



Greenham Parish Council

BDO Control Tower Review

Management Response

24 May 2017

Greenham Parish Council Response & Action Plan Resulting From BDO Audit Report

Overview

In April 2014, Greenham Parish Council purchased the former airfield control tower on Greenham Common with the intention to convert into a dedicated visitors' centre and celebration of Greenham Common's history. The project faced a number of complications resulting in delays to the planned opening of the site. BDO were commissioned to undertake an internal audit to review the project's governance processes and procedures, the final audit and recommendations being delivered in January 2016.

The audit identified a number of deficiencies in the controls for the management of a large capital project such as the refurbishment of the control tower. 13 recommendations were made to improve project controls and bring delivery back on track.

Greenham Parish Council have acted on these recommendations and the following response sets out the measures now in place or in the process of being implemented to address project management shortfalls.

Areas Identified Requiring Management Response

The 13 recommendations to improve project controls were:

- 1) The need for a clearly defined schedule of works that have been accurately costed, providing transparency on costs and completion dates.
- 2) Employment of a capable project manager for the duration of the project
- 3) Formal tendering process and due diligence of contractors.
- 4) Enhanced reporting from the Control Tower Committee with scrutiny from full council
- 5) Formal communication plan to update the public on the progress of the refurbishment programme.
- 6) Increased financial transparency to prevent perception of favourable treatment.
- 7) Review of work omitted to ensure health and safety compliance and project objectives are being met.
- 8) Review the future business plan for the building and seek professional advice on commercial structure.
- 9) The Control Tower Committee Terms of Reference should be reviewed and updated.
- 10) Members should review their roles and responsibilities for performing governance and oversight. The role of the clerk is to be reviewed.
- 11) Committee structures need on going scrutiny and consideration
- 12) Records and minutes of all meeting to be recorded.
- 13) Identify and act on any potential conflict of interest.

BDO RECOMMENDATION 1

The need for a clearly defined schedule of works that have been accurately costed, providing transparency on costs and completion dates.

There is an important need to recognise that significant decisions requiring large financial outlay should follow a formal process of consideration and evaluation before committing to a project.

Going forwards the Council should ensure that there is a clearly defined schedule of works that have been accurately costed, therefore providing complete transparency on the expected completion dates and running costs.

The council should undertake sensitivity analysis to identify the probability and magnitude of any severe unforeseen events to the expected costs of the projects.

RESPONSE AND ACTION UNDERTAKEN

The need to adopt a more robust and cautious approach to project evaluation, monitoring and control is acknowledged. The complexity and size of a project this size needs professional project management skills and methodology to correctly initiate, execute and control project activity.

The Council's priority was to review the project initiation and preparation phases to ensure accurate costings and develop a detailed project plan.

To achieve this, the following actions have been implemented:

- A building surveyor was engaged in April 2016 to identify future works and provide some input for future costings. The schedule of works produced is attached;
- As part of regular scope and risk management, a review of these works and costing was conducted in January 2017 to establish greater detail and provide enhanced breakdown of costs;
- Recruitment of a professional project management firm began in April 2017; once in place, a project manager will be tasked with reviewing remaining works and developing a detailed schedule of costs and work to be completed;
- As part of routine risk and sensitivity analysis, a number of contingency plans have been developed to mitigate against, for example, reduced future funding and uncertain revenues in the first year of operation;

- The project budget carries a 10% contingency fund to cater for unforeseen circumstances.

Responsible Officer: Chair of Control Tower Committee

Implementation Date: Project Manager assigned June 2017

BDO RECOMMENDATION 2

Employment of a capable project manager for the duration of the project

For the duration of the project the Council should consider the employment of a capable project manager to prevent any further delays or financial slippage.

A formalised schedule of works to complete the project (with accurate costings) should be prepared with the Council taking ownership for on-going scrutiny in the achievement of key milestones

RESPONSE AND ACTION UNDERTAKEN

As per recommendation 1 above, Greenham Parish Council are fully committed to employing a suitably qualified project manager going forward.

