked in were moved from one section to another however it does highlight the major changes and areas of delay.
9. To date the Architect has issued an extension of time for Section 4 of 4 weeks. In the award letter dated 9 September 2002 the Architect refers to the relevant events as 25.101/2. The contract conditions do not contain a clause with this reference and it is therefore not possible to assess if this extension of time is due to a relevant event listed in Clause 26 which would entitle the Main Contractor to the cost of loss and expense. As noted in item 2.6.15 of this Review it is the Architect's intention to issue further extensions of time and these have been summarised in the table in item 2.8.7.
- .10 The Programme was continually monitored by the Project Manager and the rest of the Design Team. The Project Manager's monthly Project Reports and Minutes of Site and Client Meetings show that the Project Team tried to manage the Programme as best they could but that the Main Contractor struggled to achieve deadlines set by himself.
- .11 The Centre however did remain operational through the whole of the redevelopment and key programme dates for specific functions and events were achieved. Although the construction works were not complete, the Centre was available in its redeveloped form for the Island Games in July 2003.

2.9 Management of Risk and Contingencies

- .1 A Construction Phase Risk Workshop was carried out on 14 November 2001 which was attended by the whole of the Project Team, including the Main Contractor.
- .2 The first issue of the Risk Register was incorporated in the Project Manager's Project Report for December 2001. The Risk Register identified numerous risks and each was scored on the likelihood of occurrence and the possible impact if they occurred. The two highest scoring risks identified were the management of the contingency and expenditure of Provisional Sums. Both of the foregoing risks were noted as the responsibility of all parties.
- .3 The Risk Register was reviewed and updated at a meeting on 15 January 2002 and incorporated in the Project Manager's Project Report for February 2002. Contingency Management and expenditure of Provisional Sums remained as the two most critical risks, however the risk associated with Provisional Sums had been reduced slightly following a meeting held on 29 January 2002 specifically to discuss all Section 1 Provisional Sums.



2.0 Findings (Contd.)

2.9 Management of Risk and Contingencies (Contd.)

- .4 An updated Risk Register produced following a Risk Workshop on 11 June 2002 was included in the Project Manager's Report for July 2002. The format of the Risk Register was changed with the scoring system being removed and the Management Action column amplified to describe in detail how the risk was to be managed. The number of risks identified had reduced from 79 to 11 with Contingency Management identified as the No. 2 Risk on the Register. The description of the Contingency Management Risk referred to "*... a Doomsday scenario should be considered in the event that the contract contingency is expended prior to project completion necessitating the omission of certain works*".
- .5 Within the Project Manager's monthly Project Reports GTMS included a Contingency Schedule which identified expenditure against the £350,000 contingency contained in the Construction Contract Sum. In the Project Report for July 2002 the actual remaining contingency fund at the end of June 2002 was £156,500. The Quantity Surveyor's Cost Report for June 2002 showed a balance of contingency of £168,500.
- .6 The Risk Register included in the Project Manager's Project Report for August 2002 states that potential savings of £55,000 have been identified and that the Financial Review and Contingency Management Schedule would be updated accordingly.
- .7 The updated Risk Register in the Project Report for January 2003 identifies Contingency Management as the third most significant risk out of the five risks identified but does note that the opportunity to make significant changes to the scheme are diminishing as the Project nears completion. The most significant risk was considered to be Programme.
- .8 The updated Risk Register in the Project Report for March 2003 shows Contingency Management as the third most significant risk out of the eight risks identified. The most significant risk remained Programme. The Risk Register identifies that the Quantity Surveyor considers the contingency may well be overspent and notes there is a meeting with the Estates Sub-committee on 21 March 2003.
- .9 In March 2003 the Quantity Surveyor was predicting an overspend of £52,000. By June 2003 the predicted overspend was £160,000. Practical Completion of the last section of the Project was certified by the Architect as 27 June 2003. In October 2003 the predicted overspend had increased to £1,830,438.



3.0 CONCLUSIONS



3.0 CONCLUSIONS

3.1 Generally

- .1 From the outset the redevelopment of the Beau Sejour Leisure Centre was going to be a demanding and difficult project.
- .2 The redevelopment of a Leisure and Sports Facility whilst in operation proved to be extremely complex. This combined with a fixed timescale and budget resulted in an extremely high risk project.
- .3 In general the project was well managed and with an exciting design solution the redevelopment has succeeded in turning a somewhat tired facility into a vibrant and pleasing destination which has resulted in a huge increase in use. (Photographs of the redeveloped Centre are included in Appendix 4).
- .4 With the heroic endeavours of the Leisure Centre staff the Centre remained open during the redevelopment providing a vital service to the community.
- .5 The major failing of the redevelopment has been the Project Team's inability to predict the out turn costs. Professional fees and ancillary costs have been kept more or less within their budget allocation of £1,250,000 whereas the Construction Cost has escalated £1,238,000 from the budget allocation of £7,750,000 to £8,988,000.
- .6 With a construction contract of this complexity and fixed timescales there was always a high risk of the budget being exceeded. The most obvious failing of the Design Team is not that the Project was overspent but that they failed to allow adequate contingency or predict the size of the overspend until after the works were completed on site.
- .7 The failure to predict the size of the overspend prior to completion on site prevented the Recreation Committee and their advisors from mitigating the overspend.

