

PUBLIC ACCOUNTS COMMITTEE

REVIEW OF THE FISHERIES BUILDING PROJECT



May 2022

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Abbreviations

FIPASS	Falklands Interim Port and Storage System
ExCo	Executive Council
DoA	Department of Agriculture
DNR	Director of Natural Resources
PWD	Public Works Department
AIS	Automatic Identification System
FIG	Falkland Islands Government
MFL	Morrison Falkland Limited
M&E	Mechanical and Electrical Systems
LTF	Lowfield Timber Frames
DPW	Director of Public Works

Executive Summary

- 1.1 The new Fisheries building, completed in October 2012, was a much needed replacement of the old Fisheries offices on FIPASS. The old offices were deteriorating and becoming unsafe for personnel to work in and it had been *'on the cards'*¹ for many years there was a need to replace them. In March 2010 ExCo paper 75/10 proposed that a new Fisheries building be erected next to and linked to the Department of Agriculture to co-locate the departments. Potentially this would have multiple benefits, this was agreed *'desirable'*,² so the next stage was for a more detailed design.



FIPASS – the offices are situated on the left of the picture nearest the causeway

- 1.2 In January 2011 a second ExCo paper³ was published including a revised budget cost for the project and a proposed design for the new building. Members agreed that the old offices on FIPASS were *'dreadful'*⁴ but believed that more thought should go into the design submitted in the paper before being accepted. Yet the request for £640,000 was referred to the Budget Select Committee for approval subject to further discussion on the layout and plans.
- 1.3 In July 2011 quotations were received for the building itself and after a tender process it was decided the building would be ordered from Lowfield Timber Frames. Other quotations from various subcontractors involved with the project were also obtained during this time by the main contractor, Morrison Falkland Limited (MFL), and by November 2011 all quotes had been obtained amounting to a total cost of £951,305.

¹ ExCo Paper 75/10, 2010

² ExCo Meeting REF Doc No. 94, 2010

³ ExCo Paper 34/11, 2011

⁴ ExCo Meeting Doc No. 29, 2011

- 1.4 Due to the new costings received for the Fisheries building project, a third ExCo paper⁵ was submitted to request the sum of £370,300 to account for the additional budget required to complete the project, this was approved by ExCo.
- 1.5 In 2011 the construction commenced and in October 2012 the building was completed. On a final inspection it was deemed “*a signature building in FI*” by the building adviser and overall considered a successful project. The building was to feature solar panels and underfloor heating systems which were anticipated to save money in the long run although the savings are not recorded separately to be able to quantify the benefit financially, although hopefully both elements contribute environmentally.
- 1.6 In the last eighteen months two improvements have been made to the building. The conversion of the loft space for use as offices and additional ladies toilets which were both needed due to additional staff members and the ratio of male to female staff changing.
- 1.7 Upon completion the project was significantly over the original estimate of £600,000 to £750,000, the final cost of the completed building being £1,000,898.
- 1.8 This report addresses the background to the project and concludes that the original cost estimates were unrealistic and that the project was not future proofed for expansion of the department. However it also recognises that the Falkland Islands Government has made progress in project management, procurement processes and scoping of projects.
- 1.9 Areas of consideration for recommendations. This report addresses the background to the project and concluded that the original cost estimates were unrealistic and that the project was not future proofed for expansion of the department. It also raises questions of optimism bias and identifying measurable financial benefits of environmental elements of the building. However, on a positive note the report recognises that the Falkland Islands Government has made progress in project management, procurement processes and scoping of projects since the Fisheries building project.

⁵ ExCo Paper 283/11

About the Public Accounts Committee

- 2.1 The Public Accounts Committee (PAC) was established by section 81 of the Constitution⁶ and it is regulated by the Public Accounts Committee Ordinance 2009.⁷

The PAC's membership

- 2.2 The PAC has five members:

- After consulting Members of the Legislative Assembly (MLAs), the Governor appoints the PAC Chair and two other PAC members. (None of these can be MLAs. Nor can the Financial Secretary, described in the Constitution as Director of Finance, be a member of the PAC.)
- The Legislative Assembly elects 2 MLAs to be the other two PAC members. (An MLA cannot serve on the PAC at the same time as being a member of Executive Council nor at the same time as being the Chair or Deputy Chair of the Standing Finance Committee - see section 81(1) of the Constitution and section 5 of the Ordinance.)

