

EXECUTIVE COUNCIL

PUBLIC

Title:	Response to the Public Accounts Committee Report on Stanley Leisure Centre Swimming Pool Refurbishment
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Responsible Director:	Director of Development & Commercial Services
Report Author:	Director of Development & Commercial Services
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List of Documents:	PAC Review of the Stanley Leisure Centre Swimming Pool Refurbishment April 2019

1. Recommendations

Honourable Members are recommended to approve:

- (a) Submission of the responses to the Assembly as set out in Section 4 of this report;
- (b) That this report be made public after submission to the Legislative Assembly on 27 February 2020.

2. Additional Budgetary Implications

There are no budgetary implications

3. Executive Summary

- 3.1 The Chair of the Public Accounts Committee submitted a letter to the Clerk of the Legislative Assembly and Executive Council dated 2nd July 2019 with a Report dated April 2019 to Members of the Legislative Assembly “Review of the Stanley Leisure Centre Swimming Pool Refurbishment”. The Assembly passed a motion for a response within six months, i.e. January 2020.
- 3.2 The Report provides an analysis of the refurbishment of the Stanley Leisure Centre Swimming Pool which took place over a period of three years from 2012 to 2015.
- 3.3 The PAC made 12 recommendations in the report, recognising that Recommendations 2 and 3 had previously been addressed by FIG, including the appointments of the Head of Procurement and Head of Programme Management together with the implementation of ‘Project in a Box’ software. The remaining recommendations remained a concern to PAC, according to the letter dated 2nd July 2019. PAC requested a response from FIG and a response to the Assembly is provided below:

4. FIG Response

PAC Recommendation 1

- 4.1 **“That FIG ensures all key decision makers and those with delegated authority follow Financial Instructions and must adhere to the relevant authority and practice in respect of project variations ”**
- 4.2 **Response:** Agreed regarding Financial Instructions. The FIG Financial Instructions (Section 8 “Additional Expenditure & Variations”) sets out the procedures as below:
 - 8 Additional Expenditure and Variations
 - 8.1 As stated previously, Accounting Officers have no legal authority to spend beyond the delegated authority from the annual Appropriation Bill, as amended by any Supplementary Appropriation Bill.
 - 8.2 If, in exceptional circumstances, there is a need to incur expenditure on a service not provided for in the estimates the Accounting Officer should apply to the Financial Secretary for authority. The Accounting Officer should provide a concise statement of the nature of the service for which the provision is needed with:
 - 8.2.1 Relevant figures;
 - 8.2.2 The reason why the expenditure could not be foreseen;
 - 8.2.3 Why the expenditure cannot be postponed without detriment to the public service;
 - 8.2.4 Any previous correspondence; and
 - 8.2.5 A summary suitable for presentation to the Standing Finance Committee.

- 8.3 If it is possible to make savings on other items within the directorate, details and reasons for the anticipated savings must also be given. A clear distinction must be made between savings:
- 8.3.1 Due to a service being cheaper than expected or no longer necessary;
 - 8.3.2 Due to a service being postponed or delayed, the full cost of which will be paid in later years.
- 8.4 Anticipating a saving on one item is not in itself a justification for overspending on another.
- 8.5 The Standing Finance Committee is responsible for considering requests for the provision of funds in addition to those already appropriated by Ordinance.14
- 8.6 Immediately after the end of the financial year, Accounting Officers may submit an Application for Budget Carry Over to the Financial Secretary. Funds may only be carried over if either:
- 8.6.1 The funds are for a project that, due to unforeseen circumstances, has not been completed before the year end; or
 - 8.6.2 There are clear timing issues, outside the Accounting Officer's control which have meant that expenditure budgeted for a specific purpose has not been spent and is intended to be used for the same purpose in the following financial year.

PAC Recommendation 2

- 4.3 **“Due tender processes be followed throughout the life of the project including where separable work is created”**
- 4.4 **Response:** Agreed. Reference must be made to the contract documents relating to the particular project in question and Financial Instructions.

PAC Recommendation 3

- 4.5 **“In light of the significant capital projects FIG has planned, better project management is put in place, particularly during the planning stage, which should decide the goals of the project and responsibilities of the key parties”.**
- 4.6 **Response:** Agreed. FIG has already invested significant resources in recruiting professional project managers, strengthening the Programme, Procurement & Contract Management Departments, installation of project management software across FIG (Project in a Box), implemented a training programme and introduced governance structures for all capital projects through Project Boards and commissioning the Professional Services Framework Agreement with Ramboll and Turner & Townsend which establishes a clear pathway of project definition, scope and delivery from RIBA Work Stages 1 to 7 including project & cost management services.

PAC Recommendation 4

4.7 **“There is better contractor management and supervision on all FIG projects, specifically that FIG ensures that all work is properly checked before sign off and that sign off is by a suitably qualified FIG representative”**

4.8 **Response:** Agreed. The implementation of the professional services framework contract with Ramboll/Turner & Townsend has significantly improved FIG’s contract management and supervision including quality checks and final sign off.

PAC Recommendation 5

4.9 **“Better communication and clearer responsibilities between FIG and the contractor”**

4.10 **Response:** Agreed, this should be reflected in contract documentation.

PAC Recommendation 6

4.11 **“Better communication and clearer responsibilities between and within FIG departments, particularly where projects fall across more than one Directorate”**

4.12 **Response:** Agreed. FIG has already implemented clear divisions of responsibility within the governance of its projects. This is overseen at Corporate Management Team level and individual project boards, where individual project leaders are identified and held accountable. Members of the Legislative Assembly are briefed every quarter on the progress of the FIG capital programme.

PAC Recommendation 7

4.13 **“PAC recommends that key FIG staff are not taken off projects without proper handover”**

4.14 **Response:** Agreed. Where possible, FIG ensure proper project hand over as part of good project management practice.

PAC Recommendation 8

4.15 **“In order to achieve best value for money for a project whole life costings must be considered and evaluated for projects when considering options and tenders”**

4.16 **Response:** Agreed. This is usually undertaken during the project evaluation and appraisal stage where appropriate.

PAC Recommendation 9

4.17 **“To achieve whole life value for money, adequate budget must be made available to carry out routine maintenance rather than letting an asset get to a ‘critical state”**

4.18 **Response:** Agreed. This is normally evaluated at the project evaluation stage for significant large infrastructure projects and then factored into a business case for

Executive Council and Standing Finance Committee. Individual FIG directorates assess their routine repair and maintenance requirements during annual budget rounds.

