# INTERNAL AUDIT

# SCHOOL BUILD INVESTIGATION REPORT

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## 1. Purpose & Scope

1.1. The Audit Committee resolved at the 21st November 2006 meeting :

RESOLVED –

That the Chair and spokespersons consider this issue (Giles Brook Primary School) further and that a full report on the decision to erect temporary accommodation at Giles Brook school be brought back to the Committee at a future date.

1.2. The Audit Committee resolved at the 30th January 2007 meeting :

RESOLVED -

1. That an external, independent investigator be appointed to investigate the Olney Campus Project and with the terms of reference and within the timescale approved by the Council.

2. That the Cabinet be requested to allow for a fast-track tendering procedure to facilitate the earliest possible appointment of an investigator.

3. That the external investigator be appointed by the Head of Audit and Risk Management in consultation with the Chair of the Committee and representative of Olney Town Council.

4. That, in parallel with the external independent audit, the Council's internal audit service consider the emerging issues relating to various new school buildings and that the learning points from both investigations be applied to the future building programme.

1.3. Wychwood James were commissioned to complete the external, independent investigation of the Olney Campus project. They are reporting separately on that issue.

1.4. This report seeks to meet item (4) above in considering the emerging issues relating to various new school buildings and that the learning points from these investigations be applied to the future building programme.

1.5. It is essential that consideration of these matters is in accordance with the Terms and Reference for the Committee. Key elements of the Committee's Terms of Reference are shown below.

2.1 To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the

authority's exposure to risk and weakness of the control environment and to oversee the financial reporting process.

2.2 To review any matter relating to internal audit, external audit, risk management, governance, assurance statements, anti-fraud and anti corruption arrangements as well as any other function to meet the Council's Audit Committee requirements.

3.2.3 To consider summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary

3.3.6 To consider the arrangements for corporate governance and to agree necessary actions to ensure compliance with best practice.

1.6. The Audit Commission also received a request to investigate the Giles Brook school project from a resident of Milton Keynes. It was agreed with the Audit Commission that they would have full and free access to all Internal Audit work which would negate the need for a separate Audit Commission investigation. The Audit Commission would of course, consider the reports against their own responsibilities and have already advised (as previously reported to the Audit Committee) that matters reported to them appear to represent serious issues that could require a Report in the Public Interest.

1.7. The Audit Commission also requested that this investigation summarise issues to provide a response to 4 questions raised by the resident.

(1) Should the problems have been identified earlier ?

(2) Did the Council act expeditiously to address issues as they arose ?

(3) Have / were changes made at the right time to ensure that any problems were not common to other schemes ?

(4) How did the Council manage its relationships with the schools ?

1.8. This investigation has not considered the recent development where changes to capital funding received from Government will, if applied, significantly reduce the funding expected for school projects.

## 2. How the Work was Completed

2.1. The audit has been completed to maximise the use of routine Audits already scheduled within the Audit Plan. Not all the routine reports are attached however all issues arising from the various work undertaken by Audit have been included within this overarching report and the specific reports attached.

2.2. In addition the Corporate Director (Environment) commissioned an investigation into a potential large budget overspend arising from the AMK service after year end. That is also reported here as the issues are inter-linked and the Audit Committee requested that the overspend issue also be reported in full to the Committee.

2.3. Therefore this report provides a summary of all themes and common findings arising from a variety of work to achieve the Audit Committee resolutions. Specifically key supporting reports and documents are submitted together with this over-arching report. A summary is briefly provided within this report but the detail has not been reported to avoid duplication :

2.3.1. Giles Brook Report (Annex B)

2.3.2. Olney Campus Report (Annex C

2.3.3. AMK Overspend Report (Annex D)

2.3.4. AMK Audit Report (Annex E)

2.3.5. BRE opinion re: Hazeley and Giles Brook schools (Annex F, G)

2.4. Some issues remain outstanding. The work done to date is, in Audit's opinion and given the Audit Commissions involvement, sufficient to meet the remit defined by the Audit Committee. All such large investigations identify diverse and extensive areas for further analysis and it is necessary to evaluate the cost : benefit of following every avenue to its conclusion. A decision must be taken when further investigations will cease to add value to the conclusion already reached from evidence obtained to date.

2.5. Annex A highlights the areas outstanding. Whilst some of these represent possibly significant matters they do not prevent the reporting of conclusions to meet the Committee's terms of reference for this investigation because:

2.5.1. they represent either:

- minor items unlikely to affect conclusions in a material way
- possibly significant issues but areas that are unlikely to be directly relevant to the terms of reference set, and

2.5.2. officers and stakeholders have been consulted throughout and provided opportunity to present any evidence to auditors

2.6. The reports submitted have been drafted to provide a clear and succinct opinion on the matters referred for investigation. They do not therefore reflect the extent of work undertaken to enable the terms of reference to be met.

2.7. The issues discussed within this report (and associated reports / evidence) highlight matters involving disciplinary and legal contractual issues. Wherever possible, in accordance with the Audit Committee's policy to hear matters in public, findings have been reported publicly. However the Councils legal duty of care to individuals who may be subject to disciplinary action requires that such matters are not disclosed publicly whilst disciplinary processes are in progress.

2.8. It has also been necessary for the Committee to consider some matters in private due to the implications arising that directly affect ongoing legal disputes with Council contractors.

## 3. Conclusion

3.1. Annex H provides an insight into the scale and complexity of the school build needing to be delivered. The current programme derives from a period of extensive change requiring urgent expansion of the previous programme of works. This was delivered at a time of high pressure and requiring investment in increased capacity whilst funding was limited.

3.2. Notwithstanding the other findings within this report, it should be acknowledged that other schools have also been extended and built to award winning standards, within prescribed timeframes and budgets at a period of unprecedented expansion. By its very nature this investigation must focus on those issues causing concern in order to identify those lessons that need to be learnt.

3.3. Audit recognises that the school build programme relies on services throughout the Council. For the whole system to function the recommendations made in this report need to be implemented and followed through on site at a practical and detailed level for all works at every site.

**3.4. This investigation has found fundamental weaknesses in the Council School build programme across the Council. The well documented issues arising at Giles Brook school have been found to be indicative of common control and governance failures rather than an isolated issue. Governance and controls have not met basic standards and expose the Council to significant risk.**

3.5. This can be traced both to a failure to implement rigorous governance arrangements for the school build programme and to inadequate on-site controls. Responsibility for the latter is covered in the detailed annexes, whilst the former rests, in Audit's opinion, clearly within the Learning and Development directorate. Senior management structures have changed within L&D that provide greater confidence in the strategic support to Schools Planning managers to enable the implementation of effective controls and ownership. The School Programme Board and Framework agreement should also provide improved strategic / project governance. However without ongoing effective strategic leadership and governance the practical controls rely upon individuals ability and goodwill which can

never provide proper assurance in respect of such a significant capital programme.