- 2.3 The current members of the PAC are:

- Andrew Newman (Chair)
- Sacha Cleminson (Deputy Chair)
- Nadia Knight (Lay Member)
- MLA Teslyn Barkman
- MLA Peter Biggs

- 2.4 The work of the PAC is supported by a full time Clerk, Nancy Locke, and it can also engage other people to assist in its work.⁸

The PAC's role

- 2.5 The functions of the PAC⁹ can be summarised as follows:

- to examine and report on public accounts and audit reports, including those of FIG itself, as well as statutory bodies, bodies that receive public money and bodies in which FIG or a statutory body is a shareholder;¹⁰

6 <https://www.legislation.gov.uk/ukxi/2008/2846/schedule/paragraph/81/made>

7 <https://legislation.gov.fk/view/whole/inforce/2021-04-11/fiord-2009-11>

8 See section 81(4) of the Constitution and sections 9 and 9A of the Ordinance.

9 See section 81(5) of the Constitution and section 11(1) of the Ordinance.

10 The bodies covered by this include Falklands Conservation, FLH, FIDC, FIMCo, the Museum and National Trust, the Media Trust, SAAS, SAERI and Stanley Services.

- to advise on external audit arrangements and to examine and report on all reports produced by FIG's Internal Audit Department;
 - to consider and report on the effectiveness of the regulation of bodies that have been granted franchises to provide services of a public nature;
 - to consider and report on any other matter that the Governor may refer to the PAC.
- 2.6 When carrying out its functions, the PAC has to look at the value for money derived from the public money that has been spent. It can also look at the arrangements made to manage financial risk.¹¹
- 2.7 The Ordinance uses the terms "economy, efficiency and effectiveness",¹² which are widely used in relation to PAC activities worldwide. Economy, efficiency and effectiveness can be described as "spending less, spending well, and spending wisely".¹³
- 2.8 One way¹⁴ of measuring these involves looking at:
- Inputs, such as staff and buildings vs costs in monetary terms (economy)
 - Outputs of a particular good or service vs inputs (efficiency)
 - Outcomes in terms of the impact on society vs outputs (effectiveness)
- Value for money is the overall relationship between costs and outcomes.
- 2.9 The role of the PAC does not include considering matters of policy: the PAC's job is not to look at why money has been spent, but how.¹⁵
- 2.10 However, although the Ordinance provides that the PAC's functions do not include considering matters of policy,¹⁶ it does not define what are matters of policy and there is a clear potential for overlap between policy and delivery, particularly when looking at effectiveness.
- 2.11 A common sense approach is being taken in this review to determine what are matters of policy and what are matters of delivery.

¹¹ See section 11(3) of the Ordinance

¹² Section 11(3)(a)

¹³ Joachim Werner, "Best Practices of Public Accounts Committees" (22 November 2002), p8

The paper, originally contributed for the Handbook for Public Accounts Committees commissioned by the Association of Public Accounts Committees (APAC) in South Africa, is published online by the International Budget Partnership at <https://www.internationalbudget.org/wp-content/uploads/Best-Practices-of-Public-Accounts-Committees.pdf>

¹⁴ "Measures of Achievement" to Kristensen, Groszyk and Böhle, "Outcome-focused Management and Budgeting", OECD Journal on Budgeting Volume 1 Number 4 (2002), pp32-33

The article, cited by Werner in his paper, is available online at <https://www.oecd.org/gov/budgeting/44526575.pdf>

¹⁵ See section 11(2) of the Ordinance.

¹⁶ Section 11(2)(a)

The Fisheries Building Project

- 3.1 The replacement of the old Fisheries building located on FIPASS had been “*on the cards for some years*”.¹⁷ Whilst some previous impetus to move the Fisheries Department was driven by the possibility of a new port development, evidence of the deteriorating state of FIPASS accommodation and the legal as well as the health and safety risks it imposed and the benefits of diverting some of the traffic on the eastern barge on FIPASS, increasing space and options for cargo handling meant a decision was timely.
- 3.2 The first ExCo Paper 75/10 regarding the project was published March 25th 2010 outlining the need for the development and replacement of the old Fisheries building as well as the concept of collocating the Fisheries Department with the Department of Agriculture (DoA) at the DoA site. Since the creation of the post of Director of Natural Resources and the Fisheries Department joining together with the DoA, collocating the departments could serve multiple benefits. These potentially included significant reductions in costs, possible downsizing of the new building and the ability for departments to share facilities such as the laboratory, storage space and even administrative and support functions.
- 3.3 Detailed in the ExCo paper was the initial estimates for the size and cost of the project; between 400m² to 500m², costing between £600,000 and £750,000. This estimate was based on the PWD advised building costs of £1500 per m², which was a calculation of the cost of housing/domestic plus an extra 25%.¹⁸ It was also noted that there may also be additional costs for access, parking and external works, however, it was stressed in the paper that these numbers were only rough estimates.
- 3.4 Other important features of the paper included further reasoning for the replacement of the old building; including leaks in the building, difficulty accessing the offices in high winds and icy conditions. There had been a refusal from a potential visitor to negotiate the entrance. There were air quality issues due to emissions from ships on FIPASS and excessive levels of noise.
- 3.5 In response to this paper, MLAs saw advantages to co-locating Fisheries and DoA given the creation of the role of DNR. However, His Excellency the Governor also wondered whether it was right to make a decision before a decision had been made on the port. The Attorney General countered this given that the current offices on FIPASS were of high legal risk. Overall, the general concept of the paper was only asking for the move of the Fisheries Department to be approved, which was deemed by Members to be