PAC Recommendation 10

4.19 **“That FIG has a robust system in place to ensure that when an employee’s capability or behaviour is questioned, a thorough HR investigation is carried out and is documented”**

4.20 **Response:** Agreed. FIG operates robust HR processes and procedures as set out in the newly approved Management Code.

PAC Recommendation 11

4.21 **“In cases where capability or behaviour is found wanting, FIG does not reward poor performance”**

4.22 **Response:** Agreed. FIG operates robust HR processes and procedures as set out in the newly approved Management Code.

PAC Recommendation 12

4.23 **“A further study and assessment is undertaken on the state of the pool to fully understand the challenges it faces, how long it is likely to last and if anything can be done to prolong its life”**

4.24 **Response:** Agreed. FIG has commissioned Ramboll under the Professional Services Framework Agreement to survey the pool and recommend an appropriate course of action. A survey of the pool has been undertaken and the pool fibre glass lining has been found to be in poor condition and removed. An assessment about the next steps, programme and cost plan is being developed for consideration by Executive Council.

5. Options and Reasons for Recommending Relevant Options

5.1 None

6. Significant Risks

6.1 None

7. Resource Implications

None

8. Legal Implications

8.1 The Public Accounts Committee Ordinance 2009 Section 14(1) states: “If the Committee in reporting to the Legislative Assembly recommends that the Government should or should not take a course of action, the Governor is to submit within six months a written response to the Assembly”.

9. Environmental & Sustainability Implications

9 None

10. Consultation

10.1 The PAC report has been shared with the current Director of Development and Commercial Services (who was not employed by FIG at the time of the refurbishment of the swimming pool at Stanley Leisure Centre).

11. Communication

11.1 None

Public Accounts Committee

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Ref: PAC/19/06/01

2nd July 2019

Cherie Clifford
Clerk of the Legislative Assembly and Executive Council
Gilbert House
Stanley
Falkland Islands

Dear Cherie

Stanley Leisure Centre Swimming Pool Refurbishment

The Public Accounts Committee (PAC) as part of their 2018-19 work plan committed to reviewing the Stanley Leisure Centre (SLC) Swimming Pool Refurbishment. This work had featured on the PAC's 2015-16 work program but had been delayed due to both staffing resource issues and conflict of interest of PAC committee members and the PAC clerk.

The PAC has utilised the resources available to it to facilitate the background research and their written findings are provided in the attached investigation report.

The purpose of the review was to consider whether the funds spent in the refurbishment of the Leisure Centre represented value for money in terms of economy, efficiency and effectiveness. Specifically the scope of the review explored the project management and expenditure of the SLC Swimming Pool Refurbishment and the associated refurbishment of the wet-side changing room and looked at:

- The planning of the works and the reasoning behind key decisions made during the project.
- The tendering process and consideration of quotes.
- Oversight of the refurbishment by the Public Works Department (PWD).
- Variations and additions from the original Executive Council (ExCo) paper.

Key Conclusion:

The investigation concluded that major cost overruns, delays and the quality of the work meant that the pool refurbishment did not represent value for money.

Planning of works, reasoning behind key decisions; tendering process; oversight of project and additions and variations from the original ExCo paper

The PAC investigation found that the initial findings from the Allen J Wilson report in March 2012 indicated that the swimming pool was in a poor state of repair and in urgent need of work. If carried out, the options detailed in the Wilson report predicted the life of the pool and plant could be extended for a further twenty years.¹ The report stated the grout on the tiles had virtually disappeared, it needed to be replaced in order to maintain the remaining tile adhesive to avoid further tiles detaching and the concrete structure of the pool becoming vulnerable.²

The PAC investigation report attached at Annex 1 shows a timeline³ indicating the original report in March 2012, the decision to go ahead with repairs and funding approval to undertake repairs set out above in April 2012 and the closing of the pool in 2013. Evidence gathered during this investigation has been unable to establish how the original decision to grout and retile the pool was overturned and the decision to use GRP was approved.⁴

It is clear that a detailed study into GRP versus tiles was not carried out. The Sport England Guidance for Swimming Pools 2013 specifies two main construction techniques either Concrete (which can be tiled or PVC lined) or Stainless Steel. It makes no mention of GRP pools in its construction and specification considerations.⁵ The investigation concluded that immediate costs were the consideration with no consideration taken into account of costs over the whole life of the pool.⁶

The initial phase of essential work budgeted for in April 2012 at a cost of £136,000 was for repairs to the tiled surface of the existing pool structure. It did not involve works to the wet-side changing rooms, the removal of the toddler pool, the addition of a sauna & hot tub or the pool side refurbishment including the removal of the tiered seating. These additional works and repairs needed for the changing rooms should have been investigated at the time of applying for the main funding for the pool.⁷ In total the works took 15 months to complete with the pool closed to the public from 8th July 2013, when it reopened the total cost was £377,060. This included remedial work due to the failure of the GRP⁸ and the cost to re-fibreglass was the largest component of the £145,000 overspend, bringing back the original company to repair the work at FIG cost rather than under a contractual guarantee of good workmanship by the contractor.

The tender process was dealt with in the investigation with the report indicating that a Tender Board sat in March 2013.⁹ However, the tender process was not carried out correctly by the

¹ Allen J Wilson Report, March 2012, page 1

² Ibid, page 2

³ Review of the Stanley Leisure Centre Swimming Pool Refurbishment, April 2019, page 10

⁴ Ibid, page 9, 6.8

⁵ Sport England Design Guidance Note, Appendix 3 Construction & Specification Considerations, Swimming Pools Updated Guidance for 2013, May revision 004

⁶ Review of the Stanley Leisure Centre Swimming Pool Refurbishment, April 2019, page 9, 6.9

⁷ Ibid, page 14, 9.5

⁸ Ibid, page 8, 6.6 and 6.7

⁹ Review of the Stanley Leisure Centre Swimming Pool Refurbishment, April 2019, page 11, 7.1 to 7.5