3.2 Specifically

3.2.1 Propriety and Probity

- .1 Throughout the redevelopment process the Recreation Committee and their advisors including the Strategic Property Advisor, the Capital Works Sub-committee and its successor the Estates Sub-Committee and the Design Team have shown the highest levels of propriety and probity.
- .2 All major decisions have been made openly and competitive tenders have been sought for all aspects of the redevelopment, utilising clear and auditable processes.



3.0 Conclusions (Contd.)

3.2 Specifically (Contd.)

3.2.2 Good Practice

- .1 The form of procurement chosen is considered one of the most suitable for this type of project and if correctly implemented, should provide an acceptable allocation of risk and value for money. Analysis of the Contract Sum suggests that too high a level of risk remained in the Project with 17.50% of the Contract Sum less the contingency not a fixed Lump Sum.
- .2 The risks inherent in having such a large element of the Contract Sum unfixed were understood by the Design Team but they failed to monitor closely enough the expenditure of the unfixed element.
- .3 The main reason for the failure of the Design Team to monitor and therefore react to the overspend appears to be the lack of a formal change control procedures. Apart from those items omitted as a result of Value Engineering exercises there was no formal procedure whereby proposed variations were costed prior to the instruction being issued.
- .4 The lack of a change control procedure was exacerbated by many instructions not being confirmed in writing until twelve months after the Contract was complete when AI No. 25 was issued. AI No. 25 contained 996 individual items with a total cost of £1,338,360.90. It is not possible to isolate the net increase to the Contract of AI No. 25 as sums expended against Provisional Sums are not identified.
- .5 In addition to failing to anticipate the number and value of variations issued, the Design Team failed to advise their Client of the likelihood of a claim for loss and expense from the Main Contractor. It is assumed that this claim from the Contractor is being justified due to the number and value of variations issued. To date the Architect has only issued an extension of time for 4 weeks to Section 4 of the Project which could not justify in itself the £506,921 included in the negotiated Final Account for prolongation/loss and expense. However, the Architect has advised that further extensions of time will be issued and the Review Team's analysis shows that these will justify the amounts included in the final settlement figure for loss and expense. It is surprising that the Quantity Surveyor was unable to provide any form of justification for the amounts of prolongation / loss and expense appertaining to the Main Contractor included in the negotiated Final Account Settlement.

3.2.3 Objectives

- .1 The objectives for the redevelopment can be classified into three main areas:
 - Scope and quality
 - Cost
 - Time



3.0 Conclusions (Contd.)

3.2 Specifically (Contd.)

3.2.3 Objectives (Contd.)

- .2 The scope and quality originally set by the feasibility studies undertaken in the late 1990s have been achieved and in many areas exceeded. Although the actual extent of the redevelopment has been reduced since the early feasibilities, many of the original goals have been achieved due to the quality and effectiveness of the design.
- .3 The original budget of £9Million was fixed from the outset although its sub-division between professional fees and construction cost was altered upon the appointment of the Design Team as the total of the tendered Design Team fees was £1,250,000 rather than the £800,000 allocated originally. The Design Team fees equated to 16.13% of the budgeted construction cost which is well within the expected range for a Project of this size, duration and complexity. The final cost of Design Fees will not exceed the revised budget allocation of £1,250,000. The negotiated Final Account exceeds the revised budget allocation of £7,750,000 by £1,238,000, an increase of 16%. The measured section of the Final Account appears justified and has been adjusted in accordance with the Contract. The other financial objective was to reduce the annual deficit for the Centre but it is too early to establish whether this has been achieved.
- .4 The main driver behind the redevelopment from feasibility stage was to have the works complete by the Island Games in July 2003. This was achieved by the slimmest of margins but it was achieved. It is obvious that towards the end of the Project this was the only goal to which everyone's efforts were focused.

3.2.4 Value for Money

- .1 Analysis of the negotiated final settlement figure show that except for the costs associated with prolongation / loss and expense the costs for the construction works are fair and reasonable having been competitively tendered and adjusted in accordance with Contract Conditions when applicable.
- .2 Analysis by the Review Team suggest that the amount for prolongation / loss and expense included in the negotiated final settlement figure is consistent with the extensions of time that the Architect proposes to issue.
- .3 The amount deducted within the negotiated final settlement figure for liquidated and ascertained damages is in excess of the Clients contractual entitlement.
- .4 It is difficult to quantify the benefits of the redevelopment in strict financial terms but recent figures provided show that the Centre's Freedom Membership has increased threefold since the redevelopment was completed.