3.6. One of the most important issues arising from this work is that L&D should own, understand and effectively manage the risk register in respect of the schools programme and individual projects. This requires active ownership of risks including the challenge to professional advisors and contractors regarding their management of risk arising.

3.7. As well as the practical problems created by these failures, the financial implications for the 2 key schools examined (Giles Brook and Olney Campus) has created the need for a £6m provision to be made within the Councils accounts for 2006/7. In respect of Giles Brook the tendered sum was £2,892,901 therefore the financial provision (£3m) represents a 100% potential additional cost. In respect of Olney Campus the original budget was £8,520,000 and therefore the financial provision (£3m) represents a 35% potential additional cost. Both sites are subject to legal provision seeking recovery of those sums. The overall value of the schemes at Annex H is approximately £70m.

3.8. It is recognised that steps had already been taken prior to the investigation to address control weaknesses, notably the introduction of a Framework Agreement for the procurement of future schools and a School Programme Board. The Board represents a significant improvement in governance arrangements but significant work remains before controls can be restored to adequate levels.

3.9. Answering the 4 questions raised by the MK resident to the Audit Commission regarding Giles Brook School :

(1) Should the problems have been identified earlier ?

There is evidence that the problems were identified and known earlier but were, on the whole, not accepted by MKC relying on its technical advisors. The school and its Governors repeatedly raised concerns about the quality of work and safety issues. Evidence shows that concerns were raised verbally and in writing to Milton Keynes Council in 2003 and some remedial work was undertaken. However, the school was closed in October 2006 showing that the scale of the problems should have been recognised much sooner.

(2) Did the Council act expeditiously to address issues as they arose ?

On the whole the Council did not act expeditiously to address the issues. Evidence shows that the Council did respond to some concerns when raised however it is clear that these were treated as routine technical issues that commonly arise on any building project rather than the serious issues now known. The evidence shows that the Council did not address the majority of

issues when brought to their attention. These included serious workmanship and safety issues later confirmed by the BRE.

Some officers were attempting to address issues through formal contractual instruction however the BRE opinion shows that this failed.

The BRE opinion for Giles Brook (Annex F) highlights a situation where it should have been clear to any reasonable professional during the building phase that the building was not constructed fit for purpose and contained significant issues needing remedy.

It is concerning that evidence indicates that some Officers chose to refute (and in some areas continue to refute) the claims from the school which evidence now shows to be largely accurate. This is a matter of serious concern.

Some Governors highlight that they complained to Cabinet Members about the approach adopted by MKC officers as rude and patronising. Some Governors also state that they complained to Cabinet Members that MKC officers were ignoring significant safety issues. Documentary evidence supports this but is not entirely clear on this point and Cabinet members refute that serious concerns were brought directly to their attention. It is also the case that it was L&D officers who finally took the decision to close the school to minimise safety risks.

(3) Have / were changes made at the right time to ensure that any problems were not common to other schemes ?

Various improvements to the governance arrangements for school builds (and indeed other capital management programmes) have been introduced. Notably the School Build Programme Board and Framework Agreement that provides a good framework to address many of the failures arising from Giles Brook.

That the Audit Committee provides a route by which Members instigated this investigation is an example of improved governance where the Council is “self aware” and seeks to address its own controls.

However, evidence shows that it cannot be concluded that improvements were made at the right time to ensure problems were not common to other schemes. Indeed the evidence shows similar failures across other projects not just Giles Brook where opportunities appear to have been repeatedly missed in recognising the significance of failures and thus improvements could have been introduced sooner.

The BRE opinion for Hazeley Phase 1 (Annex G) highlights that significant issues at a new build school were not isolated to Giles Brook. This supports a conclusion that changes to ensure problems were not common to other schemes were not made at the right or earliest opportunity.

Evidence also shows that some wider implications of Gleeson's performance at Giles Brook have not been recognised creating the unresolved possibility of similar issues at 2 other schools. It is understood that checks by BRE are being undertaken at the 2 schools.

(4) How did the Council manage its relationships with the schools ?

The Council creates a Governing body as part of the project for a new school and the Governing body appoints a Head Teacher during the project period. Teaching professionals are consulted over plans for new schools but the timing of these often means that appointments have not been made until building has started. For secondary schools Head Teacher appointments attempt to get the new Head Teacher to start work 1 year in advance and for Primary School's this is 2 terms.

This does create a tension that when the schools Governors and Head Teacher have been appointed the project is largely designed and the scope to vary is limited within the specification, budgets and tight timescales. It is accepted that the lead in times for new school builds makes it impractical to set up the school organisation prior to early project decisions.

Once the school organisation is appointed those persons are given the opportunity to comment and contribute to project decisions. It is however clear from evidence presented, the Giles Brook situation and discussions with several other Head Teachers that they feel their contribution is not valued sufficiently and feel they have to work hard to have their opinions heard. This creates tension and a sometimes adversarial relationship that is unhelpful.

The schools spoken to were consistent in asserting that their expertise in the practical operation of a school is not listened to sufficiently eg design ideas that cause practical problems operating a school.

Schools highlighted individual officers within MKC as providing positive examples of school opinion being accommodated but on the whole the Giles Brook situation was representative of the relationship where MKC lost a key opportunity by dismissing / ignoring school views.

In essence the evidence supports the schools views that the Council managed its relationships with the schools poorly.

3.10. It is quite clear from the evidence at other schools that the failures evident for Giles Brook are indicative of common failures affecting the schools build programme. The Committee terms of reference for this work required an evaluation of the wider implications of findings for the Councils Capital Projects.

3.11. Across all Directorates Capital Projects are managed to ensure that the expenditure as a whole falls within the total Capital budget available. Budgets cannot be managed any other way than this because Capital funds are finite.

3.12. Individual Capital projects do overspend across the Directorates, however, the reasons for School Capital project overspends do not appear to be widely indicative of capital projects throughout the council. Some wider testing of other Capital Projects showed similar issues (Eg Tattenhoe Pavilion) but effective control was found to both monitor individual projects and manage programmes of work as a whole to mitigate any unavoidable cost pressures.

3.13. On the whole it was also found that for smaller projects controls were generally robust including communication with clients, detailed specifications and contracts on the whole being well managed.

3.14. It is possible to conclude that the problems at Giles Brook could have been avoidable. The contract evaluation did not fully reflect the nature of references provided for the successful contractor. Albeit reflecting a benefit of hindsight, the evaluation against the MEAT criteria for Giles Brook produces a recommendation to award to a different contractor. The evaluation using a scoring of 1-10 rather than 0-3 reinforces that result.

3.15. The Giles Brook contract was also awarded contingent on the basis that the “serious nature” and those defects that “have been going on for a very long time” were remedied at 2 other schools. This was not however considered at the time sufficient to report to members when making the decision and, in Audits opinion, should caused sufficient concern that the recommended contractor may represent an increased risk regarding build quality. It is possible to conclude that members did not receive material information to inform the decision.