Buildings and Maintenance Manager from PWD in accordance with Financial Instructions¹⁰ in place at the time, both in gathering the quotes correctly and in giving the materials element to a company who hadn't quoted and hadn't been part of a tender process. The work for the wet-side changing rooms was not tendered despite a request for £88,000 from ExCo¹¹ which meant it would fall into the requirement for Tendering as per Financial Instructions 2010. The investigation concluded that if due tender process had been followed a different pool contractor may have been used.¹²

Delays following the original report, the tender process and the initial closure of the pool were highlighted in the investigation report and it was found that most of these delays were avoidable had there been better communication between Central Services for SLC, Treasury and PWD.¹³

The project was not scoped up front with a clear timetable and budget in place and the oversight of the project was confused. The original plan in 2012 was for the works to be overseen by an expert;¹⁴ however this did not happen and instead was delegated to the Buildings and Maintenance Manager who had limited experience in swimming pool design and construction. Moreover, when the Buildings and Maintenance Manager was away, there was no provision for supervision¹⁵ of the project by someone with experience in this area and work was not properly inspected before sign off. In addition, it was reported that the Buildings and Maintenance Manager did not report to anyone in Central Services or PWD on the progress of the refurbishment so there was no FIG oversight at a higher level.¹⁶

There was a lack of clear responsibility between SLC, PWD and the contractor, meaning some jobs did not get finished.¹⁷ The poor quality of the work by the contractor was apparent within a few months of the pool reopening and the SLC Manager reported several problems to PWD.¹⁸ The SLC staff raised other concerns at several points with both the Buildings and Maintenance Manager and the Director of Central Services¹⁹ but their concerns were not investigated²⁰. Frequent staff changes at SLC throughout the period of the pool refurbishment and subsequent work meant that continuity and communication issues were exacerbated and this was compounded by a junior staff member being promoted into a managerial position without being given the support needed to be effective.²¹ Routine maintenance on the pool by SLC was limited to maintenance when problems occurred, with only a small budget set for routine pool maintenance. There was no planned maintenance schedule, had this been better managed and financed much of the deterioration of the pool could have been avoided.²²

¹⁰ FIG Financial Instructions Year 2010 Edition, Chapter 10 Tenders & Contracts, clauses 1001 and 1007

¹¹ Review of the Stanley Leisure Centre Swimming Pool Refurbishment, April 2019, page 14, 9.4

¹² Ibid, page 5,

¹³ Ibid, page 8, 6.4

¹⁴ Ibid, page 12, 8.1

¹⁵ Ibid, page 12, 8.3

¹⁶ Ibid, page 12, 8.2

¹⁷ Ibid, page 12, 8.6

¹⁸ Ibid, page 12, 8.5

¹⁹ Ibid, page 13, 8.7

²⁰ Ibid, page 4, 3.5

²¹ Ibid, page 4, 3.5

²² Ibid, page 4, 3.6 and page 13, 8.9

The investigation report noted that following concerns over the handling of the refurbishment, Internal Audit had been asked to investigate the Buildings and Maintenance Manager. 'The investigation found evidence of poor project management and inappropriate behaviour towards staff and contractors at the Leisure Centre' and recommended that the allegations be dealt with via HR disciplinary processes.²³ HR records show no further investigation was carried out and despite the allegations.

Finally, the investigation report notes that the current SLC manager, with 30 years pool management experience,²⁴ has stated that bits of glass fibre are being found in the backwash²⁵ and the investigation report found that weakened concrete structure underneath the glass fibre was not repaired during the renovations,²⁶ therefore the remedial work carried out in 2014/15 may still not be sufficient to ensure the integrity or the length of life left in the swimming pool.

Recommendations:

In light of the seriousness of the findings of the investigation the PAC recommends:

Recommendation 1:

The PAC recommends that FIG ensures that all key decision makers and those with delegated authority follow Financial Instructions and must adhere to the relevant authority and practise in respect of project variations.

Recommendation 2:

The PAC recommends due tender processes be followed throughout the life of the project including where additional separable work is created.

Recommendation 3:

The PAC recommends that in light of the significant capital projects FIG have planned, better project management is put in place, particularly during the planning stage, which should decide the goals of the project and the responsibilities of key parties.

Recommendation 4:

The PAC recommends that there is better contractor management and supervision on all FIG projects, specifically that FIG ensures that all work is properly checked before sign off and that sign off is by a suitably qualified FIG representative.

Recommendation 5:

The PAC recommends better communication and clearer responsibilities between FIG and the Contractor.

²³ Ibid, page 13, 8.10

²⁴ Ibid, page 9, 6.10

²⁵ Ibid, page 13, 8.11

²⁶ Ibid, page 14, 9.3

Recommendation 6:

PAC recommends better communication and clearer responsibilities between and within FIG departments, particularly where projects fall across more than one Directorate

Recommendation 7:

PAC recommends that key FIG staff are not taken off projects without proper handover.

Recommendation 8:

The PAC recommends that in order to take achieve best value for money for a project whole life costings must be considered and evaluated for projects when considering options and tenders.

Recommendation 9:

PAC recommends that to achieve whole life value for money, adequate budget must be made available to carry out routine maintenance rather than letting an asset get to a 'critical state'.

Recommendation 10:

The PAC recommends that FIG has a robust system in place to ensure that when an employee's capability or behaviour is questioned, a thorough HR investigation is carried out and is documented.

Recommendation 11:

The PAC recommends that in cases where capability or behaviour is found wanting, the FIG does not reward poor performance. For example if performance does not meet agreed terms and outputs, in the case of short term contractors FIG should consider linking the final payment of gratuity at end of a contract of employment to performance. In the case of local employment contracts, the automatic incremental salary step (but not the inflationary increase) should not be applied where capability or behaviour is found wanting.

Recommendation 12:

The PAC recommends that a further study and assessment is undertaken on the state of the pool to fully understand the challenges it faces, how long it is likely to last and if anything can be done to prolong its life.

In Summary:

The Swimming Pool Refurbishment at Stanley Leisure Centre did not represent value for money due to major cost overruns, delays and the quality of the work.

The PAC has made a number of recommendations but since this report is retrospective the PAC is satisfied that the some of the issues highlighted in this report around project management, tenders and contracts are being recognised by FIG and indeed some of the issues have been addressed with appointments of project managers on some capital projects going forward. The recent appointment of a Head of Procurement gives some reassurance that the processes around tendering and contracts are being addressed by FIG in Recommendation 2. Similarly some project management issues in Recommendation 3 have been addressed by FIG with the two year appointment of the Head of Programme Management (contract ends June 2019).

