

## Huntingdon Multi-Storey Car Park and One Leisure, St Ives

### PROJECT CLOSE DOWN REPORT

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#### Revision History:-

Version	Date	Status	Summary of Changes
Final	28/10/2014	Released	Full version

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\* S = SIGN-OFF, R = REVIEW, I = Information

**Executive Summary**

This document is the closedown report for the Multi-Storey Car Park (MSCP) in Huntingdon and the redevelopment of facilities at One Leisure St Ives (OLSI). Both schemes are completed and have been handed over, but both projects ran over and cost more than was planned. This report identifies what has been learned from the roll out of the schemes and more fundamentally what the Council has learned to improve operators in the future.

The context is significant and much has changed since these projects were delivered and robust management arrangements, both at a political and officer level have been put in place to mitigate against the risk of lose project management re-occurring. Financial modelling has now moved to a level where service specialists focus on robust and transparent business cases, and proper responsibility and accountability is evident throughout.

Detailed recommendations are contained at Section 3.4.

**Purpose of Document**

- Record how well the project performed against the Project Initiation Document (PID) or Activity Charter
- Document any unfinished work, on-going risks / issues and formally handover to the Business area(s) responsible for on-going support and processes
- Document any lessons learnt that can be usefully applied to other projects
- Define how and when a post-implementation review to validate project benefits should be undertaken

**NOTE** – No PID exists for these projects

**1.0 Performance Against PID**

**1.1 Objectives**

**Key: MSCP – Multi Storey Car Park**  
**OLSI – One Leisure St Ives**

Objective Description	Comments
<p>1.1.1 <b>MSCP</b> -The Cabinet report listed a number of tangible benefits the redevelopment proposals would deliver:</p> <ul style="list-style-type: none"> <li>• jobs protected</li> <li>• new permanent jobs created</li> <li>• temporary jobs created</li> <li>• environmental improvements</li> <li>• additional employment/retail floor space</li> <li>• new businesses attracted</li> <li>• private sector investment</li> <li>• increased car parking</li> <li>• footfall and spending</li> <li>• better traffic flow/reduced congestion.</li> </ul>	<p>The report to O&amp;S of 14/10/2010 outlined the anticipated returns, although did not specify any detailed measures. The main motivation was the stimulation of the economy in Huntingdon to protect the future of the market town.</p> <p>The objectives lacked depth and some practical measures to determine success, including:</p> <ul style="list-style-type: none"> <li>• No timescale for achievement, including milestones for key points on the critical path.</li> <li>• Outcomes (as stated) were to cover what “catchment” area.</li> <li>• No recognition of budgetary control.</li> <li>• No Value for Money assessment.</li> </ul>
<p>1.1.2 <b>OLSI</b> - The two main objectives of the proposals were:</p> <ul style="list-style-type: none"> <li>• to reduce the net operating costs for the One Leisure group, as a major part of the savings identified for the years 2011 onwards</li> <li>• to increase admissions and participation levels to meet health agenda targets</li> </ul>	<p>A report to Cabinet on 27/11/2011 suggested that the scheme had the potential to deliver:</p> <ul style="list-style-type: none"> <li>• A net annual revenue surplus over £540,000 by year three</li> <li>• An increase in admissions in excess of 100,000 p.a.</li> </ul> <p>Although it is unclear how these figures were arrived at.</p>

There were no PID’s for either of these projects. From the MSCP, there were only three milestones in respect of start dates for design and build and completion.

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### 1.2 Milestones

In the absence of a PID, milestones have been taken from the relevant committee report

Milestone Description	Planned Date			Actual Date			
<b>1.2.1 MULTI-STOREY CAR PARK</b>							
Construction of MSCP	MSCP	Access Road	MSCP + Access	MSCP	Access Road	MSCP + Access	Comments
Tenders Received				May 2011	August 2011		
Preferred contractor decision made				May 2011			
Contract sum agreed				June 2011			
Contract Let – Design				March 2012			
Contract Let – Build				May 2013	March 2013		
Start Date – Design	June 2011						Cannot substantiate when the design for the Access Road commenced.
Start Date - Build	September 2011	January 2012		July 2013	April 2013		MSCP - 19 months between the planned build start date and the actual. Access Road – 15 months between the planned build start date and the actual.
Completion (all works)	March 2012					January 2014	22 months between the planned build completion date and the actual.
MSCP opens						January 2014	
<b>Development Agreement</b>							
Negotiations stop				July 2012			
Negotiations concluded				October 2012			
Agreement signed				May 2013			
Details of what these dates were originally has not been found, but in reality the car park was delivered 2 years later than expected (all of the value for money/return on investment detail in the Oct 2010 report assumed a 2012 opening).							
<b>1.2.2 ONE LEISURE ST IVES</b>							
No milestones for St Ives development							