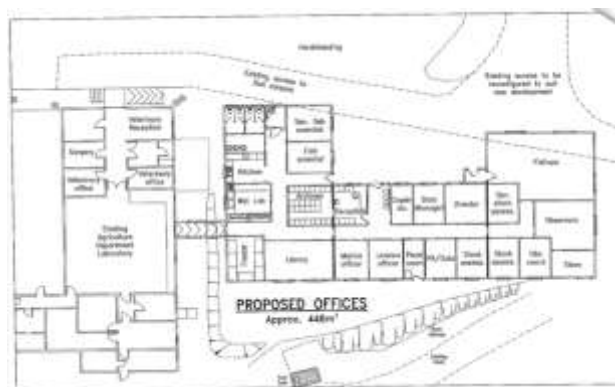
¹⁷ ExCo Paper 75/10, March 2010

¹⁸ ExCo Paper 283/11, December 2011

'desirable'.¹⁹ Following this it was agreed that a rough estimate be inserted into the Capital Programme as well as further details be decided on the design specification and shared facilities with DoA. It was required that a second paper be submitted to ExCo to ensure a firm decision was made on the basis of proper costings and detailed plans.

- 3.6 During the latter half of 2010 and the beginning of 2011, designs for the new Fisheries building were drawn up by PWD before being submitted in a further ExCo paper in January 2011. Although included in the following ExCo paper, at the time designs were still undergoing further modification and review and were expected to be somewhat different when it came to the actual build.

- 3.7 ExCo Paper 34/11 dated 27th January 2011 provided the additional information requested by ExCo in the previous paper 75/10. Specifically, these being a revised estimated cost of the build for incorporation into the Capital Programme and a final design. As mentioned before, the final design was subject to



change. However, the possible changes would only affect the internal layout of the building such as location and positioning of the freezer room, toilets, wet laboratory etc. There were also a number of discussions whether the building would be one or two storeys with the design submitted in the paper being one storey²⁰. Limitations were encountered with regards to a two storey building given the satellite communications equipment located just south of the allocated area for the project raising concern that a two storey build may mask and/or interfere with the link. The revised cost estimate for the project was lowered to £640,000 (based on PWD's suggestion of using £1200 per m²) broken down into £540,000 for 450 m² plus £50,000 for realigning the roads and parking and another £50,000 for radio communications (aerial) and storage.

- 3.8 The overwhelming advantages in moving the Fisheries department were set out in ExCo paper 75/10, mentioning the dilapidated state of the FIPASS offices and the benefit of collocating the department with DoA. Although commented on in ExCo paper 75/10, more justification was given in paper 34/11 why the department no longer needed to be linked to the port. Whilst the department being dockside had some benefit it was deemed not

¹⁹ ExCo Paper 283/11, December 2011

²⁰ Proposed Offices Design in back of ExCo Paper 34/11

necessary. For example, the commercial management of FIPASS was now undertaken by a management contractor and a new port, if built, may well be operated by a port authority. Whilst a view of the harbour was desirable for the Fisheries Department it was noted that with modern marine technology, such as an Automatic Identification System (AIS), the harbour control function had better information than it did 10 years ago and had the ability to monitor the harbour remotely.

3.9 The overall concept of the project was approved in the previous ExCo Paper, it was just a case of providing the additional details requested. Meeting on the 27th January 2011²¹, Members reviewed and discussed ExCo paper 34/11 and agreed that the old offices on FIPASS were ‘dreadful’ but believed that more thought needed to go into the design of the building. The outcome of the meeting was that ExCo referred the request for funding of the new Fisheries building to the Budget Select Committee, subject to further discussion on the layout and plans between Fisheries portfolio holders and the DNR.

