



Professional Examination 3

27 November 2002

FINANCE AND MANAGEMENT CASE STUDY

Time allowed – 6 hours

Morning Session Part 1: From 10.00 a.m. to 12.30 p.m.

Morning Session Part 2: From 12.40 p.m. to 1.10 p.m.

Afternoon Session : From 2.00 p.m. to 5.00 p.m.

Candidates are to work on the information contained in the Case Study during the first part of the morning session.

The preparatory session will end at 12.30 p.m., at which time Question 1 will be distributed. At 12.35 p.m. candidates will be given 5 minutes to familiarise themselves with the task required of them. Answers to this question will be collected at the end of the morning session.

Nothing may be taken from the examination room during the lunch interval, nor may anything additional be brought into the afternoon session.

The remaining questions on the case study will be distributed at 1.55 p.m. so that candidates may familiarise themselves with the tasks required of them.

The case study has been prepared on the assumption that candidates will not necessarily have a detailed knowledge of the type of organisation to which it refers. No additional merit will be accorded those candidates displaying such knowledge.

Candidates will be allowed to submit, as part of their script, work performed in the morning session, but they should distinguish clearly between work supporting their script and that which is to be considered a part of it.

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CITY OF BILDING

The City of Bilding is one of the larger cities in Constructia, an independent kingdom in North West Europe with a population of 12 million. Constructia's currency is the Constructia £, equal in value to £ Sterling. Bilding is an ancient city, reputedly the birthplace of the famous historical folk hero Robin Hodd. It was the cradle of the nineteenth century industrial revolution in Constructia, but then suffered from the decline of the coal mining, steel and textile industries. The consequent problems of depopulation, poverty and dereliction resulted in profound social problems culminating in serious social unrest in 1993. The central government response was a policy of urban regeneration and social inclusion. Bilding has benefited from these policies, encouraging significant numbers of business start-ups and inward investment in the city. The local economy is growing and the population is now increasing, but growth is unevenly distributed across Bilding.

Bilding Corporation

Bilding Corporation is a unitary authority providing a full range of municipal services, including education, housing, social services and highways maintenance. The Corporation's charter was granted in 1402, and the city has a proud history of local civic pride. Members of the Corporation are directly elected and are supported by a staff of officers. The Corporation receives most of its funds from central government grants and locally raised taxes. Major policy decisions are taken by the Cabinet, a group of elected members from the majority political group on the Corporation. There is also a Scrutiny Committee, which receives regular reports from Cabinet and can conduct its own investigations into the policies pursued by the Cabinet.

Other than regeneration spending, Bilding has suffered from low capital spending over the last 20 years. Repairs and maintenance backlogs have built up and service quality has been compromised. Other local authorities have similar problems, but there have been complaints that Bilding Corporation's service provision lags behind that provided by the best local authorities. The current central government was elected on a platform of improving public services. The resulting initiative to implement this pledge is **Public Service Improvement (PSI)**. Local authorities are under pressure to demonstrate that they are innovating and improving services. Bilding Corporation has a high profile within Constructia, and seeks to comply with central government policies and directives. It wishes to avoid sanctions including financial penalties and even loss of control of services to a government task force.