### 1.3 Budget

#### MSCP

MTP bid 923		10/11	11/12	12/13	13/14	14/15	15/16	Total
		£000	£000	£000	£000	£000	£000	MTP 923 £000
2011/12	Expenditure	380	900	4,000	0	0	0	5,280
	Contributions	0	0	(1,550)	0	0	0	(1,550)
	<b>Net cost</b>	<b>380</b>	<b>900</b>	<b>2,450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,730</b>
2012/13	Expenditure	273	990	4,017	0	0	0	5,280
	Contributions			(250)	(1,000)	0	0	(1,250)
	<b>Net cost</b>	<b>273</b>	<b>990</b>	<b>3,767</b>	<b>(1,000)</b>	<b>0</b>	<b>0</b>	<b>4,030</b>
2013/14	Expenditure	273	301	500	3,973	0	0	5,047
	Error	0	(17)	0	0	0	0	(17)
	Contributions	0	0	0	0	(1,000)	0	(1,000)
	<b>Net cost</b>	<b>273</b>	<b>284</b>	<b>500</b>	<b>3,973</b>	<b>(1,000)</b>	<b>0</b>	<b>4,030</b>
2014/15	Expenditure	273	284	82	4,760	0	0	5,399
	Contributions	0	0	0	0	(500)	(500)	(1,000)
	<b>Net Cost</b>	<b>273</b>	<b>284</b>	<b>82</b>	<b>4,760</b>	<b>(500)</b>	<b>(500)</b>	<b>4,399</b>
<b>Total Scheme Cost</b>		<b>273</b>	<b>284</b>	<b>82</b>	<b>4,760</b>	<b>(500)</b>	<b>(500)</b>	<b>4,399</b>

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**OLSI**

MTP bid 922		11/12	12/13	13/14	Total MTP 922	14/15	Total Scheme Cost
		£000	£000	£000	£000	£000	£000
2011/12	Expenditure	200	3,080	0	<b>3,280</b>	0	<b>3,280</b>
	Contributions	0	0	0	<b>0</b>	0	
	<b>Net cost</b>	<b>200</b>	<b>3,080</b>	<b>0</b>	<b>3,280</b>	<b>0</b>	<b>3,280</b>
2012/13	Expenditure	165	3,440	1,000	<b>4,605</b>	0	<b>4,605</b>
	Contributions	0	(225)	0	<b>(225)</b>	0	<b>(225)</b>
	<b>Net cost</b>	<b>165</b>	<b>3,215</b>	<b>1,000</b>	<b>4,380</b>	<b>0</b>	<b>4,380</b>
2013/14	Expenditure	165	3,409	1,365	<b>4,939</b>	0	<b>4,939</b>
	Contributions	0	(57)	0	<b>(57)</b>	0	<b>(57)</b>
	<b>Net cost</b>	<b>165</b>	<b>3,352</b>	<b>1,365</b>	<b>4,882</b>	<b>0</b>	<b>4,882</b>
2014/15	Expenditure	165	3,409	1,376	<b>4,950</b>	166	<b>5,116</b>
	Contributions	0	(57)	0	<b>(57)</b>	0	<b>(57)</b>
	<b>Net Cost</b>	<b>165</b>	<b>3,352</b>	<b>1,376</b>	<b>4,893</b>	<b>166</b>	<b>5,059</b>
<b>Add</b>							
Revenue Expenditure (capitalised)	0	44	0	<b>44</b>	0	<b>44</b>	
Irrecoverable VAT (*)	7	136	55	<b>198</b>	0	<b>198</b>	
<b>Total Scheme Cost</b>	<b>172</b>	<b>3,532</b>	<b>1,431</b>	<b>5,301</b>	<b>166</b> (**)	<b>5,301</b>	

\* Where a business has both taxable and exempt input and output VAT, HMRC designates the business as “partially exempt” and stipulates that the level of exempt supply must not exceed 5%. As a consequence of Council activity, the most significant being the exempt supplies within One Leisure, the Council exceeds the 5% limit and consequently is not able to recover relevant amounts of VAT.