There were significant steps forward with the implementation of 'Project in a Box'. However the other Recommendations remain a matter of concern.

It is our intention to publish this report at our earliest convenience, but the committee wanted to give the Government prior notice of our intention.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A Clausen', is positioned below the text 'Yours sincerely'.

Dr Andrea Clausen
Chair
Public Accounts Committee

c.c. HE The Governor
Chief Executive

Enc. Public Accounts Committee Review of the Stanley Leisure Centre Swimming Pool Refurbishment April 2019 with Annex of Studies in Work Health and Safety Consultants 2012 report.

The Public Accounts Committee

Falkland Islands

Review of the Stanley Leisure Centre Swimming Pool Refurbishment

Public Accounts Committee Report April 2019



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Executive Summary

This report provides an analysis and evaluation of the refurbishment of the Stanley Leisure Centre Swimming Pool which took place over a period of three years from 2012, following a report indicating the urgent need for works to ensure the safety of the pool, through to the completion of works in 2015.

The analysis and evaluation of the refurbishment was considered in terms of whether it represented value for money. The review explored the management of the project and expenditure incurred focusing on the planning of the works, key decisions taken, tendering process, oversight of works and variations and additions to the project. The research included written evidence from a number of sources as well as interviews with key stakeholders.

The review uncovered major failings in the areas of tendering, oversight and planning of the project, communication between parties involved, lack of rationale or documentation of decisions, poor control over the quality of the work, as well as significant delays and cost overruns. The report's results concluded that the Leisure Centre refurbishment did not represent value for money.

The major areas of weakness highlighted by this report require further action by FIG management and twelve recommendations have been made to address the Public Accounts Committee's concerns in the covering letter to this report.

Background to the Public Accounts Committee

The Public Accounts Committee (PAC) is appointed under the Constitution to:

"Examine and report on all public accounts and audit reports that are required to be laid before the Legislative Assembly and shall have such other functions, and shall operate under such procedures as may be prescribed by or under an Ordinance"

The following additional functions are set out by the Public Accounts Committee Ordinance 2009:

- a) to advise the Governor on appropriate arrangements for the auditing of accounts under section 80(1) of the Constitution, the respective priorities of audits under that subsection and the effectiveness of those audits;
- b) in its discretion, to examine and report to the Legislative Assembly on the accounts of any body of a kind that is specified in the Schedule:
 - 1. Bodies which receives public money
 - 2. Bodies in which Government is a shareholder
 - 3. Bodies in which statutory bodies are shareholders
- c) to examine and report to the Assembly on all internal audit reports produced by the Internal Audit Department of the Government;
- d) to consider and report to the Assembly on the effectiveness of the regulation by the Government of bodies to whom the Assembly or the Government has granted franchises to provide services of a public nature; and
- e) to consider and report to the Governor on any other matter that the Governor may refer to the Committee.'

Current Membership

Dr Andrea Clausen (Chair)

Mr Richard Cockwell

Ms Nadia Knight

Mr Mark Pollard MLA

Mr Barry Elsby MLA

Clerk – Mrs Nancy Locke

1. Introduction

1.1 In early April 2012, Stanley Leisure Centre (SLC) management invited a swimming pool consultant to review the current state of SLC's pool. The report was issued on 31/03/2012 to leisure centre management, which stressed the need for urgent repair works to take place on the swimming pool.

1.2 The work was originally scheduled to start in November 2012, including a newly tiled main and toddler pool, with both expected to last for 20 years.

1.3 The pool eventually shut on 08/07/2013, over 15 months after the pool report stressed the need for urgent works to be carried out within a year.

1.4 The initial estimate of 4 weeks was revised upwards to 20 weeks, 14 weeks for work on the pool – at this point intended to cover remedial work on the concrete structure and 5-6 weeks for the associated gallery works. The initial target date for reopening was mid-January 2014; however on refilling the pool, a build-up of water between the old tiles and the glass fibre was noticed. This caused the glass fibre to buckle and start separating from the pool base.

1.5 The pool eventually reopened on in June 2014. Remedial works on the changing rooms took place in October 2015. In December 2015 work was then carried out on the fabric of the pool itself.

2. Scope of the report

2.1 The report examines the project management and expenditure in relation to the refurbishment of SLC's swimming pool and the associated refurbishment of the wet side changing rooms. The report specifically looks at:

- The planning of the works and the reasoning behind key decisions made during the project
- The tendering process and consideration of quotes
- Oversight of the refurbishment by the Public Works Department (PWD)
- Variations and additions from the original Executive Council (ExCo) paper

3. Key Findings

3.1 Various refurbishment options weren't considered or assessed - the initial plan was to retile the pool, as outlined in the funding request. The decision to change to a glass fibre lining was taken without full consideration of its benefits/ drawbacks.

3.2 Whole life costing was not considered - The plan for the refurbishment of the pool focussed on immediate cost with no consideration of costs over the whole life of the pool. The leisure centre manager at the time expressed concerns about simply choosing the cheapest option but there is no evidence these were considered. Minutes of the tender board show that some quotes were dismissed without consideration as they were deemed "too expensive".

3.3 Additional, separable, projects were added to the work and given to the main contractor without challenge - Whilst the decision to refurbish the changing rooms was submitted to ExCo, other work variations were taken in order to expand this to include related areas, such as the seating area and installing a hot tub in place of the toddler pool. It is not clear how these additional projects were agreed and the (in addition to the main pool refurbishment) were not compliant with the financial instructions, for example the changing rooms refurbishment, which had no tender board being held despite being above the threshold.

3.4 The project lacked adequate supervision - The original plan in 2012 was for the works to be overseen by an expert. This did not take place and instead supervision was delegated to the buildings and maintenance manager, who had limited experience in swimming pool design and construction. When the maintenance manager was on leave no-one oversaw the works. No documentation (such as progress reports, site inspections or minutes of meetings with the contractor) was seen by SLC staff or PWD management.

3.5 Frequent staff changes led to continuity and communication issues - throughout the period of the planning of the pool refurbishment and subsequent work, SLC had three managers in a period of two years not including two periods within this time without any manager. Junior staff were promoted into managerial positions and not given the necessary support to be effective in the job.

