

# Major and Strategic Projects, including Capital Projects

20 November 2023

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# Summary

## Introduction

1. Major projects of investment and transformation can be high profile, complicated, fast-paced and undertaken in an environment with some degree of uncertainty. For publicly funded bodies, stakeholders including tax payers are increasingly focussed on the extent to which major and strategic projects, including capital projects, demonstrate:
  - transparency and clear accountability, including proactive public communication
  - sound financial and other resource management
  - robust project management to deliver progress against milestones; and
  - clear delivery of expected objectives and benefits.
2. In 2022, the Government spent nearly £100 million on capital and major projects as summarised in Exhibit 1.

### Exhibit 1: 2022 Expenditure on capital and major projects

	£000
Integrated Technology Solution	17,091
Our Hospital	12,092
Replacement Bellozanne Sewage Treatment Works	17,567
Infrastructure	12,017
Other projects	37,929
<b>Project expenditure</b>	<b>96,696</b>
<b>Capital expenditure from trading funds:</b>	
Car Parking	846
Fleet Management	2,150
<b>Total funded from trading funds</b>	<b>2,996</b>
<b>Overall Total</b>	<b>99,692</b>

Source: States of Jersey Annual Report and Accounts 2022

3. The Government Plan 2023 to 2026 includes investment of almost £400 million in capital and major projects, excluding investment in new healthcare facilities, as set out in Exhibit 2.

**Exhibit 2: Capital and Major Project Investment Government Plan 2023 to 2026**

	<b>2023 £000</b>	<b>2024 £000</b>	<b>2025 £000</b>	<b>2026 £000</b>	<b>Total £000</b>
Feasibility	1,830	500	500	500	3,330
Estates	52,001	44,215	33,304	27,998	157,518
Infrastructure	29,631	20,183	18,468	17,850	86,132
Information Technology	35,888	9,925	2,970	1,505	50,288
Replacement Assets and Minor Capital	12,065	9,830	13,136	10,200	45,231
Community Fund	670	1,670	1,670	1,670	5,680
Central Risk and Inflation Funding Reserve	8,100	2,000	2,000	2,000	14,100
<b>Project expenditure</b>	<b>140,185</b>	<b>88,323</b>	<b>72,048</b>	<b>61,723</b>	<b>362,279</b>
<b>Funded from trading funds:</b>					
Vehicle and Plant Replacement	2,000	2,700	2,700	2,700	10,100
Car Park Enhancement and Refurbishment	60	795	500	500	1,855
<b>Total funded from trading funds</b>	<b>2,060</b>	<b>3,495</b>	<b>3,200</b>	<b>3,200</b>	<b>11,955</b>
<b>Funded from social security funds:</b>					
Benefits and Payments (Transform)	12,500	8,250	-	-	20,750
<b>Total funded from social security funds</b>	<b>12,500</b>	<b>8,250</b>	<b>-</b>	<b>-</b>	<b>20,750</b>
<b>Overall Total</b>	<b>154,745</b>	<b>100,068</b>	<b>75,248</b>	<b>64,923</b>	<b>394,984</b>

Source: Government Plan 2023 to 2026

4. I have undertaken a number of reviews that relate to major and strategic projects, including capital projects. These include:

- *Integrated Technology Solution - Follow Up (April 2023); and*
  - *Learning from Previous Hospital Projects: A Follow Up Review (May 2023).*
5. In this review I have considered the overall arrangements for managing major and strategic projects as a portfolio, including how the Government considers and monitors the deliverability of the overall programme. I have also considered a sample of completed and ongoing projects against identified best practice. The projects reviewed are:
- Office Accommodation Project
  - Replacement Bellozanne Sewage Treatment Works
  - Combined Fire and Ambulance Station; and
  - Mental Health Improvements (Orchard House).

## Key Findings

6. Since 2021, the Government has developed a set of good Frameworks to cover the establishment, delivery and close of major and strategic projects, including capital projects. These Frameworks are however still relatively new.
7. There is in my view more that is needed to be done to identify, manage and monitor project risks more effectively. More generally, the link between risks and business cases could be improved.
8. Jersey Property Holdings (JPH) is responsible for the operational management of property for the majority of Government estate on behalf of client or user departments. However Jersey General Hospital is the responsibility of the Health and Community Services (HCS) department, as are all other freehold properties under the direct control of HCS. JPH works with HCS on agreed capital developments and property maintenance issues. This role of JPH, acting as a supplier, can increase the risk that client or user departments feel disempowered, detached or otherwise disengaged from responsibilities and accountabilities concerning the physical building and any associated projects. There is a further risk that JPH may consider that its project role is complete when a building project is complete, leaving the client department with sole responsibility to deliver the wider service benefits. Up to date, clearly understood Service Level Agreements (SLAs) are not in place between JPH and client or user departments which risks further confusion as to departmental responsibilities and accountabilities.
9. An additional corporate risk that needs to be managed is the allocation of specialist commercial services expertise across the corporate project portfolio. My

review has identified a need to give attention to how the finite commercial services expertise is used effectively now and in the future.

10. Experience indicates that many projects ultimately require supplementary or addendum business cases. There is a risk that departments may adopt a short-term view of project planning rather than a medium- or longer-term view, in the knowledge that supplementary or addendum business cases may be required. In addition, the requirements can create a level of financial inflexibility, bureaucracy and uncertainty that increases the risk of delays in operational project delivery. There is a need to ensure that financial controls and forecasting requirements are proportionate to the cost and size of the scheme and the amount of funding that requires variation.
11. All four of the projects reviewed in detail have a clear purpose. There was however the scope in some instances to improve:
  - the link between the risks outlined in project business cases and departmental risk registers
  - the engagement of user departments throughout the lifetime of a project; and
  - the identification, recording and monitoring of benefits realisation on individual projects.