This commitment is illustrated by the following actions/measures:

- Recruitment of a professional project management firm began in April 2017; once in place, a project manager will be tasked with reviewing remaining works and developing a detailed schedule of costs and work to be completed.
- A detailed job description for the project manager role is attached (appendix 1). Within this role the need to develop a detailed costing for the remainder of the project is highlighted. The importance of highlighting key dates and project elements which could affect the project outcome is also detailed.
- Recruitment of a new Council Clerk with experience managing large, public sector projects, in order to assist with project manager role requirements and recruitment.

Responsible Officer: Chair of Control Tower Committee

Implementation Date: April 2017

BDO RECOMMENDATION 3

Formal tendering process and due diligence of contractors

It is recommended that larger contracts are placed on the gov.uk contract finder. This is designed specifically for the local authorities and other public sector bodies seeking contractors for over 10k

Due diligence should also be undertaken on all suppliers to ensure their financial and operational legitimacy – thereby reducing the reputational risk to the council in the event of supplier failure.

RESPONSE AND ACTION UNDERTAKEN

The failure to undergo a rigorous tendering process in the early stages of the project, in part due to time constraints, is well recognised.

Moreover, the need to ensure value for money when spending public money is at the forefront of the project's tendering process evidenced by the following:

- The role of project manager has been put to competitive tender using the Contracts Finder website. The role has therefore been advertised nationally and has been overseen by the council clerk to avoid risks of councillors facing conflicts of interest.
- As part of the formal tender assessment criteria for public sector contracts, bidders have been asked to provide evidence of financial viability to ensure their ability to adequately complete the work.
- Although the project is unlikely to award any more contracts above £10,000, where such a contract is required, a similar process of formal public sector invitation to tender, independently overseen by the council clerk, is expected.

Responsible Officer: Chair of Control Tower Committee

Implementation Date: April 2017 - ongoing

BDO RECOMMENDATION 4

Enhanced reporting from the Control Tower Committee with scrutiny from full council

The Control Tower Committee should continue to produce monthly progress reports highlighting Key areas for consideration. These should be reviewed in full by the Council and challenged provided where there are areas of concern

The report should specify any deviations from the original project plan and factor this into the budget calculations to provide a more accurate assessment of overspend.

RESPONSE AND ACTION UNDERTAKEN

The report recognised that a reporting procedure had been put in place, which provided full Council with reports of high quality.

Going forward this reporting procedure will continue.

In addition, with the appointment of a professional project manager, reports are to include:

- Progress and expenditure against budget. Any variation from the cost schedule will be required to be reported to full council.
- Risk and mitigation. As part of the new project controls, monthly reporting to Full Council will include a review of the project risk register, ensuring appropriate risk mitigation and ownership.

Responsible Officer: Chair of Control Tower Committee & Clerk to the Council

Implementation Date: June 2017

BDO RECOMMENDATION 5

Formal communication plan to update the public on the progress of the refurbishment programme.

The council should consider preparing a formal communication plan to update the public on the issues that have arisen in the development and restoration of The Control Tower.

The Control Tower Committee should ensure there is full transparency for meetings and not preclude all key decisions until the Part 2 element.

Going forwards the Council should work together to achieve the common goal of delivering the project to its agreed timescale. Failure to do so will further increase the risk of delays and project costs may continue to escalate.

RESPONSE AND ACTION UNDERTAKEN

The need to engage with all stakeholders is recognised as vital. Generating and maintaining public support for the project is vital for the project's success in the longer term, whilst keeping other partners and grant funders informed as to project progress is an essential part of project oversight.

A number of measures have been taken to address this:

- All meeting of the Control Tower Committee now take place at a time where members of the public are more likely to be able to attend.
- The control tower committee will only exclude the public and media from meetings where discussions are of a confidential nature such as employment, contract matters, when any item could breach Data Protection or where professional advice has been received suggesting "Part 2" to be appropriate.
- A Communication Plan for the project has been developed (attached appendix 2).
- As part of the Communication Plan, a survey of public opinion has been implemented. This extensive survey is being undertaken with a view to engaging and updating the public on the current status of the project. The survey has been publicised in local press and on the council's website.¹

¹ The Public Survey ends on 6 May 2017. Results are expected soon after and will be publicised on the council's website.