3.6 SLC were not doing routine maintenance on the pool - little preventative maintenance took place prior to 2013, with maintenance only being undertaken when problems occurred, with only a small budget set for pool maintenance. This led to a deteriorating condition, forcing the need for urgent works.

3.7 The PWD paid the contractual bonus to the maintenance manager despite concerns over project management – several SLC staff members raised concerns over poor project management and also over treatment of SLC staff and suppliers during the refurbishment. The evidence available suggests these concerns were either not considered or any related decision on this was not documented.

4. Conclusion

Due to major cost overruns, delays and the quality of the work the pool refurbishment did not represent value for money. Key issues for FIG to learn from include:

- better contractor management and supervision, ensuring all work is properly checked before sign off.
- better communication and clearer responsibilities both between and within departments, with key staff not being taken off the projects without proper handover.
- ensuring the financial instructions are followed in respect of both project variations where additional, separable work is created and the tendering process. If due tender process had been followed a different pool contractor may have been used.

For capital projects to be more successful going forwards FIG needs to ensure better project management is put in place, including during the planning stage, which should decide the goals of the project and the responsibilities of key parties.

5. PAC considerations in making recommendations

5.1 Undertake an options appraisal for all major capital projects - the current threshold for options analysis is set at £500,000 per the financial instructions. FIG should consider if the threshold is still reasonable and for sensitive projects or those with high public interest undertake an options appraisal regardless of expected cost.

5.2 Whole life costing for projects should be considered when evaluating options and tenders. More flexibility with budgets needs to be shown and budgets should not be set without a range of quotes being sought. This ensures the budget being considered is practical given the range of quotes received.

5.3 The full project should be scoped up front with a clear timetable and budget in place. Additional related projects should be properly considered and not decided on an ad hoc or opportunistic basis. If extra work is separable from the main contract it should follow the financial instructions. Work should not be awarded based on convenience, especially if the contractor has never worked with FIG before, meaning nothing is known about the quality of their work.

5.4 Proper project oversight should be put in place with supervision from someone who has experience in that area, in this case swimming pool maintenance. If the supervisor is away for part of the works, cover by an experienced person should be arranged. All work should then be inspected in detail before being signed off. Progress/ inspection reports and minutes of meetings with the contractor should be documented.

5.5 Routine maintenance should be carried out on the pool to try and address issues before they arise, rather than letting it get to a 'critical' state. In order to ensure routine, pro-active maintenance can be done effectively an adequate maintenance budget needs to be set, with an aim to set this as 1% of the initial pool cost per annum (see paragraph 8.8).

5.6 Roles within the leisure centre should be defined clearly – if FIG wants to give local staff managerial experience then the staff member should be supported by an experienced deputy or technical manager. The responsibility for building maintenance also needs to be clearly defined, as neither the PWD nor SLC understood who was responsible.

5.7 Given the problems described with the pool and conversations with both current and former stakeholders in the pool, SLC should investigate the possibility of having another assessment undertaken on the state of the pool to fully understand the challenges it faces, how long it is likely to last and if anything can be done to prolong its life.

5.8 Where questions are raised about an employee's capability or behaviour, these should be thoroughly investigated by HR and for any contractors consider reducing or withdrawing the end of contract bonus and document this decision.

Detailed Review:

6. Planning the works and key decisions

6.1 When the consultant's report was issued to leisure centre management, it stressed the need for urgent repair works. At the time PWD also recommended that an expert pool engineer be brought in from the UK, to undertake a full assessment of state of the pool, including draining it, based off the findings in the initial report. The work was originally scheduled to start in November 2012 and result in newly tiled main and toddler pools, both expected to last for 20 years.

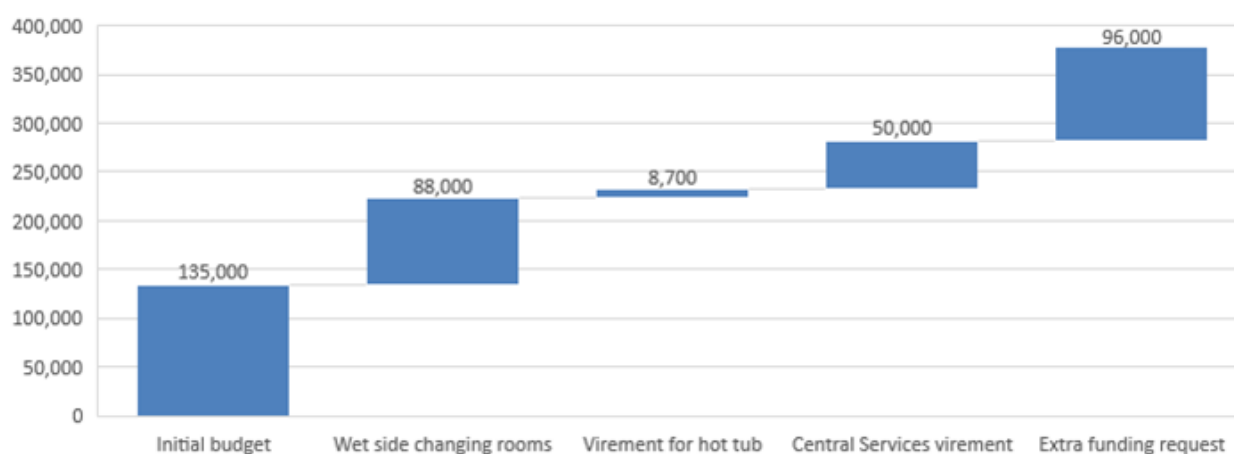
6.2 The pool eventually shut on 8 July 2013, 15 months later. When the pool reopened in 2014 the total cost was £377,060.

The breakdown of the funding requests is as follows:

April 2012	£135,000 ¹	Retiling costs for main and toddler pools – initial budget
July 2013	£ 88,000 ²	Extra funding requested to refurbish wet side changing rooms
September 2013	£ 8,700 ³	Transfer of unused funding (virement) for the hot tub
June 2014	£ 50,000 ³	Virement from savings within Central Services
June 2014	£ 96,000 ³	Extra funding request based on estimated completion costs

Figure 1 graphs how the budget and funding evolved over the course of the project

Figure 1



6.3 The impact of the £50k virement on other areas of Central Services has not been quantified and it is unclear where the savings were made or if cuts to other areas were necessary in order to make the savings. However, if this amount did represent genuine savings by Central Services this could have been allocated to the reserves, to help fund major capital projects in the future.