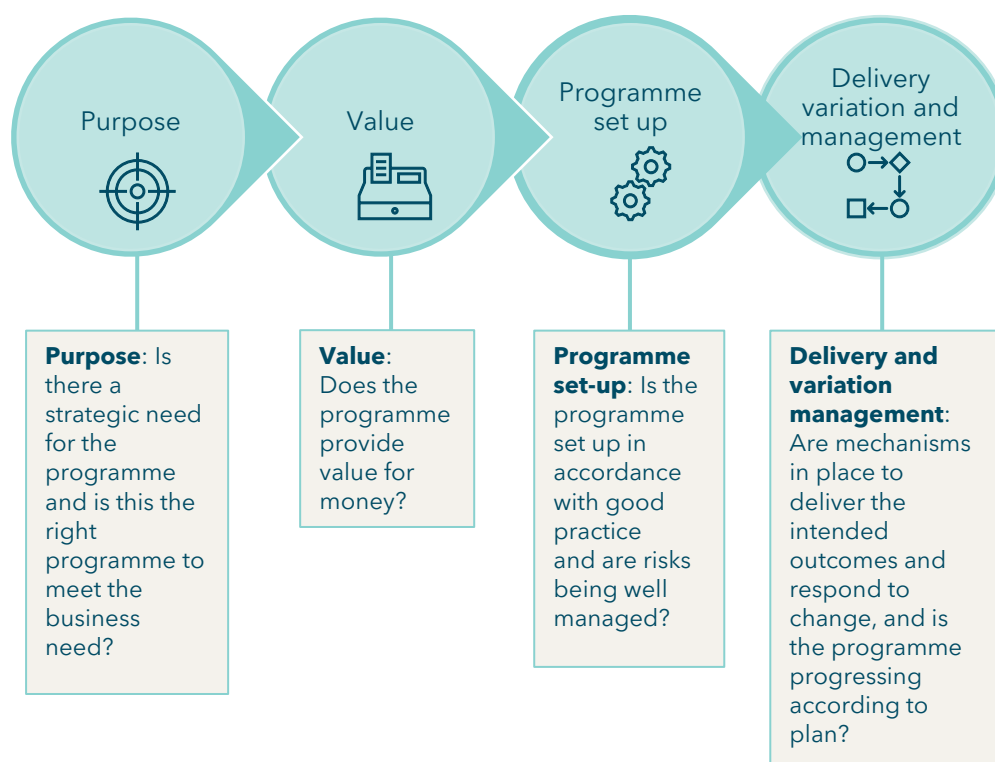
## Conclusions

12. Going forward the challenge for Government is ensuring compliance with the good practice Frameworks that have been established for major and strategic projects, including capital projects. Key to this will be education, training and the reinforcement of a culture across the Government that understands that project delivery is not an end in itself. It is instead a means to an end, which is to provide wider benefit to the residents of Jersey.
13. Improving the way in which benefits realisation is identified, recorded and monitored will be critical in demonstrating that the programme of major and strategic projects, including capital projects, delivers value for money.

# Objectives and scope of the review

14. In this review I have considered the overall arrangements for managing major and strategic projects as a portfolio. This included assessment of the relative roles between client departments and supplier/contractor departments to ensure clarity in these roles. It also included assessment of how the Government considers and monitors the deliverability of the overall programme.
15. I have also considered a sample of completed and ongoing projects against the Good Practice Framework developed by the UK National Audit Office, as summarised in Exhibit 3.

## Exhibit 3: Framework to review programmes



Source: National Audit Office: Framework to review programmes Update April 2021

16. Under the requirements of the Public Finances Manual (PFM), every Major and Strategic Project is subject to an internal audit during the life of the project. Other projects 'may be assessed as required'. My review has considered relevant work undertaken by the Government of Jersey Internal Audit function.

17. The projects reviewed were:

- Office Accommodation Project
- Replacement Bellozanne Sewage Treatment Works
- Combined Fire and Ambulance Station; and
- Mental Health Improvements (Orchard House).



## Detailed findings – Overall arrangements

18. Jersey's Public Finances (Jersey) Law 2019 defines a major project as:
  - a major capital project (defined as a project which results in the creation of an asset which will be held on the States of Jersey's balance sheet) the duration of which, from start to finish, is planned to be of more than one year with a total estimated cost of more than £5 million; or
  - a project that has been designated as a major project in an approved Government Plan.
  
19. A strategic project is defined as a project which satisfies two or more of the following criteria:
  - is of significant strategic value, in that it will deliver transformative outcomes for, or mitigate significant risks to the States of Jersey and/or the Island's economy or community
  - has a total estimated cost of more than £2 million
  - is highly complex to deliver due to operational, technical, stakeholder or other delivery complexities
  - carries risks of a community or corporate risk level (as defined by Enterprise Risk Management).
  
20. I have considered the following aspects of overall corporate portfolio management:
  - frameworks for projects and programmes
  - governance, risk management and decision making
  - funding and financial controls; and
  - monitoring and reporting.

## Frameworks for projects and programmes

21. At the time of my audit, four Frameworks had been incorporated into the PFM to govern major, strategic and other projects within the Government of Jersey as shown in Exhibit 4. All four Frameworks were built into the PFM in November 2022 although they were internally agreed, issued and used before this date. I have been informed that three additional Frameworks - Capital (Infrastructure) Project Delivery Framework, IT Delivery Framework and Policy Delivery Framework - have also been established but these were not considered as part of my review.

### Exhibit 4: Frameworks for major, strategic and other projects

Framework	Date issued	Purpose	Comments
Project Delivery Framework	May 2021	A controlled framework for the consistent delivery of projects.	Sets out a required five stage approach with mandatory, conditional and optional documents to be adopted at each stage.
Programme Delivery Framework	November 2021	A controlled framework for the consistent delivery of programmes.	Defines a project as a specific, single task that delivers a tangible output, while a programme is a collection of related projects which collectively deliver an outcome.  Sets out a required four stage approach with mandatory, conditional and optional documents to be adopted at each stage.
Capital (Building) Project Delivery Framework	January 2022	A controlled framework for the consistent delivery of construction / building projects.	Sets out a required seven stage approach for construction projects with mandatory, conditional and optional documents to be adopted at each stage.
Project Governance Framework	Built into the Public Finances Manual in November 2022	To outline the minimum requirements for project governance (as per the relevant Project, Programme or Capital Project Delivery Framework) and to clarify key roles in senior level project	The Framework notes that there are likely to be additional internal and/or external governance functions which need consideration depending on the type of project. Projects which form part of the Long-Term Capital Plan (LTCP) are also expected to report via the Corporate Asset Management Board (CAMB) to the Regeneration Steering Committee.

