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Argyll and Bute Council
Comhairle Earra Ghaidheal agus Bhoid

Corporate Services
Director: Nigel Stewart



Kilmory, Lochgilphead, PA31 8RT
Tel: 01546 602127 Fax: 01546 604444
DX 599700 LOCHGILPHEAD
e.mail –nigel.stewart@argyll-bute.gov.uk

8 June 2009

ORGANISATIONAL DEVELOPMENT PPG – 10 JUNE 2009 @ 11.00 AM

I enclose herewith item 8 (**DEVELOPMENT OF COUNCIL'S ASSET STRATEGY**) and item 9 (**PROCUREMENT OF LARGE CAPITAL PROJECTS**) which were marked to follow on the above agenda.

Nigel Stewart
Director of Corporate Services

TO FOLLOW ITEMS

- 8. DEVELOPMENT OF COUNCIL'S ASSET STRATEGY**
Report by Head of Facility Services (Pages 1 - 4)
- 9. PROCUREMENT OF LARGE CAPITAL PROJECTS**
Report by Head of Strategic Finance (Pages 5 - 8)

ORGANISATIONAL DEVELOPMENT POLICY AND PERFORMANCE GROUP

Councillor Donald Kelly
Councillor Neil Mackay
Councillor Alex McNaughton
Councillor Andrew Nisbet

Councillor Donald Macdonald
Councillor Roderick McCuish
Councillor Gary Mulvaney
Councillor Douglas Philand (Chair)

Contact: Melisa Stewart Tel: 01546 604331

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ARGYLL & BUTE COUNCIL

**ORGANISATIONAL
DEVELOPMENT PPG**

DEVELOPMENT SERVICES

10th JUNE 2009

AUDIT SCOTLAND - ASSET MANAGEMENT IN LOCAL GOVERNMENT

1. SUMMARY

The purpose of this report is to summarise the key messages and recommendations contained within the recently published Audit Scotland report on Asset Management in Local Government and, in broad terms outline, the areas for improvement identified for action by the Council's Asset Management Board.

2. RECOMMENDATION

- 2.1 That the Organisational Development PPG notes the contents of this report and, in particular, the high level action plan that will address the areas for improvement identified by Audit Scotland in respect of Argyll and Bute Council.
- 2.2 The Organisational Development PPG are also requested to note that a separate report will be submitted to the next meeting by the Head of Facilities, as Chair of the Asset Management Board, setting out the planned actions in greater detail.

3. DETAIL

- 3.1 During the summer of 2008 Audit Scotland devised a detailed questionnaire to be issued to all Scottish local authorities. The intention was to establish a more complete picture of the asset management planning landscape across the Country and to assess progress made by Councils following the publication of an earlier Improvement Service study.
- 3.2 Nick Allan, the Council's Strategic Asset Manager, was invited to join the Audit Scotland Study Advisory Team as the CoSLA representative on this Project.
- 3.3 The Advisory Team signed off the final version of the Questionnaire which was then issued with a return date of 22 August 2008.

3.4 The completed report was eventually published on 7 May 2009. A copy of the full report is attached under **Appendix 1**.

The format of the final report differs from earlier drafts in that it was originally attempted to present the results by banding them in a league table format. In many ways this would have made it easier to assess the performance and weaknesses of individual authorities.

The Organisational Development PPG might therefore find it helpful to consider the content of an extract from the penultimate draft shown below (**Exhibit 13**). It highlights the performance of local authorities relative to each other as opposed to an absolute standard.

Exhibit 13: Summary of the assessment of councils' asset management arrangements

	Aberdeen City	Aberdeenshire	Angus	Argyll & Bute	Clackmannanshire	Dumfries & Galloway	Dumfries City	East Ayrshire	East Dunbartonshire	East Lothian	East Renfrewshire	City of Edinburgh	Eilean Siar	Falkirk	Fife	Glasgow City	Highland	Inverclyde	Midlothian	Morey	North Ayrshire	North Lanarkshire	Orkney Islands	Perth & Kinross	Renfrewshire	Scottish Borders	Shetland Islands	South Ayrshire	South Lanarkshire	Stirling	West Dunbartonshire	West Lothian
1. Strategy, Policy and Plans	Red	Green	Red	Green	Green	Green	Green	Green	Red	Red	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
2. Structure, roles and responsibilities	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
3. Working with service areas	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
4. Data collection	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
5. Performance Management	Red	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
6. Implementation	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
7. Commercial Property (TNRP)	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
8. Property Review	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green

Source Audit Scotland

In general the bandings broadly signify the following:

- **green** – a council exhibits many of the features associated with good practice (although there may be still some room for improvement)
- **amber** – the council has some of the features associated with good practice, but that there is room for improvement
- **red** – although the council may have some features associated with good practice but there is likely to be considerable room for improvement.

- 3.5 Therefore, in adopting the assessment categories shown in Exhibit 13, the key areas for scrutiny and challenge fall into the headings below.

While it is acknowledged that improvement work will be continuous under each of these headings the categories highlighted in bold lettering represent the areas of asset management where a greater immediate focus is required:-

1. **Strategy, policy and plans**
2. **Structure, roles and responsibilities**
3. Working with service areas
4. Data collection
5. **Performance management**
6. Implementation
7. Commercial property review
8. Property review

Appendix 2 attached to this report contains a table combining the areas for challenge listed above, the key Audit Scotland recommendations and a current statement of position from the Asset Management Board.

- 3.6 Following its re-establishment in April the Asset Management Board has been reviewing its terms of reference, composition and priority areas for action.