6.4 Several reasons led to the 6 month delay in initially closing the pool, these included:

¹ Memo from Simon Fletcher, former director of Central Services – “Urgent repairs to SLC Swimming Pool”, dated 30/04/2012

² Standing Finance Committee paper 183/13, “SLC – Capital expenditure bid”, dated 24/07/2013

³ Standing Finance Committee paper 16/14, “Swimming Pool Refurbishment”, dated 04/06/2014

- objections by the new buildings and maintenance manager, who started in July 2012, over the planned repair specification for the pool,
- communication issues with suppliers/ shippers,
- delays in obtaining a financial certificate
- and delays in holding a tender board.

Most of these delays were entirely avoidable if there had been better communication between Central Services, PWD and Treasury.

6.5 SLC was under the jurisdiction of Central Services, whilst the refurbishment contract responsibilities were with the PWD. The Treasury had final approval of the project and costs. All parties were involved in the tender board.

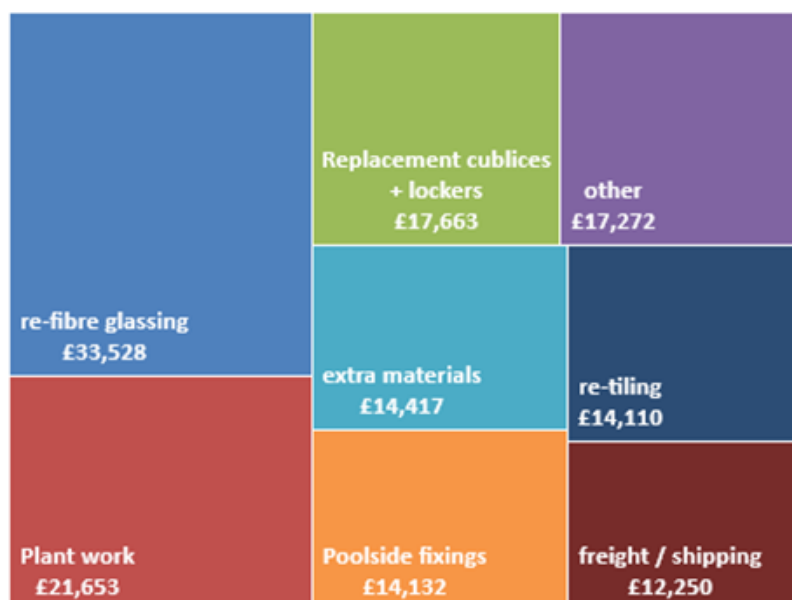
The initial estimate of 4 weeks was revised upwards to 20 weeks, broken down into:

- 14 weeks for work on the pool – at this point intended to cover remedial work on the concrete structure
- 5-6 weeks for the associated gallery works.

6.6 The target date for reopening was mid-January 2014; however on refilling the pool, a build-up of water between the old tiles and the glass fibre was noticed. This caused the glass fibre to buckle and start separating from the pool base. When the contracts engineer, who oversaw the later stages of the work, entered the balance tank, they found that the fibreglass did not surround the tank completely or go behind the pipes.

6.7 Of the £145,000 overspend; the largest component of this was on re fibre-glassing the pool, after the sides were blown out. Figure 2 shows the breakdown of the overspend.

Figure 2



Other costs include replacement fixtures / equipment that got broken, commissioning, skip fees, flights, fuel, admin costs (e.g. visas). New cubicles and lockers had to be purchased as the original units were damaged during removal in order to renovate the changing rooms⁴.

6.8 It is not clear why the original plan to retile and regrout the pool was not followed through. The decision to switch to installing a glass fibre shell was taken at the suggestion of the new buildings and maintenance manager, who arrived in July 2012. The director of public works at the time commented in Penguin News this was due to ongoing problems with the tiles and grout⁵ and has since reiterated this when speaking to audit. Other former PWD engineers have told audit that different grouts were available which would withstand chemical additives. Epoxy grout was eventually used and this should have been able to withstand the pool chemicals.

6.9 Glass fibre was also a cheaper and quicker option – if the tiling option had been chosen the old tiles would have needed to be removed and the pool regrouted, with some work on the concrete likely to have been needed at that time. Instead, the glass fibre shell was placed on top of the old tiles, with no remedial work needing to be done on the original structure. At the time, all departments were being pressured to reduce their budgets by 5% over 3 years. The focus on low initial cost meant that SLC and the PWD did not consider whether this approach would result in long term value for leisure centre users, e.g. if there were problems with the glass fibre lining resulting in a UK based team coming down to fix it, due to there being no knowledge of fibre glassing on the islands. This approach was questioned by the SLC manager at the time, but there is no evidence their concerns were acted on.

6.10 The current leisure centre manager, with 30 years pool management experience, the former contracts engineer and the assessor who wrote the initial report on the state of the swimming pool told audit they considered glass fibre to be unsuitable to be used for a large, community pool.

