

AUDIT COMMITTEE REPORT 01- 02: ACCOMMODATION FOR THE NATIONAL ASSEMBLY FOR WALES

The Cabinet of the National Assembly's response to the Recommendations of the Audit Committee following the presentation of their report on 3 May 2001

The Cabinet of the Assembly is grateful for the report. We welcome the findings and offer the following response to recommendations in the Report.

Recommendation (i)

We look to the Assembly to issue guidance to ensure that sensitivity analyses are undertaken as part of all future economic appraisal work.

Agreed. On 10 May 2001 all staff were appraised of the need to follow The Treasury guidance "Appraisal and Evaluation in Central Government" (The Green Book) on economic appraisal and in particular of the need to take systematic account of major uncertainties through sensitivity analysis. They have also been provided with the electronic link to the Green Book on the Treasury's website.

Recommendation (ii)

That as far as is practicable, announcements of project costs reflect the whole cost to the Assembly and not only the cash cost, particularly when other costs are known to be significant.

Agreed.

Recommendation (iii)

That, given the uncertainty about the long-term need for the Pierhead Building, we look to the Assembly to review the use of the building and to develop detailed proposals in due course.

The Presiding Office has established a Project Board to review the competing demands for space in the Pierhead Building and Crickhowell House and their future uses once the Assembly Building has been commissioned. This review will consult with Assembly Members and other users of the buildings.

Recommendation (iv)

We recommend that officials consider purchasing the long leasehold of the Pierhead Building as soon as a long-term need for the building is established, in order to minimise the ongoing cost of rental payments.

A review of the costs and benefits of purchasing the long leasehold of the property is currently being undertaken by officials for consideration by the Cabinet.

Recommendation (v)

We recommend that firm budgets are set for all capital projects and that the total cost is very closely monitored, on a regular basis throughout the life of the project.

Agreed.

Recommendation (vi)

We look to the Assembly to monitor total capital costs, whole life costs and the results of value engineering studies as part of the reporting arrangements for the New Building.

Monthly financial reports are prepared by the Project Manager and presented to the Project Board and Policy Steering Group in order that the capital cost of the budget can be monitored more closely. Consideration is being given to whole life costs and value engineering by the Architect and officials and this will continue throughout the life of the Project.

Recommendation (vii)

We recommend that, in 12 months time, the Assembly undertake a review of procurement practices for the New Building to ensure that the weaknesses identified in the Auditor General for Wales' report have not been repeated.

Agreed. The review will be conducted by members of the Procurement Unit and Internal Audit Services.

Recommendation (viii)

We recommend that when the value of goods supplied under a call-off contract rises substantially from the value expected at the time the contract was let, we expect officials either to tender separately for any major order or, if there are compelling reasons for not doing this, press the existing contractor to negotiate a better price. However, should the supplier be unwilling to renegotiate, officials should review the decision not to retender.

Agreed. Officials will review and update procurement guidance to reflect this by July 2001.

Recommendation (ix)

We recommend that given the cost implications of any variations to the design as well as the potential for disruption to construction work, the Assembly pay particularly close attention to any requests for specification variations and ensure that these are kept to a minimum.

Agreed. Any such variations to design are being carefully monitored by the Policy Steering Group who determine whether or not any changes to the design should be made prior to any instruction being issued to the Project Manager.

Recommendation (x)

When there is shared responsibility for part of any project, we recommend that basic arrangements are confirmed in a written framework agreement before work begins, pending agreement of a detailed contract.

Agreed. The Assembly Accommodation Officials Project Board (AAOPB) has agreed the Terms of Reference for the I.C.T Project Board and the Assembly Building Project will be represented on that Board. The I.C.T Project Board will report regularly to AAOPB.

Recommendation (xi)

We look to the Assembly to note the cost of floor space for staff and to minimise its space requirements as much as practicable.

A Project Board has been established by the Presiding Office to review the competing

demands for the use of space in Crickhowell House and the Pierhead Building once the Assembly Building has been commissioned.

More generally, we recognise that controlling vacant accommodation is fundamental to effective estate management and our focus is toward minimising surplus space and reducing operating costs. The current situation is that we have no vacant property and no vacant space. We aim to keep surplus space to a minimum as an essential part of our property strategy for the future.

We are involved in some benchmarking work to compare our performance with that of similar organisations.

Recommendation (xii)

We recommend that fee bids are included in the assessment of entries to any design competitions, or similar exercises, held in the future.

Agreed. The need to attain the highest standards in the management capital projects is accepted and an Assembly Construction Forum is in the process of being established to consider and share best practice, including issues relating to design competition.

Recommendation (xiii)

That any future design competitions include a comprehensive consideration of practical issues of cost, size and extent.

Agreed. This also would be an issue which the proposed Construction Forum could consider.

Recommendation (xiv)

We recommend that project budgets contain realistic provisions for all likely costs, including fixtures and fittings, external landscaping and fees.

Agreed. However, the original estimate of £12.5 million provided for the construction of a landmark building of an appropriate standard only. Additional requirements and their associated costs were identified once proposals had been developed arising out of the design competition which the Assembly could consider and approve.

Recommendation (xv)

Design changes that result in additional cost must be avoided unless they are

absolutely necessary and are approved by the Policy Steering Group. We expect the contingency fund to be reduced as the project proceeds and amounts are either transferred to the base cost (if risks do materialise) or eliminated from the reserve (if they do not).

Agreed. The Finance Minister holds the contingency and any calls on that fund must be approved by her as the Investment Decision-Maker. As before, the Finance Minister has undertaken to provide regular updates on progress to Assembly Members.

Recommendation (xvi)

We recommend that whole life costing and value-engineering techniques are used routinely on all major capital projects undertaken by the Assembly.

Agreed. This will be taken forward by the Construction Forum.

Recommendation (xvii)

We recommend that fee structures for professional services in future capital projects funded by the Assembly contain strong incentives to contain costs, and that the basic structure should be settled at an early stage in the design process.

Agreed. Along with issues raised by recommendations (xii); (xiii) and (xvi) this will be taken forward by the Construction Forum.

Recommendation (xviii)

We seek confirmation from the Assembly, now that the construction cost at the scheme design stage has been approved, as to the final cost of the architects' base fee; and also that the contract with the architects has been signed.

Negotiations regarding the cost elements of the Richard Rogers Partnership contract are still on-going with a view to obtaining the best value for money for the Assembly and Welsh taxpayer. Following the Auditor General's report in November 2000, officials have obtained agreement from the Richard Rogers Partnership to a capped fee. They have agreed in principle to fix their fee as a 21.1% lump sum based on a figure for the approved scheme design. In all other respects the contract is regarded as being in place and compliant. We will provide the Committee with confirmation once negotiations have been finalised.

Recommendation (xix)

We look to the Assembly to ensure that this unusual arrangement whereby the

Assembly does not appoint its own Quantity Surveyor is not repeated in any future capital projects.

Agreed. Symonds Group Ltd were appointed as independent QS for the New Building Project on 12 February 2001. We confirm that we intend that such an appointment will be standard practice for future capital projects.