3.16. This review also found tension arising from the target completion during summer holidays. These periods are seen by MKC as an effective method of managing completion delays. The submissions from schools highlight this issue as one that does provide an opportunity to manage unavoidable delays but it is also asserted that MKC decisions do not fully recognise the preparation the school itself needs in order to be ready for opening.

3.17. A summary of school build completions and budgets provided by Schools Planning is shown at Annex H. The 18 schools shown had a total budget of £63,268,595 and spending exceeded that by £7,186,136 representing 11% of the original budget. Examination has shown that the additional £7m has not undermined other schemes as submissions were made to Cabinet and approved to fund these amounts by further prudential borrowing.

3.18. There is some indication that these expenditure figures may include additional works not originally included in the original specification. Further work is being undertaken by Audit (as detailed on Annex A) on these figures however at present the detail in respect of cost : budget can be summarised as :

3.18.1. 2 (11%) were completed under budget (1% and 0.62%)

3.18.2. 8 (44%) were completed within 4% of original budget

3.18.3. 4 (22%) were completed within 10% of the original budget

3.18.4. 4 (22%) exceeded the budget by between 10.72% and 30.42%, the average being 17.1%

3.19. Annex H highlights that of 18 schools examined the delays data shows:

3.19.1. 3 (17%) were completed on time

3.19.2. 3 (17%) were completed within 14 days of the target date

3.19.3. 3 (17%) were completed between 14 – 28 days late

3.19.4. 9 (50%) were completed in excess of 28 days late, the average being 91 days and the longest being 269 days (Olney Campus).

3.20. The wider evidence shows that School Build projects suffer from both timescale and financial pressures. Whilst there is evidence from other schools (eg Hazeley, Heronsgate and Oakgrove) that quality issues are also evident the extent of problems associated with Giles Brook appear to be restricted to Giles Brook.

3.21. It has been asserted that a commercial project manager would have “much greater financial clout with the contractors” and that the “project management of large school building programmes is simply beyond the capacity of the Council”. This report is clear that project management was inadequate for a number of schools / schemes however the evidence from this investigation is not sufficient, in Audit’s opinion, to conclude that the current issues would be simply resolved by a commercial project manager.

3.22. Evidence shows that the scale of the school build programme for Milton Keynes provides more than sufficient “financial clout” to exercise

effective control on contractors. There is no reason, in the opinion of Audit, why a project management function within MKC should be unable to exercise all necessary contractual control. Indeed this report makes a series of recommendations that require such focus. In respect of the assertion made it is perhaps the most notable evidence that project management was undermined because:

3.22.1. the Council did not listen sufficiently to the schools community but there is no evidence to suggest that a commercial project manager would listen any more than an empowered client within the Council, and

3.22.2. the Client (Schools Planning) did not exercise full and necessary ownership of projects quoting "Corporate Requirements" imposed upon them as preventing that. If the Schools Planning service accept full responsibility for these projects (as they should) they should be able to resist any proposal / pressure, from whatever source including internal, to protect the primary objective of the school build programme.

3.23. The Olney Campus project also indicates that external project management does not resolve such matters.

3.24. It has also been asserted that the AMK fee regime provides an opportunity to legitimately transfer capital funding into funds that can be used on other public services. It was stated to Audit that those funds should not be translated to other services but should be expended on education projects. These are executive decisions for the Council as the mechanism is not considered improper. A commercial project manager would introduce an additional profit element that would remove those funds from the public sector.

3.25. As reported in the AMK report the budgets for schools projects appear to be set at unrealistic levels. One piece of evidence within contract documentation suggested that the budget was set at an artificially low level in the expectation that a previous error within a prior tendered bid would be repeated by a contractor. The evidence supports a conclusion that either the professional services used to establish the budget or the controls on expenditure are inadequate or both.

3.26. Whilst the Client (Schools Planning) maintains ultimate responsibility for both issues, Internal Audit has concluded that they would reasonably rely upon the professional advice provided to them on these matters by AMK. School Planning submit that it is these services that are paid for within the AMK fee, although AMK refute this.

3.27. In essence the fundamental control failures can be summarised as :

3.27.1. **Timescales** were found to be an issue and for Giles Brook in particular a number of factors combined to introduce a very

tight deadline for completion. Also it was stated to Audit that elected Members had expressed a desire that each school should have an individual identity within the local community. The individual identity of schools can produce additional time pressures. The opportunities for standardised elements of the design model (highlighted to Audit as applied by Manchester City Council, for example) to reduce timescales has not been fully explored as a means to reduce the risks when very tight timescales apply or indeed to be considered throughout the school build programme to reduce costs.

3.27.2. The **preparation for projects** was inadequate and fails to properly represent the individual (and often significant) risks arising for each project. This includes **evaluation of tenders** and tenderers that fails to properly protect the Councils interests in respect of past poor performance / references which in essence increased the risk that poor contractors would not be excluded. These issues should be remedied by the Schools Planning new Framework Agreement, which follows the Manchester model.

3.27.3. The evolving needs of the client have not been reflected within AMK's services and as such the important **roles and responsibilities attached to Project Management** have not been completed. It is recognised that the role of Project Administration was performed in accordance with the outdated CCT documentation however it is Audit's opinion that was insufficient to meet the client's needs.

3.27.4. A **"Corporate Requirement"** for work to be procured through AMK has evolved through custom and practice rather than a conscious and transparent decision reflecting the costs and benefits of alternative approaches. Where a fee is paid for such services there must be proper regard to the Client responsibilities.

3.27.5. The absence of effective **project management** has exposed the Council to avoidable significant risk where the outcome of new school projects appears reliant upon the integrity and goodwill of the contractor, a retrospective legal claim against the contractor and / or a robust challenge by the school itself.

3.27.6. Thus for **Giles Brook** ineffective project management failed to identify or challenge the serious issues arising from poor build quality that forced the closure and exposed those at the school to potentially serious safety issues. The reluctance to accept the schools position compounded this failure for an unnecessary and avoidable period.

3.27.7. The **Olney Campus** also represents a matter of serious concern involving a 269 day delayed opening, a large

overspend (pending final claim), and ongoing contractual dispute between MKC, the contractor and the external firm of Architects.

Whilst Olney maintains some snagging issues and significant disruption arose from the late opening, the safety and fundamental integrity of the building experienced at Giles Brook did not arise and almost all stakeholders acknowledge the school has been built to a high quality.

AMK have advocated for some time the use of a managed decant facility and this was used to mitigate the Olney delay. Such a facility would improve risk management as part of the managed programme to manage the Time:Quality:Cost triangle.