Framework	Date issued	Purpose	Comments
		decision-making and oversight.	

Source: Jersey Audit Office analysis of Government of Jersey Frameworks

22. I have reviewed the Frameworks set out in Exhibit 4 and consider that they represent best practice in most respects. The Government has developed a set of good policies and procedures to cover the establishment, delivery and close of major and strategic projects, including capital projects.
23. However there are some inconsistencies between the different Frameworks and some further areas where there could be value in reviewing the requirements of the Frameworks.
24. I have compared the requirements of the Project Delivery Framework with the Capital (Building) Project Delivery Framework and there are inconsistencies with what mandatory documents are required and when, as shown in Exhibit 5. While I accept that the Frameworks are based on different best practice methodologies there is scope to introduce a more consistent and simpler standardised approach.

### Exhibit 5: Comparison of the Project Delivery Framework with the Capital (Building) Project Delivery Framework

Project Delivery Framework stage and requirements	Capital (Building) Project Delivery Framework stage and requirements
0 Pipeline Stage	0 Strategic Definition (pipeline) <ul style="list-style-type: none"> <li>- Strategic Outline Case (SOC)</li> <li>- Project brief</li> </ul>
1 Business Justification <ul style="list-style-type: none"> <li>- Project brief</li> <li>- SOC</li> </ul>	1 Preparation and Briefing (Business Justification) <ul style="list-style-type: none"> <li>- Project Initiation Document (PID)</li> <li>- Outline Business Case (OBC)</li> <li>- Procurement strategy</li> </ul>
2 Planning and Design <ul style="list-style-type: none"> <li>- PID</li> <li>- OBC</li> <li>- Procurement strategy</li> <li>- Full Business Case (FBC)</li> </ul>	2 Concept Design 3 Spatial Co-ordination 4 Technical Design <ul style="list-style-type: none"> <li>- FBC</li> </ul>
3 Delivery	5 Building and Construction

Project Delivery Framework stage and requirements	Capital (Building) Project Delivery Framework stage and requirements
4 Closure	6 Handover and Closure
5 Benefits realisation	7 Use and Benefits Realisation

Source: Jersey Audit Office analysis of Government Frameworks

25. As part of each Framework, business cases are intended to use a five-case model:
- (i) Strategic Case - is the proposal needed?
  - (ii) Economic Case - is it value for money?
  - (iii) Commercial Case - is it viable?
  - (iv) Financial Case - is it affordable?
  - (v) Management - is it achievable?
26. The Corporate Portfolio Management Office (CPMO) guidance and the Treasury and Exchequer Department use this five case approach in the business case templates adopted in the Project Delivery and the Capital (Building) Project Delivery Frameworks.
27. Each of the questions underpinning the five-case model should be answered in increasing detail as the business case evolves through the SOC, OBC and the FBC.
28. I note that other organisations have adopted a more pragmatic business case approach to what can be a time-consuming and expensive process, particularly for smaller projects. This might apply both to projects under the current definition of Strategic and Major projects and possibly to all Strategic projects under £5 million. For example, in NHS England the concept of a 'short form business case' has been developed for projects with a value under a defined threshold. Adopting a more pragmatic approach to these smaller projects may be beneficial for the States of Jersey. The following simplified requirements could be considered for projects below a defined threshold:
- Short Form Business Case (this could combine the SOC and OBC stages)
  - Procurement strategy; and
  - Final Business Case (post tender).
29. The Frameworks are still relatively new. Going forward the challenge is therefore one of ensuring compliance with the Frameworks. Key to this will be education,

training and the reinforcement of a culture across Government that projects are not ends in themselves but means to an end and that end is the wider benefit of the residents of Jersey. To achieve compliance there is a need to:

- ensure that the CPMO is properly resourced to both support and facilitate the wider compliance with good project management practice across Government
- ensure that all project managers who work on Government projects are registered with the CPMO and participate in the development events of the CPMO Change Network (comprising key project managers from different Government departments)
- ensure that all new Accountable Officers (AOs) and Senior Responsible Officers (SROs) attend CPMO training; and
- ensure that all AOs and SROs attend CPMO benefits realisation training.

### **Recommendation**

- R1** Ensure that the requirements of the CPMO are embedded through mandatory training and participation including:
- the Change Network development events; and
  - CPMO general, project risk and specific benefits realisation training.