- Social media for The Control Tower has been re-activated and is providing a feed of information.

Responsible Officer: Chair of Control Tower Committee & Clerk to the Council

Implementation Date: March 2017

BDO RECOMMENDATION 6

Increased financial transparency to prevent perception of favourable treatment.

The council should ensure that it adheres to the financial regulations thereby ensuring that services are being obtained from legitimate and reputable organisations but also to ensure value for money is obtained.

Any ongoing use of companies for consulting and planning work as well as compliance (either ecological or regulatory) should be very carefully considered to demonstrate there are sufficient safeguards and segregation of duties to prevent the perception of favourable treatment.

RESPONSE AND ACTION UNDERTAKEN

The award of future contracts of more than £10,000 value will be subject to an open tender process, using appropriate tender portals (e.g. the government Contracts Finder website) to ensure openness and ensure there is no perception or actuality of favourable treatment.

Responsible Officer: Clerk to the Council

Implementation Date: April 2017

BDO RECOMMENDATION 7

Review of work omitted to ensure health and safety compliance and project objectives are being met.

The council should formally risk assess the works that have been omitted to ensure that they do not pose a health and safety risk nor will their exclusion impact significantly on the original objectives of the project sent to grant funding bodies.

RESPONSE AND ACTION UNDERTAKEN

Part of the project manager's role will be a thorough health and safety compliance review. The council is also currently (May 2017) undertaking a wholesale risk assessment of all its activities and a review of risk in the control tower project will form part of this.

Responsible Officer: Chair of Control Tower Committee

Implementation Date: on appointment of PM in June 2017

BDO RECOMMENDATION 8

Review the future business plan for the building and seek professional advice on commercial structure.

The council should review the commercial plan in detail to ensure it is satisfied with the methodology used the principles/assumptions in its rationale. Where there are concerns these should be reflected to ensure an accurate model is produced.

The council should seek professional guidance regarding the future commercial structure of the enterprise overseeing the commercial activities at the Control Tower.

The council should proactively discuss the approach with HMRC to ensure compliance with VAT regulations.

RESPONSE AND ACTION UNDERTAKEN

A full comprehensive business plan has been developed and is attached.

Key points of methodology to address the audit report's concerns are:

- The cash flow models for the Control Tower work on the basis that the café element, office space and storage space is let on a commercial terms. To present a realistic case in the cash flow models, advice on rents likely to be achieved for the space at the Control Tower and on annual running costs was obtained from local professionals.
- The expenditure figures are all based on known running costs associated with the building (heating oil, water, telecoms, etc). Estimates for expenditure on building maintenance, electric supply, and waste collection are based partly on figures from The Greenham Common Trust which has extensive experience in the management of commercial and public buildings and partly on figures estimated by members of the Control Tower Committee with experience in the subject.
- Professional advice is being taken on the appropriate structure of the entity that will operate The Control Tower. Engagement with solicitors regarding formation of the operating entity begins week commencing 1 May 17. Once options for formation of that operating entity are established, the council will actively work with HMRC.

Responsible Officer: Chair of Control Tower Committee

Implementation Date: June 2017

BDO RECOMMENDATION 9

The Control Tower Committee Terms of Reference should be reviewed and updated.

The terms of reference should be updated to clearly specify the composition, role and responsibilities (including key deliverables) of the Control Tower Committee. This should include the frequency and detail of the updates to be provided to ensure appropriate accountability.

RESPONSE AND ACTION UNDERTAKEN

The terms of reference for the CTC have been reviewed and are updated on a regular basis which clearly specifies the composition, roles and responsibilities (including key deliverables) and reporting agreed by full council. A copy of the revised terms of reference for the Control Tower Committee is attached and is available to be viewed on the Greenham Parish Council Website.