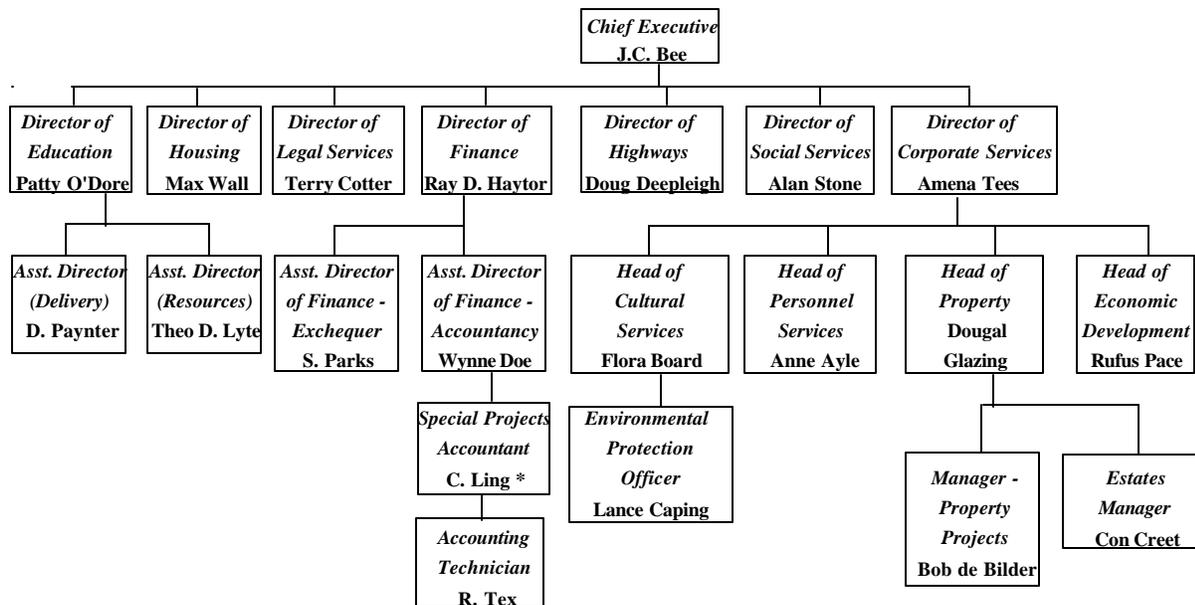
Management Structure

The Corporation has recently appointed a new Chief Executive, recruited from the private sector, pledged to improve responsiveness and to promote innovative service delivery methods. The Corporate Management Team (CMT) consists of the Directors of services and holds regular strategy meetings chaired by the Chief Executive to promote joined up thinking. Whilst the members of the CMT enjoy a close working relationship with each other, some of their subordinates reject the ideas of the Chief Executive. Some parts of the

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Corporation continue to identify strongly with their own directorates and established ways of working.

The Corporation's management structure is shown below:



*** You are C. Ling, Special Projects Accountant.**

The Corporation is organised into directorates. Most directorates are organised into divisions. The senior official within each division is normally designated the Head or alternatively Assistant Director. Larger divisions may be organised into sections. Managers head sections. Larger sections may be further sub-divided into teams.

Directorate of Education

The Directorate of Education has been facing acute budgetary pressures, as there has been a significant increase in the school age population consequent upon the success of economic regeneration. The Directorate was recently inspected by TILES (The Inspectorate of Library and Education Services), an inspection and monitoring office of the Government of Constructia. TILES criticised:

- ◆ Deficiencies in the standard of educational provision;
- ◆ Deficiencies in the standard of school buildings;
- ◆ Overcrowding in several schools;
- ◆ Unsatisfactory budgetary control, especially over capital spending.

The limited capital funding available to the Directorate has been used to construct new schools where provision was particularly inadequate (in the Ridgetile and Dampcourse districts). A new primary school is also required by September 2004 in the Livingstone area of the city.

Delegation to Schools

Schools manage their own budgets under a central government policy called Direct Management of Schools (DMS). Previously, all decisions about spending on schools were made by the Directorate of Education. Local authorities are required to devolve at least 90% of their schools budget to individual schools. The Board of Governors of each school is now responsible for spending its devolved budget to reflect local needs and priorities. Some items remain the responsibility of the local authority including capital expenditure on new school buildings and functions relating to ownership of schools, such as management of leases. Most support services schools need are now purchased on a contractual basis from the devolved budgets. Under DMS the devolved budget is divided up amongst schools according to a formula, based primarily upon pupil numbers.

Government policy is to encourage a competitive market in the provision of such services, to raise standards and improve efficiency. Alternative private sector providers are starting to emerge. Thus far only a few schools have elected to purchase any services from a provider other than Biling Corporation. However, Boards of Governors are starting to question the nature, quality and cost of provision offered by the Corporation. This applies not only to the services schools now buy in for themselves, but also services funded centrally by the Directorate that impinge on individual schools, such as project management of building projects.

Schools can elect to sign a Service Level Agreement (SLA) to buy back a support service from the Corporation, to buy that service from private sector competitors, or dispense with that service and use the funds for other purposes. Where a local authority offers a service to schools under an SLA, it is free to decide the basis and level of charge that it wishes to make for that service.

Biling Technology Park

A number of major regeneration projects were initiated following the riots of 1993 with cross-party support. The largest and hitherto most successful project was the development by the Corporation of Biling Technology Park within the city boundaries. Tenants enjoy tax reliefs, selective financial assistance, good communications and facilities.

The Technology Park is located on a site that previously contained a colliery, a steelworks and a gasworks. With the exception of one large 1960's warehouse unit (the Parfit Warehouse), all the properties on the Technology Park are small units, purpose-built over the last seven years. All premises on the Park are regarded as "incubator units", and tenants are expected to move on to larger premises once they become established. To encourage start-up businesses, leases for premises on the Park are normally granted on a "partnership" basis. Whilst other local authorities offer incentives, only Biling Corporation offers rents on a "partnership" basis.

Estates Section

The Estates Section is part of the Property Division of the Corporate Services Directorate (which also includes Property Projects Section). The Estates Section is responsible for three property-related services:

- Management of property leased from and to the Corporation;
- Management of the maintenance of Corporation property, including school buildings where schools buy into the service;
- Energy management, which involves ensuring that Corporation buildings use energy as efficiently and economically as possible.