A report on the Audit Scotland study has been presented to the Board and agreement has been reached on incorporating the high level action areas identified above into its future work plan. These will, in turn, be translated into more specific and timetabled actions. It is understood that a more detailed report on this subject will be presented separately to the ODPPG.

- 3.7 The Strategic Asset Manger understands that Audit Scotland are likely to follow up the publication of their report with a check to measure how local authorities have reacted to its contents and findings. This exercise is thought to be timetabled for 3-6 months post-publication.

- 3.8 Looking slightly further ahead, it is understood that a future assessment of asset management arrangements within local authorities will be embedded within the next round of Best Value audits.

- 3.9 The Organisational Development PPG may also be interested to note that Audit Scotland carried out a parallel review of asset management arrangements across NHS Scotland. Both reviews contained intentional cross references to joint planning between LA's and Health Boards, Community Planning, sharing of data and the Scottish Governments hub Initiative.

4. **CONCLUSION**

In relative terms, compared with other local authorities, Argyll and Bute Council has emerged from this Study with some credit. To a large extent this has been due to the activities of the original Asset Management Board over the past 18 months and to those Service areas where a strong asset management ethos has developed.

However, there has always been an absolute acknowledgement that there are many areas within the Council's corporate and service asset management planning arrangements where there is much to be done to improve performance.

The findings from the Audit Scotland report have reinforced existing convictions that this Council is heading in the correct direction and it is the intention of the Asset Management Board to address those areas of weakness identified.

5. **IMPLICATIONS**

POLICY	Consistent with terms of Asset Management Strategy
FINANCIAL	None
PERSONNEL	None
EQUAL OPPORTUNITIES	None
LEGAL	None

For further information please contact:-

Nick Allan
Strategic Asset Manager
Development Services
Blairvadach House, Rhu
01436 658950

27th May 2009

PROCUREMENT – LARGE CAPITAL PROJECTS

1. INTRODUCTION

- 1.1 The PPG have previously received reports on procurement of large capital projects. A further report has been requested covering issues raised by the PPG at its meetings in December 2008 and February 2009.
- 1.2 The OD PPG at its meeting on 10 December 2008 requested a progress report on the following matters for its meeting on 10 June 2009:
- Training of appropriate staff on application of Prince2
 - Ensuring that appropriate technical skills are available, utilising external assistance if required
 - Appropriate form of contract to best fit the Council's desire for improved project management
- 1.3 The ODPPG also met on 11 February 2009. At that meeting it requested the following matters to be reported on to the OD PPG meeting on 10 June 2009.
- The implementation of more robust procedures for estimating costs;
 - That it should be identified at an early stage where there are insufficient professional resources in-house to process matters relating to large capital projects, and that where such instances are highlighted consideration should be given to outsourcing such expertise, and the project pricing adjusted accordingly;
 - That legal and financial services are represented on all Project Boards;
 - Elected Members to be kept informed of any material changes to large capital projects;
 - To reaffirm the use of the Prince2 approach to contract management;
 - That alternative options for Contractual procedures be considered for both physical works and consultancy; and
- 1.4 Appendix 1 attached to this note outlines the position with respect to 1.2 above.
- 1.5 Appendix 2 attached to this note outlines the position with respect to 1.3 above.

A Training of appropriate staff in the application of PRINCE2.

- Corporate - A one day course on project management that includes principles of Prince2 is being delivered to all 3rd and 4th tier staff and Heads of Service.
- Roads & Amenity - All Third Managers have received a one days external Prince2 training which has been followed up with an internal Prince2 course to relevant Project staff on 10 June.

B Ensuring that appropriate technical skills are available, utilising external assistance if required.

- Roads & Amenity - Prior to inception of all Capital Projects they are reviewed by the Third Tier Managers in various Units of Roads & Amenity Services, where the appropriate Project Manager and Project Engineers are appointed. The size and complexity of each scheme is considered when taking these decisions. Managers will ensure that appropriate training is required for all staff.

C Appropriate form of contract to best fit the Council's desire for improved project management.

At the inception of each Project, the Project Manager will be required to establish the procedure to be followed to all the design and construction phases of the project to be undertaken. These phases can be carried out by internal resources for both Design and Construction, but there are many occasions when consultants and contractors need to be employed to allow schemes to proceed. The Project Manager will be required to review alternative methods of procurement for engaging consultants (fixed price, dayworks basis) to undertaking the works through the use of the ICE 5th Edition to include using the New Engineering Contract. Indeed there will be times when advice will be sought from the consultants employed as well.

A database will be kept for all Roads & Amenity Capital Projects indicating the forms of contract which have been employed to appoint consultants and employ contractors and with a degree of justification for such decisions.

A The implementation of more robust procedures for estimating costs

A requirement of OBC's is to have robust estimates prepared. Where projects require a FBC then this must be based on tender returns.

B That it should be identified at an early stage where there are insufficient professional resources in-house to process matters relating to large capital projects, and that where such instances are highlighted consideration should be given to outsourcing such expertise, and the project pricing adjusted accordingly.

The need for all project resources should be identified on the OBC and FBC's and also the PID.

C Elected Members to be kept informed of any material changes to large capital projects.

There is a requirement to prepare exception reports for all service development projects. This should identify material changes. For all strategic change projects a quarterly report on progress will be submitted to members.

D To reaffirm the use of the Prince2 approach to contract management.

The principles of Prince2 are to be followed in all projects.

E That alternative options for Contractual procedures be considered for both physical works and consultancy.

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