3.10 Almost a month later a meeting was convened to discuss some of the points raised in the ExCo meeting.²² Attendees at the meeting included an MLA, members of PWD including the Director of PWD and PWD Design Team representative and together with the Director of Natural Resources. Topics of consideration were as follows:

- *Choice of Site*

Alternative sites were discussed for the location of the new Fisheries Department such as an area off of Boxer Bridge and an area east of Rowlands Rise. Although both sites provided building layout flexibility, they both raised additional concerns with regards to costs and one of the areas being a ‘green area’. Co-locating with the DoA would likely lower the costs of the project as well as enable the ability to share facilities and so was deemed the better option overall.

- *Internal Design*

The internal design of the new building as proposed in ExCo paper 34/11 was seen to be optimum for the current requirements of the department compared to a more open plan design. Although open plan would provide some flexibility, it would have disadvantages in terms of structural integrity, fire proofing, heating costs and storage options. However, the cost difference between segregated office spaces compared to an open plan design was not going to be that significant.

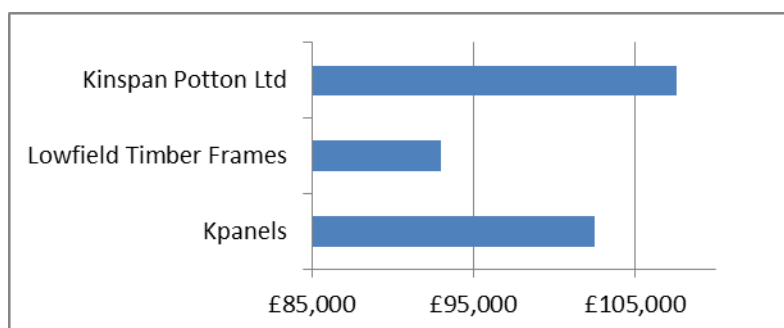
- *Shared Facilities*

²¹ ExCo Meeting Doc No. 29, 2011

²² ExCo Meeting Doc No. 73, 2011

The facilities that would be shared between Fisheries and DoA would largely involve the dry lab, storage and in due course some administrative functions. A larger library would also be incorporated into the new building as the one the DoA used was relatively small and in general, was an area Falkland Islands Government (FIG) needed to improve on. Finally, the meeting area to be developed was suggested to be able to provide for meetings for the whole Department of Natural Resources (it rarely has due to the size of the Directorate as a whole).

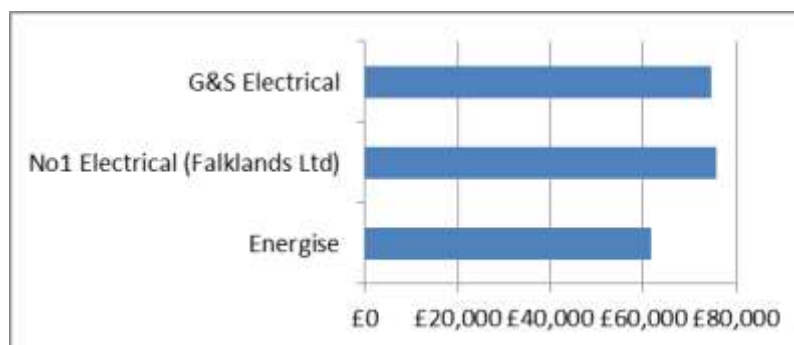
- 3.11 Following the second ExCo paper the designs for the new Fisheries building were assessed and revised. On July 12th 2011 PWD instructed Morrison Falkland Limited (MFL) to proceed with the mechanical and electrical system design and layouts for the new building as well as requesting an estimate budget cost for the design works to be supplied as soon as it had been received. The basic design and layout of the new building was done by PWD but by August 2011, an agreement was reached that MFL would undertake the project as well as the detailed design of the building and associated services, due to PWD not having the resources needed as well as other projects they had undertaken at the time taking priority.
- 3.12 On July 25th 2011, MFL proposed the sum of £150,000 to order the new Fisheries building, PWD accepted. This money would cover the costs of the building itself, shipping and any other associated costs. In the meantime, quotes were gathered from three construction companies; a quote was received from Kpanels of £102,517.41, Lowfield Timber Frames (LTF) quoted £92,954.61 and finally a quote was received from Kinspan Potton Limited of £107,542.