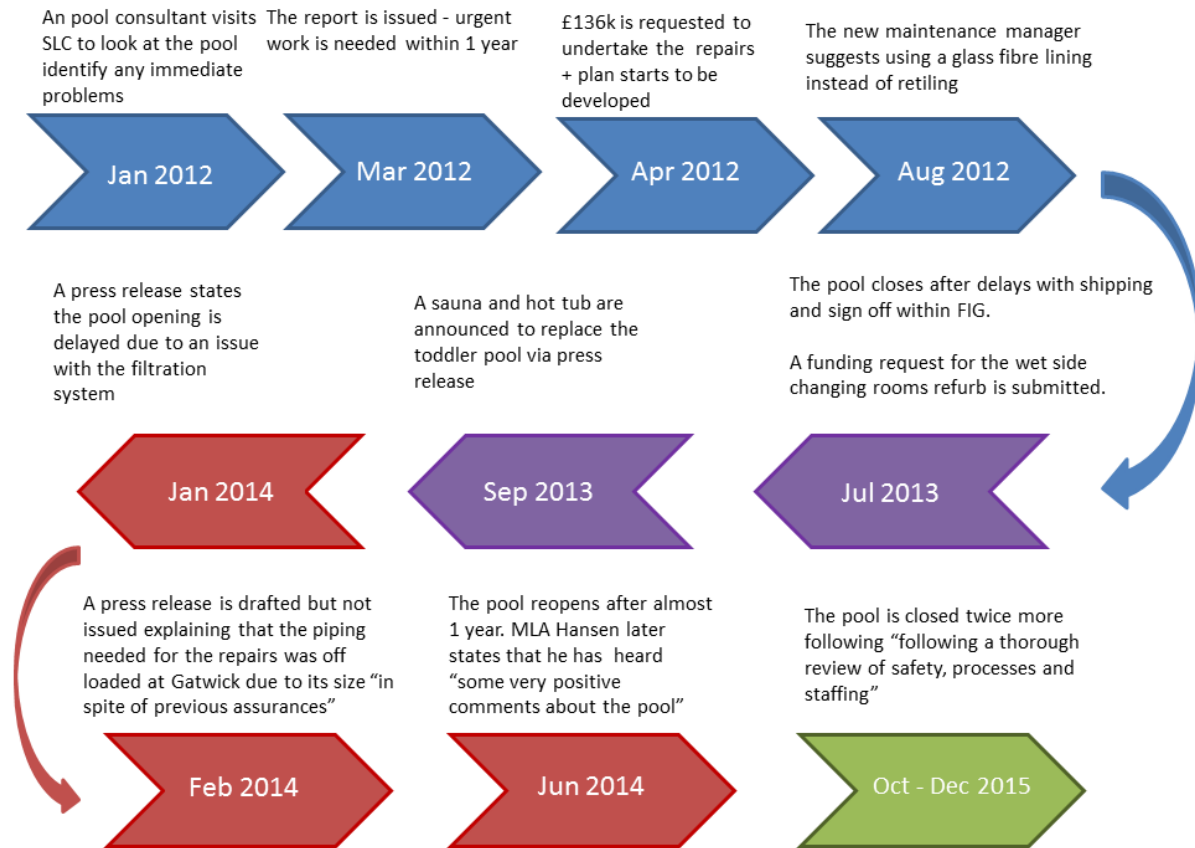
6.12 After opening in June 2014, it was subsequently closed twice in 2015, firstly for remedial works on the changing rooms in October and December for some investigative work on the fabric of the pool itself.

Figure 3 shows a timeline of work done on the pool and when decisions were taken.

⁴ Analysis of the overspend by the contracts engineer in 2014

⁵ Penguin News, January 17th, 2014

Figure 3



7. Tendering process

7.1 The tender board was held on 12 March 2013. In the minutes the financial secretary noted that the tender board should have been held in December and that she had also advised the buildings and maintenance manager that other quotes were required. He had stated he was not aware of this.

7.2 This led to the lining and the plant works being decided on a single tender basis. The tender board were informed that other companies had been approached to supply the plant but that the details weren't available at the time of the meeting as they had been deemed to be too expensive. Whilst the company contracted for the plant works was local and had previously maintained equipment, the tender board did not see all the quotes and so could not make a fully informed decision.

7.3 The materials supply for the lining did have two quotes that were discussed at the tender board and the board were informed that a technical evaluation had been undertaken on both of the quotes. Despite this shortly after the tender board, one supplier withdrew their quotation claiming it had been based incorrect information supplied. This was followed up by audit during the course of this study. The supplier alleges that the maintenance manager, in order to get the required number of quotes, provided them with a copy of a rival quote and asked them to undercut it slightly. The supplier stated both at the time and again when asked for this study, that they had been pressured into quoting after originally stating they wouldn't.

7.4 This contract was not retendered and was instead informally agreed that GRP lining (who hadn't provided either of the original quotes) would provide the specialist materials with others being purchased on the islands. The buildings and maintenance manager has now left the islands but was e-mailed during the course of this study to get his perspective on this and other aspects the work. Nothing was heard back from him.

7.5 Before GRP lining was engaged, two references were sought to ensure the reputability of the supplier, one coming from a large company and the other was a boarding school housing 440 students in 2016⁶. Both these references came back positive, with no concerns. However the company is not listed as a client on the GRP website.

⁶ Figure taken from an Independent Schools Inspectorate report

8. Oversight of the refurbishment by Public Works Department

8.1 Originally, an expert was planned to oversee the works and local labour would be used, as it was recognised there was not the expertise on the island to oversee the works, including within the PWD.

8.2 The new buildings and maintenance manager disputed the recommendations of the report and felt that he could not fully make an assessment of the pool without it being fully drained and being present to assess it. The PWD had undertaken a photographic survey of the pool and probed the structure, which had found further issues not picked up on in the independent report. However, when audit reviewed the maintenance manager's work experience it indicated he did not have any specialist pool knowledge. His assertion that retiling the pool should not have been recommended is contrary to statements from current SLC management, experienced in pool management and former PWD engineers spoken to whilst preparing this report. The current director of PWD (then deputy director) felt a major issue was around the maintenance manager not reporting to anyone in either Central Services or PWD on the progress of the refurbishment.

8.3 The SLC manager who was present during the works stated that the buildings and maintenance manager signed off the work without doing any checks, though audit has not been able to verify this. During periods when the maintenance manager was unavailable, there was no one overseeing the work.

8.4 Staff who worked there at the time of reopening and former engineers, spoken to as part of this report commented on the heavy build-up of condensation within the changing rooms, due to no ventilation being installed. This was then reinstated after the new maintenance manager arrived in late 2014.

8.5 A few months after the pool reopened the SLC manager reported several problems to PWD including parts of the glass fibre in the changing rooms and pool area chipping away. The response from the pool contractor was that iron in the water was affecting the finish. The changing rooms were subsequently closed for two weeks in October 2015, after deterioration in the shower areas of the changing rooms, to allow essential works to be carried out⁷. Audit inspected the wet side changing rooms and found that the glass fibre was uneven and lumpy in places.

8.6 A lack of clear responsibility between SLC and PWD and the contractor meant that some jobs did not get finished. One example of this was the temporary wooden skirting put in place until plastic skirting arrived. This was never dealt with and the temporary skirting was not replaced until the wood started to rot. This situation could also have been avoided if clear negotiations and communications with suppliers had taken place, ordering the correct materials in time to arrive on the islands for the refurbishment. When problems arose with the shipping of certain materials, PWD agreed with the contractor that they would source the specialist materials and that generic materials would be bought on the islands. No research was done into whether these materials would be available and of the correct quality.