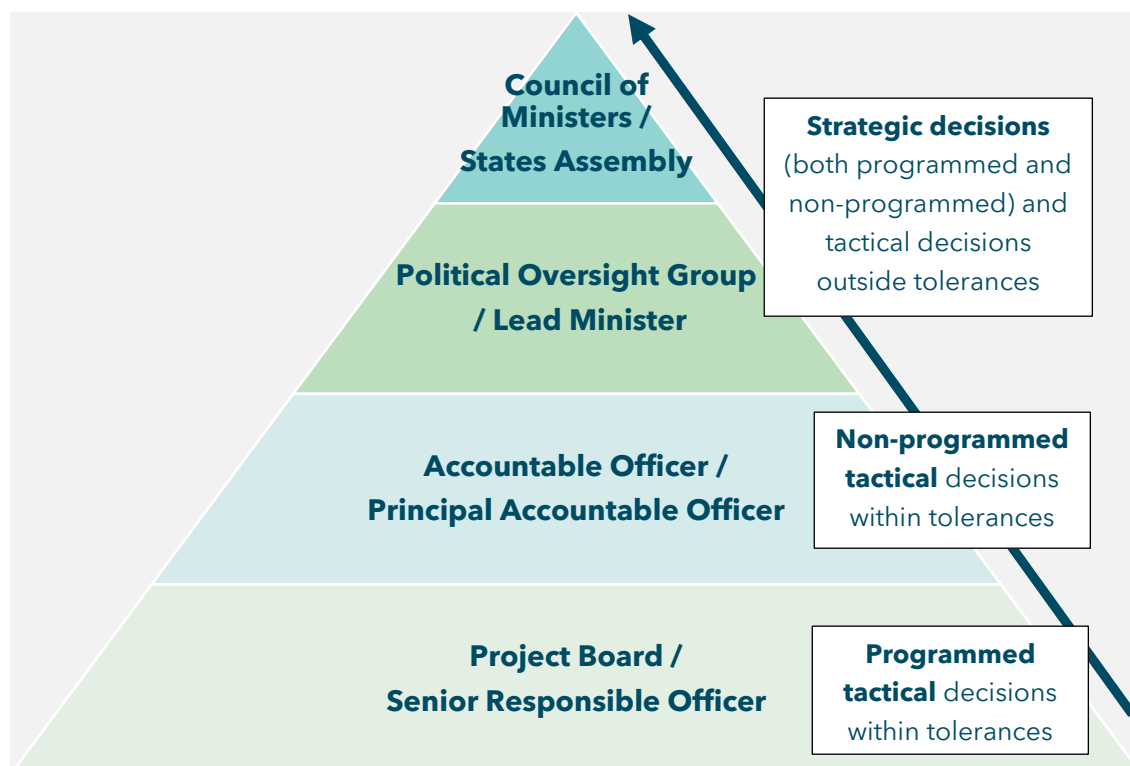
### **Area for consideration**

- A1** Consider adopting a short form business case model for projects with a value below a defined threshold.

## Governance, risk management and decision making

30. The roles of Accountable Officer (AO), Supplying Senior Responsible Officer (SSRO) and Sponsoring Senior Responsible Officer (SRO) are key to the Project Governance Framework and to ensuring controls operate effectively at project and programme levels. Exhibit 6 depicts the decision making hierarchy in respect of major and strategic projects.

### Exhibit 6: Decision making hierarchy



Source: Government of Jersey Project Governance Framework

31. All projects are required to have risk registers that feed up into the corporate risk management arrangements. Risks can be escalated onto the Corporate Risk Register where appropriate. For example, the risks associated with the Integrated Technology Solution (ITS) programme have been escalated onto the Corporate Risk Register. There is however in my view more that is needed to be done to identify, manage and monitor project risks more effectively. I consider this further later in this report in my consideration of individual projects.
32. More generally, the link between risks and business cases could be improved. For example, the factors that have created a need for a new combined Fire and Ambulance Station are not recorded specifically in the Justice and Home Affairs (JHA) departmental risk register. Better recording of how a project will contribute to mitigating risks in Departmental and the Corporate Risk Registers would enable more effective decision making in the prioritisation of which projects to take

forward. I note that the business cases underpinning the Government Plan submission for 2024-2027 have been reviewed by the Head of Risk.

33. Jersey Property Holdings (JPH) is responsible for the operational management of property for the majority of Government estate on behalf of client or user departments. This creates a landlord/client relationship between JPH and other Government departments. The role of JPH can increase the risk that client or user departments feel disempowered, detached or otherwise disengaged from responsibilities and accountabilities concerning the physical building and any associated projects. There is a further risk that JPH may consider that their project role is complete when a building project is complete, leaving the client department with sole responsibility to deliver the wider service benefits. Up to date, clearly understood Service Level Agreements (SLAs) are not in place between JPH and client departments which risks further confusion as to departmental responsibilities and accountabilities.
34. Stage 5 in the CPMO's Project Delivery Framework and Stage 7 in the CPMO's Capital (Building) Project Delivery Framework are benefits realisation. In my view there is a risk that the current allocation of AO status may be too focussed on delivering or constructing the scheme. The result is that despite benefits being identified in business cases and despite the CPMO providing training and guidance, there appears to be a tendency to see a project prematurely closed off. This is particularly the case where projects encompass more than one Government department. For example, there is currently some uncertainty whether any individual AO will be appointed at the end of the Office Accommodation Project building construction phase in July 2024. Whilst a lot of the benefits of this project will be achieved by property rationalisation, others are dependent on the implementation of revised working practices across departments that will clearly go beyond July 2024 and it will require clear allocation of responsibility and accountability to achieve this.
35. A further risk that needs to be managed is the allocation of specialist commercial services and procurement expertise across the corporate project portfolio. The Government of Jersey has a finite amount of specialist commercial services resource available. It is therefore essential that the resource is used to add as much value as possible to key projects. My review has identified a need to give attention to how the finite commercial services expertise is used effectively in the future. One option could be for the Commercial Services Team to develop a framework that identifies the key projects that could benefit the most from direct specialist procurement support early in the project's development. This would help ensure that all projects receive appropriate commercial services and procurement support.

## Recommendation

- R2** Develop a framework that identifies the projects that would benefit the most from direct specialist support from the Commercial Services Team and ensure that support requirements are confirmed at an early stage in a project.

## Work planned that should be prioritised

- P1** Finalise the roll out of up to date and clearly understood Service Level Agreements between Jersey Property Holdings and Government departments that specify the landlord/client or user relationship and the services to be delivered by each party.

## Area for consideration

- A2** Consider the re-allocation of responsibility for benefits realisation on major and capital projects to ensure that this responsibility lies with the most appropriate officer to deliver the benefits in practice.