- 3.13 A meeting was held in a PWD conference on August 11th 2011 to discuss which company to proceed with. Attendees of the meeting included PWD Contracts, Regional Manager of MFL and members of the PWD Design Team. The notes from the meeting were very brief, stating only attendees, quotations from the three construction companies and the outcome of the meeting, which was that MFL would go ahead and order the building from LTF Ltd (ordered August 19th 2011). Comparing the quotations LTF was significantly lower by nearly £10,000 however it was not specifically stated

in the notes from the meeting why LTF were the chosen company. A quote was also obtained for the windows and doors for the new Fisheries building on August 30th of £5,022, subject to design changes due to the dimensions of some of the windows.

- 3.14 Throughout the remainder of 2011 there was a lot of variation to the total estimated costs of the new Fisheries building. On September 6th, two budget cost estimates were published including estimates from MFL; one with an approximate total value of £870,000 and the other with an approximate total value of £905,000. These were significantly more than had previously been budgeted for. A budget submission was sent to the Director of Public Works, on September 12th with an estimated budget cost of £890,490 which included a lump sum for the mechanical and electrical installation as the design and specifications were still awaiting completion at the time. The budget didn't include a contingency cost.
- 3.15 The total amount of money spent on the Fisheries Building project as of September 8th was £187,922.16.²³ Another budget submission was sent to PWD on September 23rd for the estimated costs of the foundations and drainage as well as a second being submitted on October 7th for the external envelope of the new Fisheries Building. The total budget estimate for the foundations and drainage came out at £169,035, which was accepted by PWD on September 26th, and the total budget estimate for the external envelope came out at £95,532 and was accepted on October 17th. A Building Permit Application was submitted with the final designs of the new Fisheries Building to the Environmental Planning Department on October 18th, which was then accepted on the 21st October.
- 3.16 Also during this time quotes were obtained for the electrical works for the new Fisheries Building. Prices were as follows:



Of these, Energise's quote of £61,841 was chosen. Again, apart from Energise offering the lowest quotation at £12,744 less than the nearest quotation, it is

²³ Budget report 8th September 2011

not stated in the information and paperwork provided to the PAC why this company was chosen for the project.

- 3.17 A further revised budget cost estimate was published by MFL on November 7th which included the prices received from all the contractors involved in the project. The total revised budget was £951,305; a sizable increase in the estimated costs published in both ExCo Paper 75/10 and ExCo Paper 34/11. This raises questions why the initial estimated budget was not calculated based on contractors prices but on an estimate cost calculation from PWD and whether the budget would have been accepted in the first place if it had been initially proposed at £951,305.
- 3.18 By December 2011, the new building had been ordered and construction had begun on the ground works and substructure. With the revised estimated budget cost in mind another paper was submitted to ExCo seeking approval for additional funding. ExCo Paper 283/11, dated December 16th 2011, requested the additional funding of £370,300 (on top of the £640,000 already allocated) for the Fisheries Building project. This was calculated in the ExCo paper with the final estimated cost to complete the project standing at £1,006,000. It was stated in the paper that *“in order to maintain progress on the project and enable the Fisheries Department to move within this financial year as projected, parts of the design were being finalised and costs obtained for the works to be done in parallel with the building being procured (this is due to arrive in January 2012) and ground works being done”*.²⁴ It was made clear in the paper that both the cost per square metre figures from PWD of £1,200 and £1,500 per m² were inadequate. Building details had not been acquired at the time of estimate and so calculating a cost for a building concept was always at risk of being inappropriate, so, to mitigate that risk, why were subcontractor estimates not obtained prior to the submission of ExCo paper 75/10 to give a more accurate budget cost estimate? With the revised estimate of £1,006,000 in mind, although significantly more expensive than expected, as a comparison to other projects in the Falklands the building costs now stood at £2,013 per m², which was still well below that achieved for the IJS extension in 2002, which was £2,460 as stated in ExCo Paper 283/11, 2011.

²⁴ ExCo Paper 283/11, 2011

	Area	Calculation Based on	Value
Initial Estimate	400-500m ²	£1500 per m ²	£600,000 to £750,000
Revised Estimate ExCo 34/11	450m ²	£1200 per m ²	£540,000
Realigning road and parking			£50,000
Radio communications (aerial) and storage			£50,000
MFLs revised budget estimate Nov 2011	450m ²	£2,013 per m ²	£951,305