\*\* The table shows that there is an overspend of £166,000 to the approved project costs. This reflects the final payments to be made under the contract. When the overspend was reported at the end of 2013/14, the final account figure had not been agreed and insufficient allowance was made for this.

## 2.0 Handover to ‘Business As Usual’

### 2.1 Open Issues

Project Issue No.	Description	Action Required / Impact
<b>MSCP</b>	<p>1/ There are certain elements of the broader redevelopment of Huntingdon west assumed in the Development Agreement which are outside of the Council’s control which remain to be resolved (land and contributions)</p> <p>2/ There are financial contributions assumed in the business case which have yet to be achieved and MTP income targets to re-profile.</p> <p>3/ Assumed usage rates are yet to be tested.</p>	<p>1/ Ongoing negotiations with both Sainsbury’s and Churchmanor to support the private sector investment in the town.</p> <p>2/ Negotiations through the planning process and on the development agreement keep the issue alive. MTP updates.</p> <p>3/ These will be required in due course.</p>
<b>OLSI</b>	<p>1/ The contract was not delivered on time which has had significant impacts on the income projections assumed in the MTP.</p> <p>2/ There are business assumptions that need to be tested.</p>	<p>1/ Budgets are having to be re-aligned</p> <p>2/ Assumptions in terms of use and income need testing.</p>

### 2.2 Ongoing Risks

Project Risk No.	Description	Action Required / Impact
<b>MSCP 1</b>	As a minimum, not restoring car-park usage levels to those that occurred prior to the development.	i. Close monitoring of car park usage, including proactive promotion of development and new car parking facilities.
<b>MSCP 2</b>	Potential impact on general fund/capital receipts of reduced developer contributions.	<p>ii. Assess the probability from known intelligence on the likelihood of not securing the development contributions.</p> <p>iii. Set-aside into an Earmarked Reserve the amount assessed as potentially not forthcoming from developer contributions.</p>
<b>MSCP 3</b>	Not achieving the planned increase in car parking figures	See (i) above.

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<b>OLSI 1</b>	Under achievement of revenue and surplus estimates	i. Remodel anticipated income levels and build into ZBB model.
<b>OLSI 2</b>	Under achievement of increase in admission numbers	ii. Promote facility across and beyond district. iii. Research alternative delivery models.

### 2.3 New Processes

Process Description	Handed Over To
<b>MSCP</b> - None	Not applicable
<b>OLSI</b> – Business processes.	These were adjusted at the time of handover; no outstanding alterations are required

### 2.4 Training

Training Need Identified	Handed Over To
<b>MSCP</b> - None	Not applicable
<b>OLSI</b> – On new facilities	These were adjusted at the time of handover; no outstanding alterations are required, other than marketing and promotion.

### 2.5 Other Activities

Description	Handed Over To
<b>MSCP</b> – Capital programme (2014/15) items for changes to specification to increase the usability of the car park including LED lighting £50,000	Projects team
<b>OLSI</b> - Lease negotiations need concluding with Cambridgeshire County Council over occupation of the building	Legal Services

## 3.0 Lessons Learnt

### 3.1 What went well?

#### **MSCP**

- 1/ Kick started inward investment in Huntingdon town centre.
- 2/ Created some temporary local construction jobs.
- 3/ Resulted in environmental improvements to this part of the town centre.
- 4/ Greater capacity and choice of parking.