⁷ FIG Press Release, 09/10/2015, "Swimming Pool Closure for Essential Works"

8.7 Whilst there is no significant Health & Safety legislation in place in the Falkland Islands, the terms and conditions of the contract stated that the contractor would take all practical steps to minimise health and safety risks to FIG's employees. Despite this, former SLC staff have stated they were helping with the refurbishments including using hydrochloric acid to clean tiles without the use of any personal protective equipment. Concerns were raised to both the maintenance manager overseeing the works and the director of Central Services, but no investigation into these allegations was undertaken.

8.8 With the original pool drained, the opportunity could have been taken by the buildings and maintenance manager to do a more detailed assessment into the state of the pool and to do any general maintenance work that would have been easier to undertake with the pool closed. An example of this is the roof joists that could have been painted with the pool empty. Painting would then help to preserve their life by helping provide a protection against rust.

8.9 More proactive maintenance could have also helped avoid some issues with the pool. In order to effectively undertake proactive maintenance, there needs to be an adequate maintenance budget. Industry guidance suggests this should be 1% per annum of the initial project cost, over a 25 year lifetime⁸. The budget in recent years, for all SLC maintenance, has been £20k, however for the 17/18 financial year SLC requested the budget be increased to £40k, noting "emerging issues in terms of quality of swimming pool" and aiming to implement planned pro-active maintenance, recognising this would reduce downtime. SLC should keep the maintenance budget under review and consider having a separate budget for the pool. The repairs and maintenance spend since 2014 has averaged £19,309, but has been exceeded significantly in the past two years, by 16% and 33%

8.10 Following concerns over the handling of the refurbishment, internal audit were asked to investigate the maintenance manager. The investigation found evidence of poor project management and inappropriate behaviour towards staff and contractors at the leisure centre by the maintenance manager. Audit recommended that the allegations be dealt with via HR disciplinary processes. HR records show no further investigation was done and the end of contract bonus was paid. In future all such decisions should be documented with a clear reason of why action was taken or not.

8.11 The way in which the refurbishment was carried out resulted in further closures of the pool after the reopening and the current manager at SLC has stated bits of glass fibre are frequently being found in the backwash. The concrete structure underneath the glass fibre was not repaired, despite investigations showing that it had been weakened.

⁸ Sport England – Life Cycle Costings – Sports Halls, Swimming Pools & Changing Rooms

9. Variations and additions

9.1 There were 3 main deviations/ additions to the original project scope (excluding the decision to switch from a tiled finish to glass fibre). These were:

- The funding request to refurbish the wet side changing rooms
- The removal of the toddler pool and replacing it with a sauna/ hot tub
- The removal of the tiered pool side seating

9.2 ExCo approval was only sought for the wet side changing rooms' refurbishment, with the other changes being classed as part of "the day to day management of budget allocations" by the director of Central Services.

9.3 Additionally, after the original funding request was submitted in April 2012, further assessments of the state of the pool were undertaken by PWD, including survey work with a probe that found evidence of weakened concrete. When the works were being initially planned this included removal of the old tiles and remedial works on the underlying concrete structure. Audit's review of the available evidence was not able to discover why these works were not undertaken (the glass fibre shell was eventually just placed into the existing pool space with no work done on it).

9.4 £88,000 was requested for the wet side changing rooms, which was submitted to ExCo on 24/07/2013. This work was not tendered in accordance with the financial instructions, which state that a full tender board be held for work costing over £50,000. The funding request to refurbish the wet side changing rooms⁹ stated "It is proposed that we take advantage of the pool replacement work and the opportunity the presence on the Islands a master tiler and fibre glass specialists presents to refurbish the wet-side changing rooms so the two areas can be completed together." At this point in time no work on the pool had been done and FIG had no experience with the quality of work on offer by the contractor.

9.5 Furthermore, as the changing rooms needed repair the potential for their refurbishment should have been investigated at the same time as applying for funding for the main pool. Since this refurbishment the shower area has been re-tiled due to issues with the original flooring laid.

9.6 The decision by the director of Central Services to close to the toddler pool and replace it with a sauna and hot tub was noted by Penguin News at the time as causing "controversy locally". Reasons given for the closure of the toddler pool related to health and safety, around pool design and parental supervision¹⁰. The pool depth was only 0.3m, which is half the recommended depth for a learner pool¹¹. Former SLC staff have stated that the placement of the pool meant that it was not possible to make it any deeper in its current position, however no exploration of moving the pool was undertaken.

⁹ ExCo paper 183-13

¹⁰ Penguin News, Friday, September 13, 2013, "Adult recreation replaces toddlers' unsafe play pool"

¹¹ Sport England – Swimming Pools – Layout and Dimensions

9.7 The hot tub was bought via a recommendation from GRP lining (the main pool contractor) without any research into either the supplier or the model itself. The model had been designed for private/domestic use¹² and not frequent public use. The SLC manager reported it had issues from installation, such as it short circuiting and not heating up. In February 2016 the unit was sold for £350 locally after being bought for £4,014. There is still an operational hot tub based at the Malvina House Hotel, for use by non-residents at a charge; however there is no longer any toddler pool within Stanley.

9.8 No rationale was given for some of the other decisions, such as removing the tiered seating, which was replaced by some pool side chairs and glass tables and there is no transparency over the cost of this additional work.

¹² Tender file on the disposal of the hot tub, which included the original catalogue listing for the model

Appendix 1 – Evidence Base

The evidence for this report was gathered from a number of sources, including:

E-mail correspondence relating to the refurbishment

ExCo papers and funding requests relating to the refurbishment

Minutes from the tender board, held in March 2013

Quotes from suppliers and interviews with suppliers

Interviews with several former leisure centre managers and staff members

Original report on the state of the swimming pool, from April 2012

FIG Press Releases

Penguin News articles related to the refurbishment

A walkthrough of the poolside area, wet side changing rooms and plant room in December 2018

Technical guidance relating to swimming pool design, issued by Sport England

Appendix 2 – 2012 Studies in Work Report, by Allen J Wilson FISPE,
Tech IOSH, Health and Safety Consultants to the Pool Industry