4.0 RECOMMENDATIONS



4.0 RECOMMENDATIONS

- .1 Contracts entered into by the States of Guernsey should contain an audit clause giving rights of access to relevant project information at no additional cost (2.2.13).
- .2 Contracts entered into by the States of Guernsey should be completed, signed and dated as quickly as possible after appointment is confirmed (2.2.13) and (2.3.24).
- .3 Standard Forms of Contract should be amended to accommodate Guernsey law prior to tenders being sought. (2.3.2 and 2.3.24).
- .4 Sub-contract tenders should be obtained by Main Contractor's rather than the States of Guernsey to avoid the possibility of the sub-contractors being deemed to be nominated. This also ensures the responsibility is entirely with the Main Contractor to establish that everything necessary to comply with the requirements of the Tender Documentation has been included their tendered sum. (2.3.9).
- .5 Consultants should identify to the Client what elements of a Contract Sum are not fixed price (2.3.25).
- .6 The non-fixed elements of a Contract Sum should be kept to a minimum (2.3.25).
- .7 Contingency sums should be separately identified early in the feasibility stage of a project and a separate contingency outside the Contract Sum for the Main Contract should be maintained within Project Budget (2.3.26).
- .8 Risk assessment on all aspects of a Project Budget should commence at the feasibility stage of a project and continue to be updated at regular intervals throughout the duration of the Project. (2.3.26).
- .9 Construction Projects should have a "Project Sponsor" or similar appointed at feasibility stage who has a construction background and is knowledgeable in the methods of procurement available. The "Project Sponsor" would provide the interface between project ownership and delivery (2.5.3 to 2.5.7, 2.5.16 and 2.5.17).

The following description of the dual management function of a "Project Sponsor" is provided by the UK Office of Government and Commerce:

- *The client side – managing the department's input, co-ordinating the department's functional and administrative requirements, resolving any conflicting objectives in the department and acting as the department's sole point of contact for the project.*
 - *Project delivery – through the project manager (who supplies project management expertise) assessing, procuring, managing, monitoring and controlling the external resources needed to implement the project.*
- .10 The Architect (ORMS) should issue the proposed further extensions of time (2.6.15 and 2.6.16).



4.0 Recommendations (Contd.)

- .11 The amounts included in the negotiated Final Settlement Figure of £8,988,000 for prolongation / loss and expense and the deduction in lieu of liquidated and ascertained damages need to be ratified by the States of Guernsey and Dew Construction Limited (2.6.20).
- .12 Construction Projects should contain a formal Change Control Procedure which ensures that the cost of a variation is estimated and agreed with Client prior to an instruction being issued to the contractor (2.7.5).
- .13 Detailed surveys and investigations should be carried out to confirm the validity of assumptions prior to a contractor commencing works on site (2.8.4).
- .14 The unique circumstances which exist on Guernsey for construction projects which result in a high risk environment should be recognised in the level of contingencies allocated to the Project Budget (2.8.6).



APPENDIX 1

**Appendix 1****MEETINGS HELD AND DOCUMENTS IDENTIFIED FOR PHASE 1 REPORT**

- .1 The following meetings were held during Phase 1 to establish the processes and parties involved in the redevelopment of the Beau Sejour Leisure Centre and extent of documentation available.

Date	Location	Attendance
20/08/04	Gardiner & Theobald Offices, London	Alex Wakefield (SPU) Joseph S Greevy (Review Team) David Dickenson (G&T) Stuart Whittaker (G&T)
27/09/04	Beau Sejour Leisure Centre, Guernsey	Tom Baudains (Technical Services Manager – Beau Sejour Leisure Centre) Joseph Greevy (Review Team) Owen Davies (Review Team)
28/09/04	Culture & Leisure, Sir Charles Frossard House, Guernsey	Dave Chilton (C&L) Colin Thorburn (C&L) Alex Wakefield (SPU) Joseph Greevy (Review Team) Owen Davies (Review Team)

- .2 From the meetings held the following principal parties involved in the redevelopment of the Beau Sejour Leisure Centre were identified:

Client	Culture & Leisure Department States of Guernsey Sir Charles Frossard House PO Box 43 La Charroterie St Peter Port Guernsey
	Contacts: Dave Chilton (Chief Officer) Colin Thorburn
Project Manager	Gardiner & Theobald LLP 32 Bedford Square London WC1B 3JT
	Contacts: David Dickenson Stuart Whittaker
Architect / Contract Administrator	ORMS One Pine Street London EC1R 0JH
	Contact: Dale Jennings



Meetings Held and Documents Identified for Phase 1 Report (Contd.)

.2 (Contd.)

Quantity Surveyor WT Partnership
 Fuller House
 The Grange
 St Peter Port
 Guernsey GY1 1RQ

Contact: Ken Morrison

Structural Engineer Faber Maunsell
 23 Middle Street
 London EC1A 7JD

Services Engineer Furness Green
 1-3 Dufferin Street
 London EC1Y 8NA

.3 During the meetings listed in item 1 the key documents for the Review were identified and their likely location established. In general the location of the documents is based on the originator.