Table of Comparison of Estimates

- 3.19 The new Fisheries building was also going to incorporate solar panels which would primarily be used to heat hot water but also feed heat into the under floor heating system, with a conventional boiler also being linked to this to boost the temperature level as required. This addition as well as the ventilation duct system added cost to the overall budget but it was expected to be of benefit in the long run by reducing running costs over the life of the building. The under floor heating system was ordered on December 20th 2011 at a cost of £52,660 and the solar panels were ordered February 9th 2012 at a cost of £5,940.13, with an approximate cost to install of £12,000 to £17,000. For this report it has not been possible to obtain a clear indication of any cost savings benefit from the solar panels and underfloor heating as detailed analysis of previous costs against current costs are not available or do not take into account fluctuating energy costs.
- 3.20 ExCo Paper 283/11 informed Members of the revised estimate, including a breakdown of costs²⁵ and sought approval for the additional funding of £370,300 needed to complete the project. Prior to the paper being published on December 14th an ExCo meeting was held regarding the request for additional funding where the Director of Public Works (DPW) was in attendance. The DPW stated, *"the figures used in the original estimate were too low ... it had not been a tidy piece of work"* as well as apologising that the project had got this far and needed more funding. It was made evident in the meeting that something needed to change with regard to the estimating process of Government buildings with more time and resources needed as well as an MLA stating that *"more use might be made out of the Public Accounts Committee in that they could look at the value for money of procurement practices and the cost of Government builds in general"*. The meeting agreed that the funding of £370,300 would be allocated from the Capital Equalisation Fund to enable the completion of the project as well as inviting the PAC to look into the costs of the new Fisheries building.

²⁵ MFL Estimated Budget Cost sheet

- 3.21 Construction continued throughout the rest of 2011 through to October 5th 2012 when the build was officially completed²⁶ and the Fisheries Department staff were able to move into the new building. From the information and paperwork provided to the PAC for this project, it seems that the main construction phase throughout 2012 went very smoothly. It was stated in a 2019 email interview with the Director of Natural Resources at the time of the project that he could *“faintly recall that there were a number of points where the building company and PWD came and said there is a problem or some aspect needed varying, to which we almost certainly agreed. Not sure we had much choice”*.²⁷ The building was erected and completed with no significant issues reported and was considered by the FIG Building Advisor *“quite frankly a signature building in FI”*.²⁸ There were a few ‘small tasks’ needing completion with regard to a final inspection visit by the Building Advisor to the new building on 18th October 2012. These were items such as a few pipes and electrical cables needing sealing, repair of the loft hatch retaining catch and a fire door needed on the Operation Room, which was on order. Thus the building was determined complete and the Building Advisor and CFO didn’t consider it necessary for a further inspection unless requested.
- 3.22 Optimism bias in initial calculations and budgeting can be a general trend within major projects and the Fisheries Building project is a good example of this. There was no built in contingency to the budget at the offset and the original allocation of funds were unrealistic. The overall effect of the bias meant the MLAs taking multiple decisions, further decisions could create financial risk and consequent cost overruns instead of a clear financial picture at the outset.
- 3.23 The final cost of the new Fisheries building project as of September 2012 was £1,000,898; a £49,593 extra spend over the revised estimated budget in November 2011 by MFL and just over £5,000 less than the original allocated funding of £640,000 plus the addition funding of £370,300 (totalling £1,006,000). This meant that along with the additional funding assigned for the project in December 2011, the project fell within the revised budget and was overall deemed a successful project/building within the Falklands.

Initial estimate	£600,000 - £750,000	% of final figure
Estimate in ExCo 34/11	£640,000	64%
MFL revised costings Nov 2011	£951, 305	95%
Additional funding ExCo 283/11	£370,300	36%
Total Build Cost (final cost analysis)	£1,000,898	

²⁶ Certificate of Practical Completion

²⁷ Extract from email chain between ex Director of Fisheries and FIG Internal Auditor, 2019

²⁸ Email from Building advisor to PWD.

- 3.24 One of the benefits anticipated by collocating the Fisheries building adjacent to the Agriculture/Veterinary building was that facilities would be shared, the previous Director of Natural Resources indicated that the main benefit to him as Director and to all his Heads of Service was to have most of the directorate on one site. He indicated that there was further scope for collaboration across the directorate. MLAs had commented that collocating the department might enable staff reductions as part of cost savings available from collocation but on the contrary the creation of a number of new posts had put pressure on the office space available and the upstairs area was needed within five years of the new building being occupied.
- 3.25 These additional posts and the need to make use of the loft area as office space instead of storage had an impact on the number of ladies toilets required and an additional spend was necessary to provide both improvements which totalled £51,949 and £4,029 respectively²⁹. The loft conversion was slightly over budget but the toilet facilities were considerably under budget. The extra space in the loft can provide accommodation for an additional nine staff. The current Director of Natural Resources indicated that the building is currently fully occupied and further expansion would require a further extension to the building.