## Funding and financial controls

36. Many upstream feasibility costs for projects can be funded by departments in two ways - either out of existing departmental budgets or out of specifically approved Government Plan feasibility funding. In many instances it is only when a project gets beyond this initial stage (Stage 1c in the Project Delivery Framework and Stage 2 in the Capital Project (Building) Delivery Framework) that the project is included in the Government Plan for approval by the States Assembly.
37. As an example, in the case of the new combined Fire and Ambulance Station project, £132,042 had been spent since 2019 on fees by the Department at the time of my review.
38. The proposed total cost of a major project must be approved in accordance with the Public Finances Law. Annual cash allocations to reflect the agreed spending profile for the major project need to be agreed as part of the relevant Government Plan.
39. Even in well planned projects which do not overspend, there are times when spending profiles change. For example, during times of uncertain supply chains and inflation, planning estimates can be understated. The Treasury and Exchequer Department requires all project managers to submit monthly project spending



forecasts, to ensure that cash is not unnecessarily allocated and set aside for projects that are slipping. The PFM is very clear that all requests to vary funding for individual projects included in the Government Plan require a supplementary or addendum business case and a formal Ministerial Decision. A centrally held Reserve includes an element for the purpose of allocating additional spending approvals to projects.

40. Experience indicates that many projects ultimately require supplementary or addendum business cases. The resulting audit trails across years can be complicated. There is a risk that departments may adopt a short-term view towards project planning rather than a medium- or longer-term view in the knowledge that supplementary or addendum business cases may be required. In addition, the requirements can create a level of financial inflexibility, bureaucracy and uncertainty that increases the risk of delays in operational project delivery.
41. There is a need to ensure that financial controls and forecasting are proportionate to the cost and size of the scheme and the amount of funding that requires variation. The 2023-2026 Government Plan included the use of wider grouped heads of expenditure such as the Children, Young People, Education and Skills Department's (CYPES's) school improvements programme and the HCS Health Service Improvements programme. Such programmes enable individual projects to be progressed more flexibly within the overall financial control of the programme for each year. The requirements regarding grouped heads of expenditure are set out in the PFM. The 2023-2026 Government Plan also includes a head of expenditure for Feasibility with a specific section of the PFM covering off requirements in respect of Feasibility expenditure.

### **Area for consideration**

- A3** Consider ways of further increasing financial flexibility in the management of major and strategic projects, including capital projects, building on some of the approaches adopted in the Government Plan 2023-2026, such as feasibility studies and grouped heads of expenditure.

### **Monitoring and reporting**

42. All projects are monitored and assessed by the CPMO with the CPMO providing regular reports to the Executive Leadership Team (ELT). Key cross departmental projects provide reports directly into ELT and to the Council of Ministers.

43. From a financial perspective, all projects are monitored monthly, and these financial reports go to ELT monthly and to the Council of Ministers quarterly.
44. My review has however identified weaknesses in the identification, recording and monitoring of benefits realisation on individual projects. These weaknesses are detailed in the next section and echo the findings of Internal Audit.

### **Recommendation**

- R3** Enhance requirements for the recording, ownership and monitoring of benefits realisation both at project level and across the portfolio of projects.

# Detailed findings – individual projects

## Purpose

45. For each of the sample projects reviewed I considered the following questions:
- Is it clear what objective the project is intended to achieve?
  - Have the right people bought into the project, such as users, suppliers, those who have to implement it?
46. My findings in respect of the Office Accommodation Project and the Replacement Bellozanne Sewage Treatment Works are broadly positive. I have however found opportunities for improvement and lessons for future projects in my review of the Combined Fire and Ambulance Station and Mental Health Improvements (Orchard House).

## Office Accommodation Project

47. The Government has a stated long-term objective to locate the majority of services in one administrative centre. The Government's accommodation strategy includes the guiding principle that *'All government office-based staff and other users are to be located within the 'New Office' development'*.
48. An SOC for the Office Accommodation Project was approved in September 2019. The FBC was presented to the Council of Ministers in February 2021 (prior to contract award on 28 April 2021). The Headquarters is expected to be completed and handed over to the Government in July 2024.
49. Internal Audit has undertaken two reviews of the project and I have considered the findings as part of my work. A clear governance and project structure has been established. There is a clear audit trail of Accountable Officers and Senior Responsible Officers. There is however a question as to who should be the AO for ensuring that the benefits identified in the business cases are realised. Currently the Chief Officer for the Infrastructure and Environment Department (I&E) is the AO, but this allocation of responsibilities was expected to be only for the building phase of the project.
50. As part of the project governance structure there is a Readiness Panel, which includes representatives from end user departments. The role of this Panel is to ensure the smooth operational transfer of the building to the Government as well as to maintain effective working arrangements afterwards.

51. The Government has a significant financial decision to make by July 2027, to either buy the new Government Headquarters building or to operationally lease the property.

### **Replacement Bellozanne Sewage Treatment Works**

52. An initial feasibility report from 2013 set out how a new concept works at Bellozanne could be constructed and phased. In June 2014 the States of Jersey approved the Waste Water Strategy, which was a 20-year plan to upgrade and improve Jersey's waste water collection, treatment and disposal system. A significant part of this strategy is the construction of a new sewage treatment works at Bellozanne, which had an initial estimated cost of £75 million.
53. The overall project is large and complicated, and construction industry standard procurement methods were adopted. Work started in 2015 with an initial principal contractor but following performance reviews and a new Procurement Strategy, North Midlands Construction (NMC) PLC was awarded a contract of £56.3 million in April 2018 as the new main design and build contractor.
54. NMC PLC subsequently went into administration in October 2021 and to avoid additional delays and cost, I&E stepped in as the new main contractor under a revised Procurement Strategy. Since taking over the project in December 2021 I&E has used the same design and same team of sub-contractors. The transition was managed effectively and the approach adopted has saved time and avoided additional costs which would have arisen from a full external re-procurement.

### **Combined Fire and Ambulance Station**

55. At the time of my review this project has been managed within the Justice and Home Affairs (JHA) Department, with project support from JPH. While the purpose of the project is clear and the working group arrangements within JHA are clear, the way in which JHA worked with the CAMB was not optimal. The preferred location set out in the business case produced by JHA was not supported and was not approved as CAMB considered that the decision had to be taken alongside the Town School Review that had not yet taken place. This demonstrates that there were weaknesses in corporate strategic property arrangements and a need for stakeholders to be engaged with more effectively. The risks associated with not proceeding with the project had not been evaluated and included within the JHA departmental risk register. This was despite the June 2021 FBC making a compelling strategic case to say that *'the current ambulance and Fire and Rescue Services headquarters, station and training facilities are no longer fit for purpose and need to be replaced'*.
56. At the time of my review £132,042 had been spent on the project within JHA. The project is now included in the proposed Government Plan 2024-2027.