Responsible Office: Chair of Greenham Parish Council and Clerk to the Council

Implementation Date: March 2017 (ongoing)

BDO RECOMMENDATION 10

Members should review their roles and responsibilities for performing governance and oversight. The role of the clerk is to be reviewed.

The Council should remind members of their respective roles and responsibilities for performing governance and oversight roles and the Clerk should ensure that professional guidance and support is provided when required.

RESPONSE AND ACTION UNDERTAKEN

The absence of qualified individuals in the first part of the construction project is recognised. The appointment of a Project Manager is designed to overcome many of the problems encountered:

- The Council has identified in the job description for the Project Manager a clear reporting structure where members of the council perform an oversight role.

Highlighted in the role profile for the Project Manager is the need to:

- Establish a communication schedule to update stakeholders including appropriate representatives of the Control Tower operating company on the progress of the project
- Monitor and review all expenditure against budgets
- Monitor cash flow projections and report potential variations to Greenham Parish Council on a regular basis (bi-weekly)

The future build schedule has budgeted for suitable professional advice to be sought in areas including:

- Provision of detailed site drawings to meet future listed building and planning needs
- Promotion of the opportunities to operate the café and occupy an office and the subsequent drafting of contracts.
- Legal fees for drafting contract between Greenham Parish Council and the operating entity
- Fees for registering the operating entity with the Charity Commission.

The role of the Clerk is that of a supervisor on behalf of The Council, not an active project manager. A new Clerk has been recruited, however, who has extensive project management experience to enable them to fulfil a supervisory role, providing professional advice and guidance when required.

Responsible Officer: Chair of Control Tower Committee & Clerk to the Council

Implementation Date: April 2017

BDO RECOMMENDATION 11

Members should review their roles and responsibilities for performing governance and oversight. The role of the clerk is to be reviewed.

Whilst the Council have taken appropriate action to formalise the Committee structures in place there needs to be on-going scrutiny and consideration of the governance structures in place surrounding the project to ensure all Councillors are satisfied with the revised arrangements.

RESPONSE AND ACTION UNDERTAKEN

A number of governance structures have been implemented to underscore the need for oversight by Full Council in line with Standing Orders:

- The Chairman of the Control Tower Committee is required to report to Greenham Parish Council on a regular basis. Items reported to be challenged and open constructive discussion encouraged.
- The 'Control Tower Report' is circulated to Council members in advance of meetings to allow adequate time for scrutiny.
- Significant documents produced by members of the Control Tower Committee which may have implications for Greenham Parish Council e.g. business plans, budgets are circulated in draft form and comments encouraged.
- The Clerk manages the distribution of documents, sharing by default rather than by request or exception.

Responsible Office: Clerk to the Council

Implementation Date: April 2017

BDO RECOMMENDATION 12

Records and minutes of all meetings to be recorded.

Records and minutes should be maintained of all working groups and Committees to support the decisions being made and to ensure that the meeting was quorate.

RESPONSE AND ACTION UNDERTAKEN

Minutes from the Control Tower Committee have been maintained since its inception in August 2015. The new clerk ensures this continues. Minutes for the Control Tower Committee are circulated to all council members in draft form prior to approval. Approved Minutes are published on the Council's website. Signed minutes and copies of any confidential meeting notes produced by the Control Tower Committee are held at the Clerk's Office.

Responsible Office: Chair of Greenham Parish Council

Implementation Date: Ongoing

BDO RECOMMENDATION 13

Identify and act on any potential conflict of interest.

The Council should ensure that all conflicts of interest are appropriately identified and recorded and mitigating action is taken where it is felt to impact upon the achievement of the Council's objectives.

RESPONSE AND ACTION UNDERTAKEN

The recommendation is acknowledged and a more robust approach is now being taken to identifying conflicts of interest and ensuring any such conflict is properly recorded in the minutes. This should address this issue going forward

Responsible Officer: Chair of Greenham Parish Council / Clerk to the Council

Implementation Date: April 2017