.4 The following list of documents to be viewed by the Review Team was circulated to the Client, Project Manager, Architect and Quantity Surveyor who were asked to confirm that they would be able to make them available.

	Documents	Location / Provider
1.	Consultant's Appointments Project Manager (G&T) Architect (ORMS) Structural Engineer (Faber Maunsell) Services Engineers (Furness Green) Quantity Surveyor (WT)	Culture & Leisure (C&L)
2.	Initial Programme and Brief	G&T
3.	Initial Budget / Cost Plan	WT
4.	Minute / Notes of Risk Management Workshop	G&T
5.	Risk Register	G&T



	Documents	Location / Provider
6.	Minutes / Notes of Value Engineering Exercise(s)	G&T
7.	Tender Report for Construction Contract	G&T
8.	Letter of Intent	C&L
9.	Construction Contract Documents	C&L
10.	Minutes of Design Team Meetings	ORMS
11.	Minutes of Client Meetings	G&T
12.	Minutes of Site Meetings	G&T
13.	Estates Sub Committee Correspondence	C&L
14.	Project Managers Monthly Reports	G&T
15.	Architects / Contract Administrators Instructions	ORMS
16.	Cost Reports	WT
17.	Interim Valuations	WT
18.	Interim Certificates	ORMS
19.	Contractor Requests for Extension of Time	ORMS
20.	Responses / Awards for Extension of Time	ORMS



	Documents	Location / Provider
21.	Certificates of Non-Completion	ORMS
22.	Practical Completion Certificates	ORMS
23.	Draft Final Account	WT

.5 All of the principal parties confirmed that the documents required to be viewed by the Review Team are available at the locations identified.



APPENDIX 2

**Appendix 2**

1. The following meetings were held during preparation of the Phase 2 Report.

Date	Location	Attendance
27/10/04	Lysander Associates, Guildford (Stuart Whittaker's current employer)	Joseph S Greevy (Review Team) Owen Davies (Review Team) Stuart Whittaker (formally G&T)
28/10/04	ORMS, London	Joseph S Greevy (Review Team) Owen Davies (Review Team) Dale Jennings (ORMS)
03/11/04	WT Partnership, Guernsey	Joseph S Greevy (Review Team) Owen Davies (Review Team) Ken Morrison (WT) John Shepherd (WT)
04/11/04	Culture & Leisure, Guernsey	Joseph S Greevy (Review Team) Colin Thorburn (C&L)
05/11/04	Beau Sejour Leisure Centre, Guernsey	Joseph S Greevy (Review Team) Owen Davies (Review Team) Sam Herridge (Business Development Manager - Beau Sejour Leisure Centre)
05/11/04	WT Partnership, Guernsey	Joseph S Greevy (Review Team) Owen Davies (Review Team) John Shepherd (WT)

2. The following documents were viewed / obtained at the meetings listed in item 1.

Document	Location / Source
1. Project Managers Monthly Reports Nrs 1-7, 13-15, 23 and 26	Lysander Associates (G&T)
2. Correspondence Files	Lysander Associates (G&T)
3. Meeting Minutes Files	Lysander Associates (G&T)
4. Extension of Time file (Ref:1127/7.08)	ORMS
5. Minutes of Design Team Meetings	ORMS
6. File containing Interim Payment, Non Completion and Practical Completion Certificates (Ref:1127/6.04)	ORMS



Document	Location / Source
7. ORMS Presentation to States of Guernsey dated October 2000	ORMS
8. ORMS design Report dated 21 March 2001	ORMS
9. Indicative Estimate dated January 2001	WT
10. Interim Valuations File	WT
11. Monthly Financial Reports Nrs 1 to 19	WT
12. Financial Reports dated 11/10/03, 30/01/04 and 28/05/04	WT
13. Dew Construction Predicted Cash Flow dated 29/04/02	WT
14. Tender Report (Second Draft) dated September 2001	WT
15. Letter of Intent dated 02/10/01	WT
16. List of Provisional Sums contained in Contract Sum	WT
17. Final Statement of Account with build up.	WT
18. Report on timing of Dew Construction Ltd Interim Applications and Financial Statements	WT
19. Design Team Appointments	C&L
20. Construction Contract comprising JCT Standard Form 1980 Edition Local Authority with Quantities (unsigned)	C&L
21. Project Manager's Monthly Reports Nrs 10 to 23.	C&L
22. Spreadsheet identifying income from Freedom Memberships at Beau Sejour Leisure Centre for years 2001 to 2004	Beau Sejour
The following information received / viewed subsequent to meetings	
23. Letter of Intent dated 20/11/01	WT
24. Priced Bills of Quantities volumes 1 to 3	WT
25. Minutes of Monthly Site Meetings	WT