²⁹ Email with attachments from Director Natural Resources, 26 April 2021

How the review was carried out

- 4.1 Initially the report into the Fisheries Building had been at the request of the Standing Finance Committee and MLAs as there was concern that the initial costings had been unrealistic.
- 4.2 In 2017 the PAC contracted an external audit company in the UK, Mazars, *to carry out an examination and report on the progress from design, commission through to execution and final outcome of the capital project to build a new Fisheries Department with regard to value for money.*³⁰ Additionally the report by Mazars concerned itself with accessing the Morrison's Partnering Agreement. The PAC felt that the Mazars work did not sufficiently reflect the local viewpoint and was not the report they had expected and thus the enquiry was left on the PAC's work plan as work needing completion.
- 4.3 The PAC, under a Memorandum of Understanding with FIG's Internal Audit Department agreed in 2017, passed the project to the Deputy Internal Auditor and work began again on the Fisheries report in 2019. Staffing issues in the Internal Audit department however meant the project was returned to the PAC incomplete and it was shelved once again.
- 4.3 At the start of 2020, the PAC requested expressions of interest for assistance with the work of the PAC on a consultancy basis. Progress was delayed by COVID 19 restrictions but the work was finally allocated to a researcher in March 2021, unfortunately the researcher left the islands and again the work on the project ceased.
- 4.4 The report has been finalised by the PAC's full time Secretary and a first draft of the report was presented to the PAC meeting held in September 2021 with a date of 15th January for the final report to be presented to the committee.

³⁰ Mazar draft report on behalf of PAC – Fisheries Capital Project - February 2017

Key Findings

- 5.1 Overall the project seemed a success, with Ken Snape, the building adviser at the time, stating it was “*a signature building in FI*” and nearly eight years on it still remained acceptable for the needs of the department. There were no major issues reported during the whole process of the project from design stages to the completion of the build, so again a success in that respect.



- 5.2 However, there was a problem regarding the cost estimates for the project. The project started at an estimated cost of £600,000 to £750,000 as described in ExCo Paper 75/10 based on the PWD advised building costs of £1500 per m². In ExCo paper 34/11 this was refined to a figure of £540,000 for 450 m² (based on PWD's new advice of £1200 per m²) plus £50,000 for realigning the roads and parking and another £50,000 for radio communications (aerial) and storage, totalling £640,000 ExCo Paper 34/11, 2011). Nearly a year later the need for additional funding was evident as all prices from subcontractors had finally been received and it was clear that the original allocated budget of £640,000 was not enough. If prices from subcontractors had been received before in order to decide a budget cost estimate for the project, then a more accurate total would have been produced for the cost of the build. This may have made the process a little longer and it is not known whether an estimated budget of a higher expense would have been accepted at the time, however, it would have alleviated the extra work, mid project, of applying for more funding and elements of the works wouldn't have had to be done in parallel with one another.
- 5.3 As stated above overall the new Fisheries Building project was deemed a success and remains functional with some recent improvements to increase office space and toilet facilities. There are some issues to consider however:

- The first and main consideration of this project is the process by which the budget cost estimate was determined. Initially, the cost of the project was calculated using the PWD's advised building costs of £1500 per m², which was a calculation of the cost of housing/domestic plus and an extra 25%. Nearly a year later in the second ExCo Paper 34/11, this estimation calculation was lowered to £1200 per m² meaning the total for the project would cost £640,000. Later on in 2011, prices from subcontractors involved in the works were obtained which gave a much clearer evaluation of the cost to complete the project. The prices obtained totalled £951,305; a much larger sum compared to that suggested by PWD initially. In addition to this, the third ExCo Paper 283/11 requesting the additional funding mentioned that even though the cost per m² had risen to £2,013, based on prices acquired from subcontractors, it was *"still well below the £2,460 cost per square metre achieved for the IJS extension in 2002"*.³¹ With the IJS extension in 2002 (9 years prior) costing more per m² in mind, why were PWD suggesting costs of almost half that for the Fisheries building project when there was already evidence of a similar type of building costing a lot more? Also, why were subcontractor prices not acquired prior to submitting an estimated budget cost to ExCo/Budget Select Committee to give a more exact figure in the first place? The prices obtained from subcontractors gave a more accurate idea of the entire cost of the project because they were prices that each company involved had actually quoted for. Therefore, it would definitely be something to consider and recommend for future projects that quotations from all companies/subcontractors involved be gathered to determine a more precise estimated cost. This would mitigate the need for additional funding midway through and make the capital budget a more accurate assessment of needs and commitments.