A separate team of professionally qualified surveyors or quantity surveyors provides each service. In addition there is an administration team, consisting of an administrator and three clerical officers, each of whom is allocated to provide clerical services to one of the three professional teams. Also there is a Section Manager, who has overall responsibility for the Section.

The costs of the Section are recharged to directorates by way of a fixed charge per property, the amount of the charge varying according to the type of property. Each team has its own set of charges, which are reviewed annually. Any difference between the amount recharged and the actual cost of the service remains as a charge to the Corporate Services Directorate: significant differences have to be justified to the Director of Finance and the Corporation's external auditors. The budgets for maintenance management and energy management are fully delegated to schools. So far they have all bought back into these services.

There has been some dissatisfaction with the performance of this Section. The Section Manager is reluctant to change and is resistant to new ideas. The bureaucratic culture of the Section has led to declining morale. Excessive overtime has led to high levels of stress. The Head of Property is concerned that the state of the Section could be a threat to the Division's chances of retaining its "Promoting Performance in People" (PPIP) status. PPIP is a national award to organisations that follow good practice in training their staff in ways that benefit the organisation and its employees. PPIP status is awarded for three years, after which the organisation has to undergo a further inspection to determine if it still meets the required standards of good practice.

There is frustration within the Corporation at the level of responsiveness of the Estates Section. Directorates find it difficult and time-consuming to get decisions from the Section. The Economic Development Division is particularly concerned that this may be starting to undermine the hitherto successful economic regeneration strategy as the level of empty Corporation-owned commercial premises (voids) has begun to rise.

Property Projects Section

Property Projects is a section that provides project management services for property developments, both new build and major refurbishment projects. In 2001/2002 the Section has begun to charge users of its services at a rate of 2.5% of the contract cost plus professional fees.

Personnel Issues

One of the first decisions of the new Chief Executive was to fill the vacant post of Head of Personnel Services. This post had been held vacant for over two years, as his predecessor had viewed this role as being a peripheral one with no real contribution to the work of the Corporation. The new Head of Personnel Services has set about raising the profile of personnel issues and has made a number of changes to personnel policies. A change she has introduced is absence monitoring, particularly sickness absence. The average number of days lost annually through sickness is 8.5 per employee and she wishes to reduce this to 7 days.

Salaries are set by a combination of national and local agreements. At a national level, representatives of employers and employees agree on a set of annual salary scales. These salaries are usually referred to as “salary points” and after negotiation they are usually increased each year.

At a local level, the Corporation assigns each job a salary range, or “grade”, consisting of minimum and maximum salary points, with intermediate points. Staff normally start a job at the minimum point for their grade and, on April 1 each year, their salary is increased to the next point until they reach the maximum salary point for their job. Once an employee has reached the maximum point for their job, their salary does not change except for the annual increases negotiated nationally.

The number of points between the minimum and maximum is determined by the degree to which proficiency in a job increases with experience. A job that is relatively easy to learn will have a grade consisting of only a few points, but a grade will cover more points for a job where it takes many years to become fully proficient. There is a general rule that team leaders are always paid at least one point more than any other member of their team.

Employees normally work a 37 hour week. If they work more than this they are entitled to either overtime pay or time off in lieu.

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Memorandum

To: Ray D. Haytor – Director of Finance
From: J.C. Bee – Chief Executive
Subject: Need for Finance Directorate Input
Date: 26 September 2002

**BILDING
CORPORATION**
*Building a brighter future for
the whole community*

I want to propose that you deploy some of your Special Projects Accountant's time on some very important special projects. I am concerned that there appears to have been little Finance input into certain of the Corporation's activities that seem to be causing problems. All of them relate to the Corporate Services Directorate. Amena Tees, the Director of Corporate Services, is anxious for your help and has promised that all relevant information will be supplied to you concerning these problem areas. I shall briefly outline the areas of concern.

- ◆ There is disquiet that the economic regeneration programme may be stalling. The occupancy of units on the hitherto highly successful Technology Park has begun to decline, threatening continued economic regeneration. The Incubator Rents Scheme is highly unusual, and at first sight seems to me to be loosely controlled financially. Does the Estates Section have a sufficiently commercial and proactive approach?
- ◆ I receive complaints constantly about Estates Section. There is a feeling that it is unresponsive, inefficient and expensive – possibly these property services would be provided better, faster and cheaper by the private sector. The Maintenance Management Team is the source of the most complaints, and again failure to adopt a commercial approach seems to be at the heart of the problem.
- ◆ The Corporation has restricted capital funding. Education has been made a priority, but recent projects have been over budget and over deadline. The Director of Education is not afraid to lay the blame at the door of Property Projects Section for poor project management and lack of a commercial approach. I wonder if she protests too much? We must get to the bottom of what is going wrong – any repetition of the poor outcome of the Dampcourse Primary School construction project is unacceptable. The Corporation cannot afford to squander scarce capital resources by serious overspending, nor compromise its ability to deliver excellent and responsive services. The new Livingstone Primary School must be on budget and on time.