Document	Location / Source
26. Letter dated 19/09/01 from Vice President of States Recreation Committee to the President of States of Guernsey	C&L
27. Letter dated 19/02/01 from President of States Recreation Committee to The President of States of Guernsey	C&L
28. Letter dated 29/09/00 from President of States Recreation committee to the President of the States of Guernsey	C&L
29. Letter dated 17/08/04 from WT Partnership to Alex Wakefield (Treasury and Resources Department)	Alex Wakefield
30. Architects Instruction Nr 25	ORMS
31. List of tenders received from Mechanical and Electrical Subcontractors	C&L
32. Spreadsheet identifying total costs on Beau Sejour Redevelopment	C&L
33. Letter dated 23/11/04 from Dave Chilton (Culture & Leisure) to Joseph Greevy (Review Team) concerning financial performance of Beau Sejour Leisure Centre.	C&L
34. Proposed Extensions of Time dated 06/01/05 to be issued by the Architect	ORMS
35. Fax dated 09/12/04 from WT Partnership to Joseph Greevy (Review Team) providing breakdown for Negotiated Sub Contract prolongation / loss and expense	WT
36. Letter dated 08/06/04 from WT Partnership to Dave Chilton (Culture & Leisure) enclosing Financial Report as at 28/05/04.	Alex Wakefield
37. Report dated 09/02/04 prepared by Gardiner & Theobald and WT Partnership on Final Account	G&T
38. Report dated 22/06/04 prepared by Gardiner & Theobald on Final Account Resolution	G&T
39. Tender and Recommendation Report for Appointment of Professional Team dated 10/11/00 prepared by Gardiner & Theobald.	G&T



APPENDIX 3



STATES OF GUERNSEY RECREATION COMMITTEE

PROPOSED REDEVELOPMENT - of - BEAU SEJOUR CENTRE, AMHERST, ST. PETER PORT, GUERNSEY, CHANNEL ISLANDS

Schedule of Savings

	Savings	Total
	£	£
Dew Construction Ltd Tender B		8,508,768
Resolution of curtain walling technical/scope issues	-26,783	
Retain existing sloping glazing to pool roof	70,000	
Amend external cladding to rear of H&B to standard curtain walling	7,500	
Contingencies to £350k	41,500	
Area of slab in Level One Dry change	6,778	
Omit Green room escape Provisional Sums & add associated fire curtain	38,375	
Sika - Provisional Sum adjusted from £85,000.00	23,593	
Supply of ironmongery - alternative supplier	26,821	
Glass wall to dance studios	10,000	
Finalised lift cost - adjust provisional sum	4,423	
Minimalisation of external lighting - Builders work	8,197	
Reduce extent of enabling work	72,029	
Reduce roof platform to optimum size	32,500	
No work to existing Concourse toilets	61,822	
Remainder of work to Concourse - Redecorate, new ceiling, etc. but do not excavate & remove stepped area	33,200	
Fill disused drains in lieu of excavating	19,558	
Provisional Sums :		
Disabled access to front of stage	20,000	
Kitchen fit out and additional kitchen fittings (4/116W)	10,000	
Staff room kitchen fittings and associated tiling (7/87G)		
Reduce by 50%	5,000	
gazebo	5,000	
additional disabled parking - minimum number achieved by updated layout	10,000	
electro magnetic hold open	10,000	
timber clerestory - design solution firmed up	7,000	
Iroko bench	2,000	
Undefined provisional sums for additional detailing 4/119T, 6/60J, 7/88J, 8/17L & 9/16E	20,000	
Adjustment to sloping section of pool roof - solid roof omission	47,769	
Revised Prospec locker quotation	60,378	
Change pool ceiling specification	66,738	
Change bound gravel to tarmac adjacent to front entrance	14,900	
Carpet tile in lieu of ceramic tile in atria	6,000	
Vinyl generally alternative product	4,450	
Go 'open' on the w.c. cubicles, vanity units, etc. - alternative product	5,033	
Folding glass door to shop area (42/G)	6,411	
Acoustic partitions 4/42 B- D	22,722	
Preliminaries - adjustments agreed with Contractor	13,000	
I.D.C / Building control issues - Work to base of stair	-4,708	
I.D.C / Building control issues - Additional fire doors	<u>-2,000</u>	<u>759,206</u>
Dew Construction Ltd Amended Tender B	£	<u>7,749,562</u>



APPENDIX 4



Beau Sejour Leisure Centre



Main Entrance Before Redevelopment



Main Entrance After Redevelopment



Beau Sejour Leisure Centre



Main Foyer



Bar



Beau Sejour Leisure Centre



Beau Sejour Leisure Centre



Main Foyer Looking Towards Reception



Cafe



Beau Sejour Leisure Centre



Lift and Staircase



Beau Sejour Leisure Centre



Dance Studio



Foyer From Balcony



Beau Sejour Leisure Centre



Staircase to Lower Level Breakout Space



Lightwell



Beau Sejour Leisure Centre



Foyer Area



View of Main Entrance From South

(NB The Policy Council has received the following letter dated 25th November, 2005, from the Culture and Leisure Department on the Public Accounts Committee Review of the Beau Sejour Development.