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### OLSI

1/ One Leisure St Ives is now experiencing increased profitability (but not at the originally forecast levels)

Overall Performance		Income	Expenditure	Net	Original Expectation
<b>2011/12</b>	<b>Outturn</b>	£1,975,647	£1,948,657	£26,990	£353,000
<b>2012/13</b>	<b>Outturn</b>	£2,059,186	£2,041,638	£17,548	
<b>2013/14</b>	<b>Outturn</b>	£2,514,032	£2,406,818	£107,214	
<b>2014/15</b>	<b>April – Sept.</b>	£1,349,991	£1,292,639	£57,352	
<b>2015/16</b>					£561,000

2/ One Leisure St Ives is now experiencing an increase in footfall (but not yet at levels originally targeted)

Quarterly Admissions 2010 – Present.

Year	Q1	Q2	Q3	Q4	Total	Original Expectations
	April - June	July – Sept.	Oct. – Dec.	Jan. - March	April – March	Full Year
<b>2010/11</b>	165,368	137,195	143,512	161,056	607,131	633,000
<b>2011/12</b>	155,262	143,442	145,744	172,601	617,049	
<b>2012/13</b>	142,639**	134,769	129,425	141,052***	547,885	
<b>2013/14</b>	164,726****	143,559	164,349	183,485	656,119	
<b>2014/15</b>	190,863	183,092			<b>760,000*</b>	
<b>2015/16</b>						<b>760,000</b>

- \* **2014/15 Target**
- \*\* Phase 1 start.
- \*\*\* Phase 2 start
- \*\*\*\* Phase 3 start

### 3.2 What went badly?

1/ *Lack of Reporting.* Cabinet approved the MSCP scheme in October 2010. The Development Agreements were signed in May 2013. No formal reports were submitted to Members in the interim to explain the delay or debate the Council's continued commitment to the scheme. It is a similar pattern for OLSI.

2/ *Financial Transparency.* Cost variations for OLSI were adjusted through the October refresh of the MTFs in 2012 and 2013, but a total of £166,000 remained 'to be identified'; this was not resolved until the sum was reported as an overspend at the end of 2013/14. For the MSCP the MTFs was also amended on several occasions to take account of the delay to on-site construction and increased costs, the loss of income from the sale of Trinity Place car park and reduced Developer contributions. These changes had a net effect of increasing the Council's contribution to the MSCP by £669,000.



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3/ *Business Case Assumptions.* The underlying assumptions were not properly tested so a flawed model was assessed. For example at the OLSI facility both the operating and maintenance costs of the bowling facility were underestimated (see Appendix 1 on use profile). Also there has been a reduction in town centre car parking during the period of construction of the MSCP and current short stay levels are below the levels pre the MSCP. Whilst the success of the MSCP scheme cannot be gauged until the retail developments have been completed, a reduction in car park use and therefore income, will affect budget targets.

4/ *Financial Modelling.* For example, the income assumptions for OLSI were always going to be very challenging, and given the way the council's budgets are constructed and the delay to the delivery of the scheme, the OL budgets have for the last few years been incorrectly profiled, being based on flawed assumptions, which also masks improving performance. Similar flaws exist in the MSCP financial modelling.

5/ *Document Management.* Record keeping has been poor and it has been difficult to locate information or documentation that supports some of the decisions that have been made.

6/ *Contract Management.* Procedures were inconsistently applied, which led to poor reporting of progress and inadequate record keeping. Indeed, some aspects of the 'value engineering' which took place during the tender evaluation merely took items off the main contract which were then funded through other channels.

7/ *Project Management.* Both projects suffered from delays and overspend, with little evidence of systematic reporting or recording of decisions and variations to the originally agreed schemes. This is evidence of poor project management; procedures were not followed which has made this close down process difficult in the absence of any structured records, particularly a full business case and project initiation documentation.

### 3.3 What was lacking?

1/ *Document Repository and Version Control.* All project management documentation needs to be available on shared drives, so that these are readily available to all project team members and senior managers. Each document should be 'owned' and version controlled.

2/ *Financial Management.* All projects need to have agreed business cases and be fully funded. Funding sources need to be clearly defined prior to the start of the project and circulated to project team members, with ongoing updates throughout the term of the project. All liabilities need to be included in cost estimates to ensure that any potential overspend can be identified and addressed through proper change processes, particularly where there is financial reliance on external/3<sup>rd</sup> parties.

3/ *Procurement.* The HDC Code of Procurement must be strictly adhered to throughout the process. In both instances there is a lack of record keeping and absence of an audit trail for key decisions.