## Mental Health Improvements (Orchard House)

57. The project aim has been to deliver a fit for purpose environment in which to provide adult mental health care to the population of Jersey. However my review of the formal project management documentation highlights that there has been a significant absence of service users, senior HCS clinical leaders and HCS frontline staff in the development and progress of this project. This has contributed to the project being significantly delayed and significantly over budget.
58. In March 2017 Orchard House (which provides mental health services for adults) was noted to be unacceptable by the then Health and Social Security Scrutiny Panel. This was then followed by an official improvement notice being issued by the Health and Safety Inspectorate. At that time, Orchard House was earmarked for closure as part of a wider Mental Health Improvements scheme.
59. Between 23 October 2018 and 31 January 2023, whilst there were regular informal site and client meetings, there have only been six formal meetings of the Project Board and significant gaps in between meetings. For example, the minutes of the meeting held on 28 April 2022 noted that *'whilst a Status Report had been issued, the last scheduled meeting of 27 April 2020 had been cancelled due to lockdown'*. The previous meeting of the Project Board had been held on the 22 October 2019.
60. The project became increasingly complex during the period in which the Project Board was not meeting. The project started with a single project to move Orchard House services into Clinique Pinel. Over time however the project became three complex projects involving Orchard House, Clinique Pinel and Rosewood House. In late 2019 and early 2020 there was a lot of pressure to progress the overall programme quickly. The competitive tender procurement (which would have required detailed property condition surveys on these three buildings) was replaced by a negotiated contract approach with a single contractor.
61. One ward for elderly mental health service users (Cedar Ward) has remained in Clinique Pinel throughout the entire two and a half years of this project. During the COVID-19 pandemic in 2020 there was limited access to the site for pre-project condition surveys. In practice the buildings had significant condition issues, particularly fire safety in the roof space (above Cedar Ward). This led to expensive additional works and service disruption.
62. To compound all of the above, during the time of the COVID-19 pandemic (early 2020 to early 2022) the project communication between JPH and HCS was not effective regarding the specific building requirements for mental health service users, particularly with reference to the risks of potential ligature points and cross infection.

63. I have seen evidence of weekly operational meetings that did take place during the period when the Project Board did not meet. These operational meetings however comprised individuals with buildings experience but not always individuals with experience of building requirements to deliver mental health services. There is also very little evidence of any direct senior managerial and/or clinical involvement in these meetings since 29 April 2019.
64. The original business case (16 April 2019) states that *'the respective roles of HCS (as client) and Growth, Housing and Environment [the predecessor department to Infrastructure and Environment], as the body with responsibility for public works, will need to be clearly established and set out within the project governance framework'*. However, there is no documented evidence that this was formally agreed. The result was JPH was responsible for supplying the building solution (supplying SRO) and HCS was the sponsor of the project (sponsoring SRO) and responsible for provider the ongoing clinical care within the premises. There was however a lack of effective engagement and coordination with the staff who are delivering the service, particularly as Cedar Ward still had service users in it during the building project. There were challenges in communication with the clinical staff, who were directly impacted by the project on a day-to-day basis. The role of a dedicated clinical project person to work alongside the technical project manager, to coordinate all of the clinical aspects of this complicated project, should have been considered. The technical project manager co-ordinates the contractor, architect, quantity surveyors and planners, whereas this 'clinical coordinator' could have ensured the smooth running of the clinical services, during a time of significant building disruption. This clinical project co-ordination role should have made sure that staff on the ground knew what was going on and should have ensured the final building solution was fit for purpose from a service delivery perspective.
65. While the Projects Governance Framework identifies the senior user role (sponsoring SRO), it is essential that this role includes responsibility for ensuring that all key service delivery staff affected by the change are engaged properly.
66. As a consequence of the approach adopted in practice, the complex needs of mental health service users that should have been accommodated in the building project were missed (for example ligature points and cross infection risks), in what is a very specialist type of building project that does not often happen on the Island.
67. The costs of this project have nearly doubled since October 2019 (from £5.9 million to £10.6 million in January 2023). There were 209 architect's instructions and 39 confirmations of verbal instructions, since the project started in the autumn of 2020.

## Recommendations

**R4** Agree and implement a post-handover governance structure to become operational after the handover date for the completed Office Accommodation Project building. There should be clarity within this governance as to the arrangements to:

- oversee any building purchase or operational lease arrangements that have not been fully resolved before this date; and
- oversee the delivery of all the benefits, both facilities and staffing related, as identified in the project business cases.

An Accountable Officer should be appointed to ensure that both these tasks are completed effectively.

**R5** Strengthen the link between the risks outlined in project business cases and those set out in departmental risk registers.

**R6** Enhance procedures to ensure that user departments are sufficiently engaged in all stages of major and capital projects.

## Value

68. I considered the following aspects of 'value' in respect of the projects reviewed:

- Do the procurement method and implementation option chosen meet the project's objective and provide long-term value?
- Does the business case demonstrate value for money over the lifetime of the project?
- Are cost and duration estimates appropriate to the stage of development of the project, with risks and uncertainties appropriately reflected?
- Does the project have a plan to deliver benefits and is this being implemented?

### Office Accommodation Project

69. I consider that the procurement method adopted (a three stage competitive dialogue procurement) was a good option for this project and is delivering a value for money solution. The project adopted the approach of bundling up a wide range of accommodation schemes into a single project that has helped to make it

attractive to investors and developers. There are opportunities for the Government to learn from the approach adopted and consider whether it could be applied in other areas.

70. The business cases, particularly the FBC and current updates to the FBC, demonstrate value over the lifetime of the project. While revenue savings expected have varied in value, the latest estimate is that the project will deliver £6 million of revenue savings each year. In overall terms, the costs and project duration have been managed effectively.
71. While the project has a plan to deliver benefits, there is a risk that there may be a lack of accountability for the delivery of these benefits in the period after the handover of the building.