3.27.8. The Framework Agreement and the Schools Programme Board are good governance arrangements that have already been introduced. This should significantly increase the likelihood that future problems within individual schemes will be identified sooner and managed more effectively. The implementation of all recommendations (eg improved project management and accountability) should ensure that all risks are brought to the Boards attention.

3.28. It is also highlighted that :

3.28.1. in respect of Giles Brook and Hazeley, Internal Audit have concluded that whilst it is possible to argue had proper controls been in place the contractors work would almost certainly have been held to higher standards this does not absolve the contractor from their basic duty of care to design and build a school fit for purpose.

3.28.2. in respect of Olney the legal position regarding potential action against the contractor and / or the external architect firm have yet to be determined.

## 4. Summary of Individual Reports

4.1. Giles Brook Report (Annex B)

4.1.1. The tight timescale was a significant factor not within the realistic control of those involved. However whilst this increased risk was recognised it did not prompt any formal risk management to mitigate potential issues.

4.1.2. The evaluation of tenders was flawed on the basis both of the 0-3 scoring and the actual weighting given to relatively poor references and past performance. It can be concluded that the contingent award dependent on remedying the defects of a

"serious nature" and those defects that "have been going on for a very long time" at 2 other schools is not a benefit of hindsight criticism but should have prompted more careful consideration and reporting to Cabinet.

4.1.3. Project Management failed. The absence of clear roles and responsibilities for the project manager derives from a variety of causes (often representing areas of dispute between AMK and Schools Planning) but clearly caused the failure to identify and correct inadequate build quality by the contractor. This was exacerbated by the use of an ineffective Clerk of Works who was not line managed appropriately.

4.1.4. Evidence shows that MKC was repeatedly advised of many and serious concerns by the school both prior to opening and after. Whilst some of these were addressed the school felt that it was ignored. The BRE report supports the school that serious issues are evident and thus these earlier opportunities to address these matters were ignored.

4.1.5. Evidence regarding the nature of some issues supports a conclusion that MKC effectively ignored real and significant issues involving Health and Safety. Evidence indicates that a real risk of serious physical harm existed at the school.

4.1.6. These control failures, in Audits opinion, do not absolve the contractor from their duty of care to design and build a school in accordance with the specification and fit for purpose.

4.2. Olney Campus Report (Annex C

4.2.1. The Olney Campus report is submitted to the Committee in private because the legal dispute between the Council, the contractor and the external architect is subject to current proceedings. A claim has been submitted by the contractor for adjudication with a decision expected (as at 30th October) for 28th November.

4.3. AMK Overspend Report (Annex D)

4.3.1. AMK operate within an environment that requires them to balance the role of an internal department required to support the Councils services against that of a trading service. AMK have consistently produced trading surpluses since creation in 1997.

4.3.2. The main underlying issues that contributed to the negative out-turn have been traced on the whole to poor financial management, monitoring and inaccurate reporting.

4.3.3. The overspend was only identified after year end due to inadequate monitoring and inaccurate reporting by AMK and Environment Finance during the year.

4.3.4. All parties agree that a decision was made corporately that AMK should prioritise the School Planning capital plan above other works. This resulted in the loss of lucrative outside business and left the service vulnerable to income losses from school projects slippage.

4.3.5. The tension between the fee / income requirements and the corporate role of the service puts additional burden on AMK that is currently not resolved.

4.4. AMK Audit Report (Annex E)

4.4.1. No formal review of the service has been undertaken since 2001 to enable demonstrable value for money and to ensure that services evolve with client needs. Evidence supports a conclusion that evolving Client needs have not been reflected within AMK services. This creates a position that key functions are not performed whilst everyone considers them to be another person's responsibility.

4.4.2. Comparison of fees indicate that the current fee levels do not provide demonstrable value for money .

4.4.3. Disagreement with a key client (Schools Planning) regarding timescales for capital projects has created tension. Evidence could not demonstrate effective project planning from early stages to support evidenced decisions, monitoring and risk management.

4.4.4. The Councils model tender evaluation scoring was used but as the guidance states this should be modified to reflect specific contract requirements. The model was not modified appropriately within an evaluation to reflect the risks evidenced within individual schemes illustrating poor governance.

4.4.5. The absence of agreed and understood roles and responsibilities for key contract management functions undermined contract governance and control. The roles and responsibilities within schools projects are disputed by AMK and Schools Planning. Without clarity the roles were not performed and this was to the detriment of the Council.

4.5. BRE opinion re: Hazeley and Giles Brook schools (Annex E, F).

The BRE's involvement, at the clients cost, represents an example of the Council seeking to understand the reality of remedies needed. The

Council has used BRE work as a basis for instigating plans to rectify the issues identified.

4.5.1. Hazeley (Annex F) 28th September 2007

- Some of the roof leaks are associated with damage to the roof membrane and also with poor workmanship. It is also possible they are associated with defects in the cavity trays. Leaks have caused damage to interior of the building, notably the sports hall floor that will need to be repaired once the leaks have been fixed

- Checks are needed to ensure that the SUDS system can handle storm conditions rather than being caused by inadequate drain sizes. Paving needs to be corrected to avoid water being directed to doorways.

- Manuals are incomplete and provide insufficient information to plan preventative maintenance including some sections completely empty.

- A number of windows are inaccessible without specialist access equipment.

- The interim solution of water entering the lift pit is an additional running cost for the school and must be permanently addressed.

- Further investigation is needed.

4.5.2. Giles Brook (Annex G) 24th September 2007

NB This report is not summarised in any detail given the extent of technical and specific issues contained within the report itself.

- Structural issues within the design and its calculations give concern eg load capacity that cannot be verified.

- Trada opinion is being overseen by BRE but it is understood some issues within Trada's report remain in dispute and the engineer involved has emigrated.

- The Richard Petty report has been reviewed. On the whole BRE concur with a proportion of the items raised within the Richard Petty report and in some cases the issues are worse than reported by Mr Petty. The BRE report recognises that many issues have now been addressed and does highlight that Mr Petty is mistaken on some issues.

- Workmanship is some of the “worst BRE has seen in any completed building”.

- The original design did not fully provide proper ventilation in either the ground floor of first floor classrooms.

## 5. Way Forward

5.1. The school build programme is large, fast-changing and is often constrained by its dependence on factors outside the control of Schools Planning eg planning and development decisions. Audit has evidence that the Client function has evolved to pro-actively work with this environment and has in the last 12 months and previously :

- Held some risk management workshops that led to the procurement of the temporary school facility at Oakgrove;

- Added capacity to its own senior management arrangements, including the appointment of staff with Prince 2 training;

- Introduced a Programme Board to better co-ordinate the governance of the programme as a whole;

- Put in place a Framework Agreement for the procurement of all future schools;

- Secured interim project management support from Cyrill Sweet Ltd, pending the appointment of a dedicated Officer;

- Undertaken Prince 2 project management training for the Asst Director ; Schools planning; and

- Organised Prince 2 training for the whole Programme Board;

- Adopted a policy where appointments for new schools are made with a view to appointing Governors with experience of new schools.