4/ *Business Case Preparation.* All projects must be subject to a comprehensive assessment of viability, including an appreciation of the starting point. For all buildings, HDC must maintain thorough 'as is' building plans following any adaptations,

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alterations and extensions to its building stock. These must be held centrally as a reference resource. The same applies for land, either leased or owned.

- More detailed analysis is required in the production of post development income and expenditure projections to ensure the stated annual targets are realistically achievable.
- When compiling Business Plans or Funding Applications, more detailed audit trails need to be maintained on the sources and calculations used in the production of these reports.
- The content of the planned development required industry expertise in certain fields that were not available in-house. Consultants were appointed to undertake this and the reports produced overwhelmingly supported the case for their inclusion and created an unrealistic impression of the financial returns they could deliver. However, it later came to light that certain operational costs had not been included in their projections, which highlights the need to ensure that external advisors input is properly regulated.
- Any business plans or commercial projections need independent review and testing for any future projects of this capital scale and importance
- Before any major building works contracts are let for the council's estate, detailed surveys should be carried out of the asset to reduce subsequent contract amendments.

*5/ Corporate Sponsorship and Governance.* Both projects were seen in the context of something special and managed outside of the normal processes, without obvious responsibility and accountability. Projects need to be seen as part of the 'business as usual' and be subject to all of the usual reporting and scrutiny.

### 3.4 Recommendations

#### **SPECIFIC**

- Business cases, so far as they exist, for both schemes should be revisited and projections of income, pay back, vfm etc. varied accordingly.
- The Head of Resources determine whether a reserve is required and if so, this be reflected in the 2014/15 budget.
- Annual review of OLSI usage and car-parking in Huntingdon should be carried out and reports sent to the appropriate Scrutiny panel comparing actuals against projections.

#### **GENERAL**

- All capital projects to be reviewed through the capital appraisal process. In terms of governance, more robust assessment is needed and in the future projects shall be put through a capital appraisal process, responsibility for which will sit with Cabinet. Once a project is approved the governance process would require all projects to report monthly through the relevant officer boards and subsequently the highlights to be reported to scrutiny as part of the quarterly performance reporting process.

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- All projects to be run as projects within the council's project management structures, with the supporting documentation.
- All projects will be subject to oversight through the officer project and programme board and through quarterly reports to scrutiny and cabinet.
- All project documentation to be stored on SharePoint and be subject to full version control.
- All major contracts (including contract evaluation) will be reviewed and signed off by the procurement manager.
- Training will be arranged to build the council's capacity for project management preparation and review of business cases and procurement.
- All major projects should have an allocated portfolio-holder and SMT sponsor.
- Greater explanation and clarity needs to be included within the reports Members receive on the Medium Term Financial Strategy (formerly the Medium Term Plan) and budget to allow them to be informed of, and challenge significant changes.
- Any business case relating to capital or revenue 'project' spend above a limit of £50,000 shall be approved by Corporate Management Team in the first instance.

### 4 Post Implementation Review

#### MSCP

Benefit	How To Measure	When To Measure	Resources Required
Jobs protected	A baseline of March 2014 will be used in the absence of any other baseline data for each item.	Annually / monthly / quarterly	Head of Development
New permanent jobs created			
Temporary jobs created			
Environmental improvements			
Additional employment / retail floor space			
New businesses attracted			
Private sector investment			
Increased car parking, footfall and spending			
Better traffic flow/reduced congestion			

#### OLSI

Benefit	How To Measure	When To Measure	Resources Required
A net annual revenue surplus over £540,000 per annum by year 3	Budgets	Quarterly	Head of Leisure & Health
An increase in admissions in excess of 100,000 per annum	Footfall	Quarterly	Head of Leisure & Health

## **5. General Comments**

The experience of these two projects has provided valuable lessons for the council. Ultimately, the schemes delivered two significant assets for the community of the district which have a valuable role to play for residents, businesses and visitors. However, the delivery of both projects could have been done very differently and the recommendations from this report will be overseen by the Corporate Project and Programme Board in conjunction with the Governance and Risk Board and monitored by CMT; Members will be appraised of progress through future reports to Scrutiny.