CULTURE AND LEISURE DEPARTMENT

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

25th November 2005

Dear Sir

PUBLIC ACCOUNTS COMMITTEE REVIEW INTO THE REDEVELOPMENT OF BEAU SEJOUR LEISURE CENTRE

The redeveloped Beau Sejour Leisure Centre was opened by the Bailiff of Guernsey Sir de Vic Carey on 19 June 2003. The completed project has incurred an overspend on its £9,000,000 budget, of £1,388,614.48 which is the subject of a Review by the Public Accounts Committee (PAC).

The Treasury and Resources Department (T&R) had previously instigated an independent post implementation review of the project by Wheelers Group LLP who reported in January 2005 and their findings are appended to the PAC Report.

The Culture and Leisure Department and the Project Team have cooperated as fully as possible with T&R, Wheelers and PAC in the initial reporting of the overspend and in these two separate independent reviews.

The PAC Review, the first on a States capital project, supplies detailed information on the history of the project and its conclusions on the redevelopment of Beau Sejour Leisure Centre. Its review draws on the Wheelers Report and from further evidence given by staff of the Department at a PAC Hearing.

It is clear, therefore, that the project and its subsequent overspend has been the subject of detailed independent investigation and analysis. The Wheelers Report is a very considered and technical appraisal of the project while the PAC Review adds a different flavour to the facts of the matter which provides a comprehensive coverage of the topic.

In light of these comprehensive reviews of the project the Culture and Leisure Department (C&L) has agreed with T&R and PAC that there is little, if anything, to be gained from a third, detailed assessment or review from C&L in the form of a States Report. It was therefore agreed that the PAC Review would be accompanied in this Billet by a letter of comment from C&L and a letter from T&R requesting the necessary States approval which is required to enable a transfer from the Capital Reserve.

What C&L will try to provide in this letter of comment is an understanding of the background to the project, its success in terms of the achievement of its objectives and an appreciation of the difficulties incurred in the project.

Background

After twenty-five years faithful service, a redevelopment of the Centre was recommended in order to ensure its continued relevance for the future.

- A preliminary design brief was then drawn up that set out the following major aims for the redevelopment:
- providing a high quality civic building that reflects its importance to the Island
- enabling more effective and economic operation
- retaining the original multi use concept

Specific objectives included:

- allowing the pool to continue to balance casual and competitive swimming until such time as a dedicated competition pool could be built;
- allowing the theatre to maintain its dual use capability;
- generally improving the facilities available;
- significantly improving the provision of health and fitness facilities including new changing rooms;
- relocation of the bar, catering and shop facilities together with a children's play area as near as possible to the entrance;
- the creation of a changing village for pool users with more provision for families.

It was agreed that the cost of redevelopment should fall on the public purse; Beau Sejour is loss making and therefore unable to finance any major new investment. It was not anticipated that there would be sufficient improvement in revenues gained to finance the proposed works although a greater certainty of improved financial performance was expected.

Based on the design brief an indicative estimate of cost was produced showing a total cost of £9 million. The works were to be carried out during 2002 and early 2003 in order to allow completion in time for the 2003 Nat West Island Games.

Having established the preliminary brief and estimate of costs, the Recreation Committee agreed with the Capital Works Sub Committee of the Advisory and Finance Committee that in view of the complexity of the project and particularly having regard for the need to have the Centre remain open as much as possible during the redevelopment the professional services required should be provided by the private sector. As this was a new method of project management for the States it was also agreed that there would be a post implementation review of the project carried out.

In March 2001 the States approved the project with a budget of £9 million.

The Contract Works and Completion

It was anticipated that the project would be a difficult one particularly with the requirement to keep open as many facilities as possible within the Centre and the implications that such arrangements would have on health and safety and customer inconvenience etc. When the work did begin it was apparent that that these concerns were well founded.

Over the course of the following seventeen months the Recreation Committee, its management, staff, project team and contractors all became very closely involved in what proved to be a particularly complex project. Whilst regular client and project team meetings ensured careful planning, close attention to health and safety issues and the minimum possible inconvenience to customers, a number of unexpected difficulties were encountered including:-

- the liquidation of a sub contractor (Littlewoods) prior to completion of their contracted works;
- the unavailability/inaccuracy of some plans upon which some design elements and quantities had to be based;
- Complications with the electrical wiring and fire alarm system;
- Far greater than anticipated levels of reinforced concrete requiring removal;
- Changes in design and additional quantities required following the opening up of some areas.

Despite these difficulties the contractor, project team and staff remained fully committed to ensuring that a quality new building as planned was delivered in time for the 2003 Nat West Island Games and within budget.

The redeveloped Centre was officially opened by the Bailiff of Guernsey, Sir de Vic Carey, on 19 June 2003.