5.2. <u>Recommendations addressed within existing arrangements</u>

5.2.1. A School Program Board has already been established to address the need for appropriate programme management.

The key responsibilities for the Board are;

- monitoring progress- against a high-level Programme plan;
- agreeing/quality assuring key programme products -these are usually relatively process focussed and are concerned with programme level plans and communications;
- managing Programme-level risks;
- managing Programme-level and cross cutting issues;

- managing (inter) dependencies between the programme's projects;
- committing (or sourcing from elsewhere) resources across the programme to enable the activities to be successfully achieved;
- ensuring effective project management arrangements are in place to deliver the programme.

5.2.2. The Programme Board needs to further continue its drive to ensure that appropriate structures and processes are in place to deliver the School Build Programme.

5.2.3. The Prince II project management template currently being developed by Schools Planning for future School Build Work should be implemented immediately when ready.

5.3. <u>Recommendations not currently addressed within existing arrangements</u>

5.3.1. The Programme Board needs to meet regularly and requires regular updates to be addressed consistently and at a senior level on the overall programme and individual projects as required.

5.3.2. Appropriate training should be provided to the members of the Programme Board as a matter of urgency (This is planned for early December)

5.3.3. Risk profiles should be drawn up and reviewed on a regular basis to ensure that major risks to a project and its dependencies are identified at an early stage and then continually throughout the project.

5.3.4. Risk Management should be a standing agenda at Project Meetings.

5.3.5. For particularly complex / high risk projects a risk workshop should be requested from the Councils Risk Manager to assist in the setting up of an adequate process.

5.3.6. The Programme Board should regularly review the Risk information both to satisfy itself in individual project risk management but also to review the picture of risk management across the programme of school build.

5.3.7. Prior to sending out the invitations to tender an appropriate risk register should be developed of the key risks to each project including timescales, costs, stakeholder involvement and quality.

5.3.8. Appropriate contingency and mitigation measures should be put into place to ensure that the key risks to the project are managed from the outset and regularly reviewed

5.3.9. The Programme Board should implement effective post-contract review arrangements as a means of evaluating outcomes,

establishing client satisfaction and learning from the contract management arrangements. The outcomes of each should be reported to the Programme Board.

5.3.10. Programmes should be constructed working backwards from a desired end date and submitted to the Programme Board for discussion and agreement. Whilst a generic timetable is impossible the advice of the design team, procurement and past experience should all be used when drafting a timetable for future projects.

5.3.11. A Qualified Prince II Project Manager should be appointed for each large scale project

5.3.12. Appropriate Service Level Agreements should be developed between Schools Planning and all partners providing professional services.

5.3.13. Within the Service Level Agreements absolute clarity is required as to Roles and Responsibilities for the delivery of each aspect of the project.

5.3.14. An overall Service Level Agreement needs to be developed for projects in general and for the larger projects, individual tailored Service Level Agreements should be agreed with the Programme Board

5.3.15. Project Officers should be appropriately trained in the concepts of the Prince II methodology.

5.3.16. For particularly complex projects, consideration should be given to the benefit of appointing dedicated project managers who could bring specialist knowledge, experience of the construction industry, design and project management assistance.

5.3.17. The Framework Manager must be recruited without delay to support project and risk management

5.3.18. The Programme Board should use all options to ensure the practical remedy of snagging / defects rather than a focus on legal / contractual routes. Where snagging requirements arise these should be corrected promptly and with minimal disruption to the school.

5.3.19. Schools should be advised to raise any concerns about snagging or practical completion directly to the Programme Board where they feel their concerns have not been listened to. The Board should where appropriate consider an independent expert view of issues (at the cost of the Board if concerns are proven correct / at the cost of the school if concerns are not significant).

5.3.20. Legal should be consulted and informed of the key risks to the project before the contract Terms and Conditions are sent to the contractor. Appropriate adjustments should be made to the contract to mitigate the risks to performance of the contract (measured against the cost to the overall contract of including such measures).

It is however vital that focus is maintained on measures that will ensure fast and effective remedy of defects as opposed to a mechanism for legal dispute.

5.3.21. Project Managers must clearly identify the means by which contractors assure that delays (and other problems) will be mitigated and provide a formal opinion to the Programme Board regarding the reliability of those issues

5.3.22. The future role and service provided by AMK should be formally considered as reported in the AMK Overspend report and any decision must ultimately provide sufficient flexibility for the Client service(s) to meet their responsibilities as opposed to an imposed corporate solution.

The corporate benefits of in-house architectural design and maintenance service should not undermine the ability of Schools Planning to be responsible (and in control of) for the proper procurement of professional services.

5.3.23. AMK fees should not be increased without appropriate consultation with the Client side and other stakeholders.

5.3.24. Consideration should be given to establishing the Cost Consultants (Quantity Surveyors) within the Schools Planning Department to provide independent and supportive advice on the architects and contractor designs and work. This could also alleviate the tension between AMK and School's Planning over projects exceeding their budget.

5.3.25. The Programme Board should consider whether the Framework Agreement requires change to reflect :

- The need to evaluate tenders with a standard scoring of 1-10 and consider variations to that for complex / individual schemes where appropriate.

- The need for a predetermined price / quality ratio to be varied given a wider range of scoring, particularly for quality issues as there would be a lower propensity for award on the basis of cost against quality.

5.3.26. The Project Team should comprise end users as well as advisors. Where the school administration has yet to be set up, we would

suggest that experienced ‘super users’ be seconded onto the project team until the administration is in place. Such super users could be, for example, head teachers or governors who have been involved in previous school building projects

5.3.27. The Programme Board should be informed of any issue raised by the end user representative not addressed.

5.3.28. An annual questionnaire / consultation exercise should be undertaken with stakeholders to allow improvement of services. The results should be provided to the Programme Board.

5.3.29. The Programme Board should be informed of any issue raised by the end user representative not addressed.

5.3.30. The Programme Board should ensure that school projects are considered based upon whole life costings and that end user views are fully reflected where any design feature could increase the ongoing costs to the school.

# FINDINGS and MANAGEMENT ACTION PLAN

**The recommendations are categorised on the following basis:**

**Essential** - Implementation is required with immediate effect to address a weakness that fundamentally undermines the control of that system.

**Important** - Implementation is required within a short period of time to address weaknesses that seriously undermine the control of that system.

**Standard** - Management need to take recommended action within a reasonable period to address weaknesses that may undermine system control.