### **Replacement Bellozanne Sewage Treatment Works**

72. An initial feasibility report from 2013 set out how a new concept sewage treatment works at Bellozanne could be constructed and phased. The 2014 Waste Water Strategy identified the need (strategic case) and the best location (economic case) for a new Sewage Treatment Works. I have not however been provided with a full original business case for this project. I have been provided with copies of the subsequent new Sewage Treatment Works COVID-19 Light Business Case 2021 (which requested £1.85 million of additional funds to reimburse the then contractor for the costs resulting from COVID-19 pandemic project delays) and a 2022 Business Justification Case which requested £2.4 million for I&E to complete the project.
73. None of the above documents articulates clearly the benefits to be realised from the project.

### **Combined Fire and Ambulance Station**

74. The procurement strategy, signed off in November 2020, was used to secure resources to undertake project feasibility studies (through the appointment of professional services providers).
75. At the time of my review, the financial case was not well developed. The estimated capital cost for the recommended option was £24.4 million but no revenue costs have been included and no benefits have been identified or quantified. Officers expect that these will be completed once full feasibility work is undertaken.
76. Once a preferred location is agreed for this project it will be essential that a new Full Business Case is produced in appropriate detail. This should be in place before any final go/no go decision is made and before a contract is awarded to a main contractor.



## Mental Health Improvements (Orchard House)

77. The decision to change the procurement strategy in February 2020 away from a competitive tender to a negotiated contract with a preferred supplier has resulted in significant problems. A competitive tender would have required a lot of up-front condition appraisal and specification work to be completed and signed off, prior to the issue of the tender documentation to suppliers. Failure to do this up-front work has led to the downstream identification of significant fire risks, which resulted in additional costs and delay.
78. I have seen no evidence of a formally documented benefits plan for this project.

## Recommendation

- R7** Enhance procedures to document benefits plans including:
- requiring benefits plans to be signed off by the project board and accountable officer; and
  - requiring an accountable officer to be appointed to deliver the projected benefits over the expected benefits period.

## Area for consideration

- A4** Consider how best to 'bundle' or group individual projects at the procurement stage to make them more attractive to investors and developers, thereby securing additional value for money.

## Programme set-up

79. For each project reviewed I have considered the following aspects of programme set-up:
- Are there structures (internal and external) that provide strong and effective oversight, challenge and direction in accordance with the requirements of the Public Finances Manual?
  - Does the project have the right culture and leadership with the necessary authority and influence?

- Does the Government have the resources (staffing, capability, equipment and so on) required to support the programme?
- Are scope and business requirements realistic, understood, clearly articulated and capable of being put into practice?
- Are key risks identified, understood and addressed?

### **Office Accommodation Project**

80. Effective structures have been established to date for the project and these have been reviewed by Internal Audit twice with positive ratings given. The governance structure includes officers with the right authority and relevant independent expertise.
81. The scope and business requirements are realistic and are being put into practice effectively. Key risks have been identified and understood. There is regular reporting of project risks and proposed mitigations.

### **Replacement Bellozanne Sewage Treatment Works**

82. Similar to the Office Accommodation Project, effective structures have been established to date for this project and these have been reviewed by Internal Audit with positive ratings given.
83. The scope and business requirements are realistic and are being put into practice effectively. Key risks have been identified and understood. There is regular reporting of project risks and proposed mitigations.
84. I&E moved swiftly in the autumn of 2021 to mobilise the supply chain to support them when the department took on the role as the new principal contractor.

### **Combined Fire and Ambulance Station**

85. At the time of my review this project has been entirely run within JHA with some support from JPH. As the project is effectively at Stage 0, formal governance structures are yet to be established.
86. While the risks of the project appear to be understood, the risks associated with not proceeding with the project are not captured on the departmental risk register.

### **Mental Health Improvements (Orchard House)**

87. I have already set out the significant weaknesses I have identified in the governance structures that have operated in respect of this project.

88. There are though signs of improvement. In 2023, projects risks have been identified and are now recorded in a project risk register. A lessons learnt paper has also been produced in 2023.

### **Recommendation**

- R8** Ensure the risks and impact of identified projects not proceeding are considered when updating departmental risk registers.

## **Delivery variation and management**

89. For three projects I have considered the following aspects of delivery variation and management:
- Are there appropriate incentives for all parties to deliver (contractual, performance management or other)?
  - Is there an effective mechanism to control project variations?
  - Is the project sufficiently flexible to deal with external changes in the operating context?
  - Is progress being measured and assessed effectively?
  - Are contracts being managed effectively?
  - Is the project learning from experience on previous relevant projects?
  - Is transition to business as usual when the project is completed being planned for effectively?
90. The Combined Fire and Ambulance Station project is not progressed sufficiently for me to evaluate delivery variation and management.

### **Office Accommodation Project**

91. For this project the incentives are clear for all parties within the procurement and contractual approach adopted. There is evidence that project variations are being measured and monitored within the governance structure. For example, changes in respect of how headcount has evolved and how savings estimates have evolved are being reported regularly within the governance structure.

92. The project is due to complete on time and learning from previous Internal Audit reports in respect of the management of the office move to Broad Street has been brought into the new Headquarters project.
93. However the transition to business as usual and the arrangements to realise benefits after the handover of the new building require further consideration.

### **Replacement Bellozanne Sewage Treatment Works**

94. This project is large and complex. Construction industry standard procurement methods were adopted in the initial procurement. Work started in 2015 with an initial principal contractor. However, following a number of performance reviews, a new procurement strategy was approved and a new contractor was awarded a contract of £56.3 million in April 2018 as the principal design and build contractor.
95. This contractor subsequently went into administration in October 2021. To avoid additional delays and cost, I&E stepped in as the new principal contractor and adopted a revised procurement strategy for the project.
96. Since taking over the project in December 2021, I&E has used the same design and same team of sub-contractors. The transition to I&E stepping in as the principal contractor was managed smoothly and the project management has worked well. There is evidence that this timely transition, mid project, saved time and avoided additional costs which would have arisen from a full external re-procurement.