The project is considered to have been a success having met the objectives set in the original brief:

- providing a high quality civic building that reflects its importance to the Island
- enabling more effective and economic operation
- retaining the original multi use concept

The Project Team has achieved a Commendation in the Civic Trust Awards for its design. The Judges comments on its Commendation reads:

“...the creation of a new entrance foyer and a re-planned interior has turned a difficult building into a highly popular leisure centre. A clever re-fronting has been the biggest transformation; it now includes a welcoming foyer and café forming the heart of the building and addressing previous concerns about unsociable spaces. The execution of this design belies the fact that it is a remodelled existing building retaining all of the original functions....”

In terms of benchmarking the new Centre against similar facilities in the UK it can be seen that the improvements to the design and functionality of the Centre have contributed to the improvement in its ranking to fourth equal in the UK from the 500 sport and leisure facilities registered for Quest in the UK. (the Quest Quality Scheme was developed by Sport England for sport and leisure operations and is recommended by the British Quality Foundation)

Similarly the Body Zone, the new health and fitness facility, was second in the Fitness Industry Association’s UK National FLAME Awards, (Fitness, leadership and management excellence) in the Centre of the Year - Public Sector Category, obtaining the top score given for the presentation of facilities.

Since it’s re-opening the Centre has experienced a substantial increase in usage and memberships with 4,000 new Freedom Card holders, improved financial performance, and major improvements in its operational management including fire safety.

In terms of multi use the Centre continues to host the multitude of events it is renowned for and has attracted much praise for its new look. Since its re- opening the Centre has hosted two Royal visits, the 60th Anniversary Liberation Day Religious Celebration and associated events, the 2003 Nat West Island Games together with its regular conferences, shows, Eisteddfod, sporting events etc – a number and variety too many to do justice to here.

Post Implementation Review

As agreed at the commencement of the project a post implementation review was commissioned by the Treasury and Resources Department and has now been carried out by Wheeler Group LLP.

This review produced a final report by January 2005 which was considered by the Treasury and Resources Department at a meeting with the Culture and Leisure Department on 15 February 2005.

The report's main conclusions and recommendations as at February 2005 were as follows:

Generally

From the outset the redevelopment of the Beau Sejour Leisure Centre was going to be a demanding and difficult project.

The redevelopment of a Leisure and Sports Facility whilst in operation proved to be extremely complex. This combined with a fixed timescale and budget resulted in an extremely high risk project.

In general the project was well managed and with an exciting design solution the redevelopment has succeeded in turning a somewhat tired facility into a vibrant and pleasing destination which has resulted in a huge increase in use.

With the heroic endeavours of the Leisure Centre staff the Centre remained open during the redevelopment providing a vital service to the community.

The major failing of the redevelopment has been the Project Team's inability to predict the out turn costs. Professional fees and ancillary costs have been kept more or less within their budget allocation of £1,250,000 whereas the Construction Cost has escalated £1,238,000 from the budget allocation of £7,750,000 to £8,988,000.

With a construction contract of this complexity and fixed timescales there was always a high risk of the budget being exceeded. The most obvious failing of the Design Team is not that the Project was overspent but that they failed to allow adequate contingency or predict the size of the overspend until after the works were completed on site.

The failure to predict the size of the overspend prior to completion on site prevented the Leisure Committee and their advisors from mitigating the overspend.

Specifically

Propriety and Probity

Throughout the redevelopment process the Recreation Committee and their advisors including the Strategic Property Advisor, the Capital Works Sub-committee and its successor the Estates Sub-Committee and the Design Team have shown the highest levels of propriety and probity.

All major decisions have been made openly and competitive tenders have been sought for all aspects of the redevelopment, utilising clear and auditable processes.

Public Accounts Committee Review

The Culture and Leisure Department does not wish to indulge in a line by line analysis of the Public Accounts Committee Review as generally speaking it is considered to be an accurate record. Where there are areas of contention these are primarily down to differing interpretations of information, events or processes. The reader will similarly find areas of disagreement or differing interpretation between the Wheelers Report and the PAC Review.

The Department would like to commend the Public Accounts Committee on its Review. All projects of this nature develop a life of their own and they have absorbed the facts presented, shown an understanding and sympathy with many of the difficulties faced and have acted at all times in a proper if determined manner.

Summary

The redevelopment of Beau Sejour was carried out against a background of evidence that showed a need for significant changes, particularly given the current demand for leisure facilities and how these demands have changed since the early seventies when the centre was originally designed. The need for a significant investment in the infrastructure of the building was also evident from a condition survey commissioned in 1998.

Following approval of the project by the States, the redevelopment work began in December 2001 and, whilst proving to be a particularly difficult and complex project, the combined efforts of the contractor, professional team and staff ensured that the project was completed and the new Centre opened to the public just prior to the 2003 Nat West Island Games.

In terms of meeting the original objectives that were set the project is considered to have been very successful as described in this report.