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 1 | Governance Arrangements<br>The considerable size of the Schools Planning Capital Programme requires effective governance arrangements.<br>The findings from Audit work shows that:<br>• the School Build Programme has been lacking a senior structure and the forward planning required to ensure the appropriate co-ordination in the building of the required Schools within Milton Keynes<br>• Key roles and responsibilities are not defined which can undermine the entire program<br>• Very tight project timescales within some school builds have contributed significantly to the problems experienced at some schools that have a continued legacy today.<br>Schools Planning has identified that it required better leadership of the programme to prevent the problems occurring in future. Without this fundamental and top level structure the School Programme would continue to have significant risks. | A School Program Board has already been established to address the need for appropriate programme management.<br>The key responsibilities for the group are;<br>• monitoring progress- against a high-level Programme plan;<br>• agreeing/quality assuring key programme products -these are usually relatively process focussed and are concerned with programme level plans and communications;<br>• managing Programme-level risks;<br>• managing Programme-level and cross cutting issues;<br>• managing (inter) dependencies between the programme's projects;<br>• committing (or sourcing from elsewhere) resources across the programme to enable the activities to be successfully achieved;<br>• ensuring effective project management arrangements are in place to deliver the programme. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 2 | Programme Board Effectiveness<br>Through discussion with Board Members and review of the Programme Board minutes there does appear to be early indications that the Programme Board is at risk of not fulfilling its obligations in the most efficient manner.<br>It is evident that the meeting timetable has slowed down and that the high profile Senior Officer attendance is reducing with the use of deputies to stand in. This could erode the Group's ability to overcome the historical problems and can prevent effective decision making from taking place.<br>It is noted that the meetings would not need such regular frequency or attendance once truly established. However, the group is still in its early stages with very specific identified objectives not yet fulfilled or near to fulfilment. | **Essential**<br>The Programme Board needs to meet regularly and requires regular updates to be addressed consistently and at a senior level on the overall programme and individual projects as required.<br><br>**Essential**<br>The Programme Board needs to further continue it's drive to ensure that appropriate structures and processes are in place to deliver the School Build Programme. | Programme Board / CLT |
| 3 | Programme Board Training<br>The training needs of the Programme Management Board have not yet been addressed in terms of appropriate Programme Management training and the Prince II methodology. The Board has been running since April and it would be expected to be a key requirement in order for the Board to succeed. | **Essential**<br>Appropriate training should be provided to the members of the Programme Board as a matter of urgency. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 4 | Risk Register<br>No Risk Register existed for each project or as a consolidation for common and emerging themes across the programme. | **Essential**<br>Risk profiles should be drawn up and reviewed on a regular basis to ensure that major risks to a project and its dependencies are identified at an early stage and then continually throughout the project.<br>**Essential**<br>Risk Management should be a standing agenda at Project Meetings.<br>**Essential**<br>For particularly complex / high risk projects a risk workshop should be requested from the Councils Risk Manager to assist in the setting up of an adequate process.<br>**Essential**<br>The Programme Board should regularly review the Risk information both to satisfy itself in individual project risk management but also to review the picture of risk management across the programme of school build. | Programme Board |
| 5 | Pre Project Start Risk Management<br>None of the projects reviewed had formal or adequate risk identification and management to identify the key risks to the project before the tender documentation was sent out and to ensure the contractors had appropriate measures in place. | **Essential**<br>Prior to sending out the invitations to tender an appropriate risk register should be developed of the key risks to each project including timescales, costs, stakeholder involvement and quality.<br>**Essential**<br>Appropriate contingency and mitigation measures should be put into place to ensure that the key risks to the project are managed from the outset and regularly reviewed. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 6 | Post Completion Reviews<br>Pressures have prevented the completion of post contract reviews for individual projects. Such reviews are essential if the lessons from individuals projects are to be incorporated into future schemes.<br>Greater involvement of end users (as reported later in this report) would also provide a basis for such learning. | **Essential**<br>The Programme Board should implement effective post-contract review arrangements as a means of evaluating outcomes, establishing client satisfaction and learning from the contract management arrangements. The outcomes of each should be reported to the Programme Board. | Programme Board |
| 7 | Programme Management - Timescales<br>There has been tremendous pressure on all parties to get the Schools open on time so that the planned pupil entry could take place. This has resulted in there being no capacity for any slippage and buildings being handed over with a large number of defects. There is still disagreement between AMK, Schools Planning and other Clients (eg Leisure) as to the ideal timeframes required to build these assets. | **Essential**<br>Programmes should be constructed working backwards from a desired end date and submitted to the Programme Board for discussion and agreement. Whilst a generic timetable is impossible the advice of the design team, procurement and past experience should all be used when drafting a timetable for future projects. | Programme Board |
| 8 | Project Management<br>A significant proportion of the problems within the School Build Programme and new School Builds emphasised the need for good project management disciplines.<br>It has been identified through discussions with the schools and review of the contract files that there had been poor supervision and general project handling by the project administrators. This is considered by Audit to be the significant cause of a lack of effective monitoring and supervision of progress. | **Essential**<br>The Prince II project management template currently being developed by Schools Planning for future School Build Work should be implemented immediately when ready.<br>**Essential**<br>A Qualified Prince II Project Manager should be appointed for each large scale project. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 9 | Roles and Responsibilities<br>There is a conflict in the perceptions of the roles and responsibilities for Project Management between AMK and School Planning that has contributed to the School Build Problems.<br>It is Audits opinion that AMK does not appear to have adapted to their developing Client needs or proven VFM in their Service.<br>However, Schools Planning, as overall owners of the School Build Programme and individual projects, should have ensured that this issue was managed on a more formal level (as they would with outside Architectural Services) and enforced the development of Service Level Agreements with AMK to protect their own interests.<br>There does not appear to have been an appropriate Project Manager appointed for each large scale project. | **Essential**<br>Appropriate Service Level Agreements should be developed between Schools Planning and all partners providing professional services.<br>**Essential**<br>Within the Service Level Agreements absolute clarity is required as to Roles and Responsibilities for the delivery of each aspect of the project.<br>**Essential**<br>An overall Service Level agreement needs to be developed for projects in general and for the larger projects, individual tailored Service Level Agreements should be agreed with the Programme Board | Programme Board |
| 10 | Project Management Training<br>The staff that are managing the School Builds do not have sufficient training in the Prince 2 methodology. | **Essential**<br>Project Officers should be appropriately trained in the concepts of the Prince II methodology.<br>**Essential**<br>For particularly complex projects, consideration should be given to the benefit of appointing dedicated project managers who could bring specialist knowledge, experience of the construction industry, design and project management assistance. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 11 | Framework Agreement<br>School Planning have set up a framework agreement to work in partnership with key chosen contractors in the building of new Schools. The framework is designed to reduce procurement timetable and increase the quality of the builds by developing closer relationships with<br>It was identified in May that a Framework Manager would be required to ensure the success of the scheme. The result was a requirement for the role to be capitalised. This issue has still not been resolved and as such, the Framework is currently running without the required permanent support to ensure it's success. | **Essential**<br>A Framework Manager must be recruited without delay to support project and risk management. | Assistant Director Planning and Development |
| 12 | Excessive Snagging<br>Snagging issues are a recurring theme beyond what should be reasonably expected. Remedy is taking in some cases several years to rectify for relatively minor items and on occasion practical completion is being agreed with significant issues outstanding.<br>Leaking roofs are not resolved after considerable periods of time causing larger problems and avoidable costs.<br>A number of schools experienced large numbers of defects after the "hand over" of the new premises which created health and safety issues, operational issues, took up large amounts of staff time and, in some cases, took excessively long times to resolve.<br>At present snagging resolution seems to be approached from a legal / contractual perspective rather than a practical resolution of defects. This suggest the current contracts do not ensure contractors liabilities for snagging properly protect the Councils interests.<br>It is Audit's opinion that these issues represent a wholly unacceptable standard of service to the school community. | **Essential**<br>The Programme Board should use all options to ensure the practical remedy of snagging / defects rather than a focus on legal / contractual routes. Where snagging requirements arise these are corrected promptly and with minimal disruption to the school.<br>**Essential**<br>Schools should be advised to raise any concerns about snagging or practical completion directly to the Programme Board where they feel their concerns have not been listened to. The Board should where appropriate consider an independent expert view of issues (at the cost of the Board if concerns are proven correct / at the cost of the school if concerns are not significant). | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 13 | Legal Involvement in Risk<br>Legal Services were not consulted on risk management of projects to allow appropriate consideration of the contractual clauses required.<br>It was found that standard contract documents used by the Council for construction projects include the provision for remedies on a scaled basis, relative to any problems or failure by the contractor.<br>This ranges from the standard practice of retention of a percentage of the contract value at the end of a contract to cover any work required to be undertaken during the post completion defects period through to the right of termination of a contract and a claim for damages in the event of a major contract breach | **Essential**<br>Legal should be consulted and informed of the key risks to the project before the contract Terms and Conditions are sent to the contractor. Appropriate adjustments should be made to the contract to mitigate the risks to performance of the contract (measured against the cost to the overall contract of including such measures).<br>It is however vital that focus is maintained on measures that will ensure fast and effective remedy of defects as opposed to a mechanism for legal dispute. | Programme Board |