### **Mental Health Improvements (Orchard House)**

97. The decision to change the procurement strategy in February 2020 away from a competitive tender to a negotiated contract with a preferred supplier has resulted in significant problems for this project. The initial overall contract value was determined using an incorrect project specification and unit prices from a previous project that was not relevant to a specialist building to deliver mental health services.
98. While there is evidence that the technical progress on the project has been measured and assessed, the cost of this project has nearly doubled since October 2019 (from £5.9 million to £10.6 million by January 2023). In addition, at the time of my review, and as recorded in the minutes of the Project Board of 31 January 2023, there have been 209 architect's instructions and 39 confirmations of verbal instructions since the project started in the autumn of 2020.
99. The project team has captured lessons learnt from this project in an internal report dated January 2023. While clinical staff have not been sufficiently engaged in the project build, it is clear that senior staff from HCS are engaged effectively in the

handover of the building. Handover is planned to take place only once HCS is content that the building meets its needs.

## **Recommendations**

- R9** Document the lessons learnt in the successful transfer of principal contractor status to I&E on the Replacement Bellozanne Sewage Treatment Works project and ensure these lessons are shared widely within Government so that other projects may benefit from this learning.
  
- R10** Ensure that the lessons learnt on the Mental Health Improvements (Orchard House) project are shared widely within Government so that other projects may benefit from this learning.

## Appendix One

### Audit Approach

The review approach included the following key elements:

- review of key documents relating to the overall management of major and strategic projects, including capital projects, in Jersey and key documents relating to the four named individual projects
- interviews with key individuals involved in both the overall management of major and strategic projects, including capital projects and the four named individual projects
- review of relevant Internal Audit reports; and
- review of key external best practice documents and reports.

The documents reviewed included:

- Business cases (Strategic Outline Case, Outline Business Case and Full Business Case) for the four named individual projects
- Corporate Portfolio Management Office (CPMO) policies, process frameworks, guidance and training documents
- Detailed project governance documentation for the four named individual projects, including PIDs, project meetings, project updates, risk registers and issues logs and reflective lessons learnt reports
- Government of Jersey financial and risk policies, procedures and documents
- Internal Audit reports (as relevant)
- Procurement strategies for the four named individual projects (where relevant)
- Public Finances Manual

The following people contributed information through interviews or by correspondence:

- Category Manager for construction projects
- Chief Officer, Infrastructure and Environment department
- Chief Officer, Justice and Home Affairs department
- Director of Mental Health Services, HCS

- Director of Property, Infrastructure and Environment department
- Group Director, Finance Business Partnering and Analytics
- Group Director of Commercial Services
- Group Director of Operations and Transport, Infrastructure and Environment department
- Head of Corporate Portfolio Management Office
- Head of Estates, Health and Community Services department
- Head of Risk
- Project Manager, Combined Fire and Ambulance Station project
- Project Manager, Corporate Portfolio Management Office
- Project Manager, Mental Health Improvements (Orchard House) project
- Project Manager, Replacement Bellozanne Sewage Treatment Works project
- Project Manager/Special Advisor, Office Accommodation Project
- Senior Finance Manager
- Strategic Director of Assurance and Risk
- Treasurer

The fieldwork was carried out by an affiliate working for the Comptroller and Auditor General, in June and July 2023.

## Appendix Two

### Summary of Recommendations, Work planned that should be prioritised and Areas for consideration

#### Recommendations

- R1** Ensure that the requirements of the CPMO are embedded through mandatory training and participation including:
- the Change Network development events; and
  - CPMO general, project risk and specific benefits realisation training.
- R2** Develop a framework that identifies the projects that would benefit the most from direct specialist support from the Commercial Services Team and ensure that support requirements are confirmed at an early stage in a project.
- R3** Enhance requirements for the recording, ownership and monitoring of benefits realisation both at project level and across the portfolio of projects.
- R4** Agree and implement a post-handover governance structure to become operational after the handover date for the completed New Government Headquarters building. There should be clarity within this governance as to the arrangements to:
- oversee any building purchase or operational lease arrangements that have not been fully resolved before this date; and
  - oversee the delivery of all the benefits, both facilities and staffing related, as identified in the project business cases.
- An Accountable Officer should be appointed to ensure that both these tasks are completed effectively.
- R5** Strengthen the link between the risks outlined in project business cases and those set out in departmental risk registers.
- R6** Enhance procedures to ensure that user departments are sufficiently engaged in all stages of major and capital projects.



- R7** Enhance procedures to document benefits plans including:
- requiring benefits plans to be signed off by the project board and accountable officer; and
  - requiring an accountable officer to be appointed to deliver the projected benefits over the expected benefits period.
- R8** Ensure the risks and impact of identified projects not proceeding are considered when updating departmental risk registers.
- R9** Document the lessons learnt in the successful transfer of principal contractor status to I&E on the Replacement Bellozanne Sewage Treatment Works project and ensure these lessons are shared widely within Government so that other projects may benefit from this learning.
- R10** Ensure that the lessons learnt on the Mental Health Improvements (Orchard House) project are shared widely within Government so that other projects may benefit from this learning.

### **Work planned that should be prioritised**

- P1** Put in place Service Level Agreements between Jersey Property Holdings and Government departments that specify the landlord/client or user relationship and the services to be delivered by each party.

### **Areas for consideration**

- A1** Consider adopting a short form business case model for projects with a value below a defined threshold.
- A2** Consider the re-allocation of responsibility for benefits realisation on major and capital projects to ensure that this responsibility lies with the most appropriate officer to deliver the benefits in practice.
- A3** Consider ways of further increasing financial flexibility in the management of major and strategic projects, including capital projects, building on some of the approaches adopted in the Government Plan 2023-2026, such as feasibility studies and grouped heads of expenditure.
- A4** Consider how best to 'bundle' or group individual projects at the procurement stage to make them more attractive to investors and developers, thereby securing additional value for money.



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