The disappointing aspect to have to report is an overspend on the original budget by some 15.4%. This is very much regretted. The Culture and Leisure Department would hope that the PAC Review provides sufficient information for States Members to be able to support the recommendations of the Treasury and Resources Department

Yours faithfully

P R Sirett
Minister

By a majority, the Policy Council supports the Public Accounts Committee proposals)

(NB The comments of the Treasury and Resources Department are set out below.)

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

6th December 2005

Dear Sir

PUBLIC ACCOUNTS COMMITTEE REVIEW INTO THE BEAU SEJOUR DEVELOPMENT

In its Interim Financial Report in July 2005, the Treasury and Resources Department gave notice of the overspending on this project along with others where significant funding issues had been identified. The States considered the first of these projects (the St Sampson's Harbour Pumping Station and North Side Firemain) at the September 2005 meeting. The Beau Sejour Development is the first capital project to be the subject of a separate review by the Public Accounts Committee.

The Treasury and Resources Department welcomes the Public Accounts Committee's report as it believes that the carrying out of post implementation reviews is a very useful tool of project management. The Department also welcomes the comments of the Culture & Leisure Department.

In its letter of comment on the above St Sampson's Harbour Pumping Station and North Side Firemain overspend the Treasury & Resources Department included the following:

"There can be no doubt that, over recent years, construction and engineering projects have become ever more complex. Technology, design and building techniques, procurement options, financing arrangements, regulation, contracts, to name but some aspects of the industry, have changed significantly and will inevitably continue to do so. The States must manage those complexities and associated risks, whether using in-house or external resources with appropriate expertise, experience and skills. Not to do so will leave the States vulnerable to further risk of overspending. The Treasury and Resources Department does not find that acceptable, neither does it believe that States Members or the general public will find it acceptable.

The States has to demonstrate value for money in terms of efficient and effective construction processes, the quality of the buildings and infrastructure required, their impact on the delivery of services and the short-, medium- and long-term effect on the public purse.

The Department will shortly be bringing to the States a Report which will put forward its proposals for a root and branch review of the management and rationalisation of the States property portfolio. It is envisaged that these proposals, which are presently subject to consultation with States Departments, will include outline principles for the operational and financial management of capital construction projects.

The Treasury and Resources Department is determined that as a result of this review future large-scale construction projects carried out by the States will be managed professionally to minimise the risk of overspending and in such a way as to support fully the local construction industry. Projects will be phased to encourage sustainability and continuity of employment as indicated by the Economic Model.”

The Department firmly believes the above comments remain valid and therefore recommends the States to support the proposals from the Public Accounts Committee.

The Treasury and Resources Department will be submitting a short States Report, which will appear in the same Billet d’Etat as the Public Accounts Committee’s report, asking the States to formally sanction the overspend on this project.

Yours faithfully

L S Trott
Minister

The States are asked to decide:

I.- Whether, after consideration of the Report dated 25th November, 2005, of the Public Accounts Committee, they are of the opinion:-

1. To note that Report.
2. To recommend the Treasury and Resources Department to review the existing procedures and processes, including timing, for setting the budgets for specific individual capital projects and to request the Public Accounts Committee to monitor such action taken by Departments and to report back when appropriate.

TREASURY AND RESOURCES DEPARTMENT**BEAU SEJOUR DEVELOPMENT – SANCTION OF OVERSPEND**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

6th December 2005

Dear Sir

Executive Summary

As indicated in the Treasury and Resource Department's letter of comment on the Public Accounts Committee's report on its Review of the Beau Sejour Development, the Treasury and Resources Department submits this short States Report asking the States to formally sanction the overspend on the project.

Report

As set out in the 2005 Interim Financial Report the Beau Sejour Development "has now been completed and the final account settled. The original budget for this project was £9m. The resultant overspend of £1.4m will, subject to States approval, be funded from the Capital Reserve."

It is emphasised that the States is not being asked to approve the expenditure of any further money. However, under the States Financial Procedures, specific States approval is required to enable the necessary transfer from the Capital Reserve.

The effect of the States not approving this transfer would be that £1.4m would be taken from the capital allocation of the Culture and Leisure Department (currently £0.8m) and therefore would not allow that Department to undertake its essential ongoing maintenance programme. **The States is therefore recommended to authorise the necessary transfer from the Capital Reserve as indicated in previous Budget and Interim Financial Reports.**

Recommendation

The Treasury and Resources Department recommends the States:

To sanction the overspend of £1,388,528.78 on the capital vote for the redevelopment of the Beau Sejour Centre and to authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve in respect of this overspend.

Yours faithfully

L S Trott
Minister

(NB By a majority the Policy Council supports the proposals)

The States are asked to decide:-

II.- Whether, after consideration of the report dated 6th December, 2005, of the Treasury and Resources Department, they are of the opinion:-

To sanction the overspend of £1,388,528.78 on the capital vote for the redevelopment of the Beau Sejour Centre and to authorise the Treasury and Resources Department to transfer an appropriate sum from the Capital Reserve in respect of this overspend.