| 14 | Project Slippage<br>In the projects reviewed it was found that there was inadequate procedures that would provide assurances that delays would be recovered.<br>Often, the contractor's assurances at project meetings were taken at face value.<br>The evidence shows that these delays were never recovered which then caused operational problems for the Schools and increased snagging issues.<br>Whilst significant slippage is now reported to the Programme Board this must be supported by challenge and testing of contractors assurances to identify the actual measures being put in place to recover delays and allow informed opinion regarding the probability of success to highlight potential contingency needs. | **Essential**<br>Project Managers must clearly identify the means by which contractors assure that delays (and other problems) will be mitigated and provide a formal opinion to the Programme Board regarding the reliability of those issues. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 15 | Use of AMK<br>Schools Planning utilise AMK unless there is a lack of resource within AMK. This was found to occur because there is a "corporate requirement" that AMK must be used by Schools Planning in the delivery of the Capital Plan.<br>However, there is no evidence of a formal decision making process or approval for this "policy" and it appears to be derived from the 1999 CCT process for AMK that expired in 2003.<br>The AMK service has suffered staffing shortages and recruitment pressures. Officers within AMK have attempted to deliver the best services within these constraints but at times the "corporate requirement" has compromised the procurement of necessary quality of service.<br>The future role and service provided by AMK is reported in other reports. The evidence shows that a formal review of the benefits and drawbacks of the current arrangement is undertaken with all stakeholder views and wider Council interests taken into account. The decision requires appropriate transparency.<br>It is highlighted that the AMK service comprises a diverse range of disciplines and services. Failures within one part of AMK should not lead to a conclusion that all such services are flawed. For example Schools Planning have highlighted that the Maintenance service provided by AMK delivers consistently high quality and prompt service. | **Essential**<br>The future role and service provided by AMK should be formally considered as reported in the AMK Overspend report.<br><br>**Essential**<br>Any decision must ultimately provide sufficiently flexibility for the Client service(s) to meet their responsibilities as opposed to an imposed corporate solution.<br>**Essential**<br>It is recommended that this should ideally be a Cabinet decision based upon the known benefits and drawbacks to the individual departments and the Council as a whole. | Corporate Director Environment |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 16 | Value for Money<br>A significant amount of the Education Capital Programme is paid to AMK in the form of fees.<br>Schools Planning have argued that they can procure Architectural Service at a cheaper and more responsive rate than AMK. Schools Planning have also stated that for the fee that AMK charge they could have procured appropriate Project Management that could have mitigated some if the school build issues.<br>Evidence reported in the AMK report supports the conclusion that AMK fee's are high in comparison to similar services.<br>AMK however provide a multi-disciplined Service that is at an elevated service level to outside architectural services.<br>This issue as to value for money and what should be provided for the fee is a serious issue that has held up progress to a more 'forward thinking' capital programme as services are still provided by AMK on the old CCT arrangements which are not in tune with the requirements of the Client (Schools Planning).<br>AMK and Schools Planning are also not in agreement as to what should be provided for the fees and this blurs the lines of responsibility.<br>Without adequate benchmarking Value for Money cannot be demonstrated and the Council is exposed to the allegation that education funding is being diverted to other parts of the Council.<br>The "corporate requirement" that AMK undertake work for School Planning also undermines a fundamental control that the Client is ultimately responsible for this area given the above. | **Essential**<br>The future role and service provided by AMK should be formally considered as reported in the AMK Overspend report.<br><br>**Essential**<br>The corporate benefits of in-house architectural design and maintenance service should not undermine the ability of Schools Planning to be responsible (and in control of) for the proper procurement of professional services. | Corporate Director Environment |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 17 | Fee Increase<br>In addition to the VFM not being proven with appropriate benchmarking in AMK, the fee level was increased by 1% for 2007 without what is considered appropriate consultation with the Schools Planning department.<br>The MTP process included a proposal to increase AMK fees by 1%. Given these fees are paid for by other Council services the effect of this merely transferred the increased budgetary pressure to other services without, in Audits opinion, proper consideration of how such pressures could be met by those services affected. | **Essential**<br>AMK fees should not be increased without appropriate consultation with the Client side and other stakeholders. | Corporate Director Environment |
| 18 | Cost Control<br>The fee structure of AMK is based upon a percentage of costs. This is standard practice.<br>However the internal position of AMK, as reported above and elsewhere, has undermined the ability of the Client (Schools Planning) to exercise client control over projects.<br>These factors combined undermine demonstrable cost control which exposes AMK to the allegation that they have a conflict of interest where their income increases as costs increase and therefore they are insufficiently motivated to control costs. | No recommendation arises if the other recommendations made in this report are implemented providing Schools Planning with clear and unequivocal responsibility and authority to control costs. | |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 19 | Cost Consultants<br>Quantity surveyors use an architect's or civil engineer's design to work out the cost of constructing buildings using architect's plans to make an initial estimate of the cost of a project. They then produce a more detailed breakdown of costs and quantities known as the Bill of Quantities. They also assess the tendered bids received and advise clients.<br>Quantity Surveyors are thus a vital expertise in maintaining control of the design and costs.<br>The Quantity Surveyors for the School Build Programme are employed by AMK and are not therefore truly independent of the Architects who design the Schools. The professional independence of both QS's and Architects is not in questions but this management structure currently undermines the reliance that can be placed on this governance process. | **Essential**<br>Consideration should be given to establishing the Cost Consultants (Quantity Surveyors) within the Schools Planning Department to provide independent and supportive advice on the architects and contractor designs and work. This could also alleviate the tension between AMK and School's Planning over projects exceeding their budget. | Programme Board |
| 20 | Tender Evaluation<br>The method of evaluating tenders, in particular the scoring system used for school builds, was poor and did not fully differentiate quality issues within the bids.<br>The scoring mechanism is unique to MKC in allowing a range of 0-3 when the common practice is 1-10 provides a method that can better differentiate quality issues within bids.<br>Also the Price / Quality ratios for tenders is not considered for each individual project (to reflect its individual risks).<br>Therefore the most appropriate value for money tenderer may not always be selected. This is illustrated by the finding that the Giles Brook tender was awarded contingent on the contractor correcting the defects of a "serious nature" and those defects that "have been going on for a very long time" at 2 previous school projects. | **Essential**<br>The Programme Board should consider whether the Framework Agreement requires change to reflect :<br>• the need to evaluate tenders with a standard scoring of 1-10 and consider variations to that for complex / individual schemes where appropriate.<br>• the need for a predetermined price / quality ratio to be varied given a wider range of scoring, particularly for quality issues as there would be a lower propensity for award on the basis of cost against quality. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 21 | School Community<br>It was a common theme from discussions with schools as part of this investigation that when Schools have raised concerns that were not given appropriate consideration, in their view.<br>This position is refuted by AMK and Schools Planning, although now recognizing this does now need addressing.<br>It is Audit's opinion that the evidence at schools clearly supports the schools view. The frequency and seriousness of matters evident within schools cannot be ignored and schools have provided evidence that these were brought to the attention to MKC.<br>Evidence was provided by the Schools that the monitoring of work on sites by AMK was not always adequate and could be non responsive with schools having neither the skills nor the time to adequately play their part in this monitoring.<br>Schools were at times unable to communicate effectively with the client side and sub contractors and poor workmanship went unchallenged. This resulted at times with some buildings being handed over with extensive deficits, some of which had Health and Safety issues<br>Schools have reported that a very significant amount of school staff time taken to resolve issues where it should have been the job of the project team. There seemed to be poor communication channels for Schools to adequately address issues. | **Essential**<br>The Project Team should comprise end users as well as advisors. Where the school administration has yet to be set up, we would suggest that experienced 'super users' be seconded onto the project team until the administration is in place. Such super users could be, for example, head teachers or governors who have been involved in previous school building projects<br><br>**Essential**<br>The Programme Board should be informed of any issue raised by the end user representative not addressed.<br><br>**Essential**<br>An annual questionnaire / consultation exercise should be undertaken with stakeholders to allow improvement of services. The results should be provided to the Programme Board. | Programme Board |
| 22 | School Operation<br>Schools submitted evidence of design issues that create operational issues which may not appear obviously as significant but represent ongoing issues that undermine the schools operation, eg lockers.<br>There is evidence that the design objectives of projects receive consideration to the exclusion of practical operation of the school and on some occasions the increased running costs.<br>It was commented by schools that MKC, given the size of its school build programme, should not be repeating the operational "mistakes" within designs. Internal Audit agrees with this view.<br>Examples include Locker locations / corridor width, Spiral staircases, upper level eating areas. | **Essential**<br>The Programme Board should be informed of any issue raised by the end user representative not addressed. | Programme Board |