Initial estimate	£600,000 - £750,000
Estimate in ExCo 34/11	£640,000
MFL revised costings Nov 2011	£951, 305
MFL contingency 5% of erection cost	£15,161
Full Estimated Budget based on MFL/subcontractors prices	£1,005,592
Additional funding ExCo 283/11	£370,300
Total Build Cost (final cost analysis)	£1,000,898

- A second point is the building was only planned to be one storey yet ended up with an addition of upstairs office space a short number of years later. In ExCo Paper 34/11 (dated January 2011) it stated that there were limitations building two storeys given that there was satellite

³¹ ExCo Paper 283/11

communications equipment located just south of the allocated area for the project, therefore the building was planned as one storey. However, in an email interview with the ex Director of Natural Resources in 2019, he stated, *“it was always built and planned as 2 storey or maybe 1.5 storey... the ground floor was sufficient for our immediate needs and the first floor might be finished for office space at some future point”*.³² It should be considered whether there was clear communication between the design team for the project and the Fisheries Department as it is evident from the designs submitted in ExCo Paper 34/11 that the building was not *“always built and planned as 2 storey”* per the above email trail 2019. The fact that a few years after the initial build there was need for additional office space and so the loft had to be converted indicates a question as to why this feature wasn’t included in the first place if it *“might be finished for office space at some future point”*³³ and whether it cost more as an addition than it would have if it was incorporated in the original build. Future proofing might have saved money in the long term as the additional ladies toilets, stairs and conversion of the loft space were required within five years of the building being occupied.

- 5.4 **Realistic Cost estimates** The PAC found that the realistic cost estimate was not identified at an early stage. Further, future proofing during the initial build to enable whole life costings were not established. The anticipated use and life of building was not clear at the outset.
- 5.5 **Effectiveness of green measures.** The effectiveness of budgetary spend on significant projects needs to be measured against adopted policy objectives. The draft Islands Plan outlines the objective in Protecting the Environment: *“We will carry out work to measure and reduce our carbon emissions, in order to ensure we act as a responsible global citizen”* and *“Establish a carbon baseline and use this to develop off-setting schemes, to ensure we meet our international obligations and have a plan for net zero”*. Similar objectives are laid out in the Falkland Islands Environment Strategy 2021. In order to know if projects such as the Fisheries building and future projects are achieving those objectives, both in terms of efficiency and effectiveness it is essential to avoid a 'build and forget' model. The PAC should recommend a measurable matrix with a projection of what the manufacturer says the environmental savings should be against an annual record of the actual energy use. These environmental measurements are necessary to ensure buildings are working towards the government commitments to a carbon neutral future.
- 5.6 The PAC might consider recommending that realistic cost estimates of major projects are identified at an early stage, including future proofing as much as possible during the initial build to enable whole life costings to be

³² Extract from email chain between ex Director of Fisheries and FIG Internal Audit 2019

³³ Extract from email chain between ex Director of Fisheries and FIG Internal Audit 2019

established. The anticipated use and life of building to be clear at outset and measurable matrix against environmental measures to ensure buildings is working towards the government commitments to a carbon neutral future.

- 5.7 Taking previous PAC recommendations into account these points reflect recommendations made in the PAC report into the Stanley Leisure centre,³⁴ partially Recommendations 2 & 3 apply but specifically Recommendations 8 & 9 are relevant.

“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 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.”³⁵

- 5.8 Despite the above the PAC recognises that the Falkland Islands Government has made considerable progress in the way it manages projects, its procurement processes and scoping of requirements now has more robust systems in place. It also recognises that the building is functioning well and with the recent additions and improvements should see the Department of Natural Resources is comfortably accommodated for a number of years to come.

³⁴ PAC report into the Stanley Leisure Centre Refurbishment

³⁵ Ibid.

Appendices

Appendix 1

List of Evidence (items available on request)

1. FIG History Detail Enquiry Report for 2011.
2. Proposed Offices Design (in back of ExCo Paper 34/11).
3. Note for Job File (PWD 563 CAP 3054).
4. Budget Report as of Thu 08/09/11, Tender Programme.
5. Budget Cost Estimate 07-Nov-11 **AND** 0956-3054 – New Fisheries Building – Expenditure up to 07-11-11.
6. MFL Estimated Budget Cost
7. Certificate of Practical Completion.
8. Extract from email chain between ex Director of Fisheries and FIG Internal Audit. 2019
9. Email from Building Advisor to PWD.
10. New Fisheries Office – Final Cost Analysis, undated.
11. Email with attachments DNR 26 April 2021

Confidential Appendices

ExCo Paper 75/10

ExCo Paper 34/11

ExCo Paper 283/11