| Ref | Findings | Recommendation | Manager Responsible & Target Date |
|---|---|---|---|
| 23 | Running Costs<br>Schools have raised concerns regarding the ongoing maintenance costs of building works.<br>The previous findings regarding school involvement in design and construction combine to highlight a valid concern raised by schools that design features often introduce higher running costs for schools without providing the school with choice regarding these issues.<br>These costs have to be borne out of the School budget. It has been found through review of contract files that the Council does not actively pursue the concept of whole life costing which would provide an informed choice regarding design features balancing build and running costs / savings.<br>Without Whole Life costs design decisions cannot properly consider design features at additional cost that reduce running costs by more than original costs and vice versa. | **Essential**<br>The Programme Board should ensure that school projects are considered based upon whole life costings and that end user views are fully reflected where any design feature could increase the ongoing costs to the school. | Programme Board |

**Annex A**

## OUTSTANDING MATTERS

**NB these issues are not indicative of problems proven. They represent areas of further work required before conclusions can be drawn**

1. Whistleblowing

   Concerns have been raised to Internal Audit that a whistleblower arising from this investigation has suffered victimisation.

   The Audit Committee has previously requested information regarding the effectiveness of the Councils whistleblowing arrangements. The concerns expressed as part of this investigation require investigation that involves more than just interviewing relevant parties. The possibly victimisation involves the reduction of income suffered by the whistleblower that needs investigation of procurements arrangements.

2. Value for Money

   Whistleblowing has also identified evidence that the costs of projects is significantly overpriced. Evidence has been submitted to Internal Audit that the cost of some capital projects are significantly over priced and quality issues do not represent best value.

3. Legal Disputes

   Both the Giles Brook and Olney projects are the subject to legal disputes that are unlikely to be resolved in the short term and may highlight further issues that cause the conclusions of this investigation to be revised.

4. School Build Programme Cost Analysis

   The figures provided by Schools Planning on budgets and costs requires more detailed analysis to ensure the practical reality of each scheme is understood in respect of the figures for costs and delays.

5. Wider implications at other schools

   The Giles Brook contract was awarded contingent that the defects of a “serious nature” and those defects that “have been going on for a very long time” would be remedied by the contractor. Preliminary discussions with the 2 schools indicate issues remain outstanding but require proper consideration not possible given the need to report on this matter.

   The schools themselves have highlighted their views of “numerous problems” with specific issues which if true would probably be serious. An independent expert view is needed and being undertaken. The BRE have been invited to undertake a preliminary review of these 2 schools.

6. Trada

   It has not been possible to fully establish the remit of works and confirm that payments made reflect services received.