Patty O'Dore has reluctantly agreed to provide you with all the relevant correspondence from the Education Directorate. Tact will be needed here; the TILES Education Inspectorate has been highly critical of our performance, and Education Directorate staff are feeling the pressure. Performance must indeed improve.

All these problem areas have significant financial aspects, and that is why I want your people to have input. Remember that in all three areas there are also important non-financial considerations as well. I am sure I can rely on the professionalism of your staff.

J. C. Bee

Chief Executive

Scrutiny Committee, 30 September 2002
Report of Head of Economic Development
Incubator Rents

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Purpose of Report

To report to Scrutiny Committee on issues surrounding incubator rent policy.

Background

Members have requested a review of the Incubator Rents Scheme due to concerns that the scheme is losing momentum, as the number of units occupied has declined from a peak occupancy of 31 units. Members will be aware that the Corporation provides assistance to businesses in the form of special rents for business premises owned by the Corporation. These are known as “Incubator Rents” as they are only available for five years, after which businesses are expected to relocate to larger premises at a market rent. Incubator rents are based on a low flat fee in respect of depreciation and maintenance costs, plus commonly 20% of gross profits made by the business. If a business makes a loss it only pays the flat fee.

The saving of such rents to businesses varies according to the type of premises rented. Examples are shown below:

Type of premises	Number of units	Typical commercial rent £	Target incubator rent £	Saving to business £
Small industrial unit	16	12,000	8,000	4,000
Large industrial unit	12	30,000	22,000	8,000
Retail unit	11	28,000	21,000	7,000
Warehouse	1	70,000	60,000	10,000

Current Status of Incubator Rents

Currently there are 40 premises available for incubator rents, of which 25 are let, bringing in a total annual rent of around £500,000. During the six years of operation of incubator rents, premises have been let to over 60 tenants, creating a total of 750 permanent jobs.

Tenants are now starting to come to the end of their five-year lease. Unfortunately, most of those whose leases have expired have relocated to other local authority areas offering alternative incentives. The extent of this problem was not previously anticipated.

A review of the Incubator Rents Scheme was undertaken over the summer and concluded that incubator rents remain effective in assisting businesses to become established. This was reported to Cabinet who approved a recommendation that the Corporation continue to offer incubator rents to business tenants.

Rufus Pace

Rufus Pace
Head of Economic Development

Bilding Times

Monday, 7 October, 2002

Number 26,348

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Local Firm Wins Large Export Order

By our business correspondent **D. Orr**

Local firm Independent Trading is celebrating tonight after receiving confirmation that it has won a contract to supply 2,500 parking machines to a major new export customer in Cobblesandsetz.

Managing Director B. Rix announced the news to the 30 strong workforce at lunchtime today. The order represents job security for the staff for at least two years, and comes after months of complex negotiating in Cobblesandsetz. It is the biggest ever contract won by Independent Trading, which until last year had never dealt in parking machines, and comes only weeks after the company won an Export Achievement Award.

The company, which was set up 15 years ago by B. Rix, is widely regarded as a major local success story, having relocated to the area in 1998. In addition to its business success, the company has established strong links with the local community, providing support to the local comprehensive school and raising money for a mini-bus for the local old people's home.

Mr. Rix said that the company's success could not have been achieved without a loyal and talented workforce. The rapid growth of the business had vindicated the decision to move to premises that initially appeared too big. The company expects further growth, and has the space to expand at its existing location. However, he also sounded a note of caution. "The only cloud on the horizon is that the Corporation seems to be dragging its feet over renewing our lease. The sooner the new lease is sorted out, the sooner we can concentrate on penetrating even more export markets."

Councillor Gerda Hyte, leader of Bilding Corporation, issued a statement congratulating Independent Trading on its success. "This is a great day for our city, and we can take pride in the strength and vigour of our local economy, as expressed in the continuing progress of Independent Trading. Bilding Corporation helped Independent Trading to set up here and we will continue to do all that we can to support both new and existing businesses."

**Property Projects Technical Update Bulletin
Construction Industry Best Practice
10 October 2002**

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Purpose of Bulletin

To advise adoption of revised best practice in construction recommended by the Construction and Linked Industry Performance Standards (CLIPS) Board.

Background

The CLIPS Board is responsible for maintaining standards in the construction and linked industries. It provides a list of best practices that all organisations involved in construction and linked industries should adhere to. From time to time it issues a list of updates to take account of recent research and developments in construction techniques. A major update has just been released.

Autumn 2002 Update

The update makes recommendations covering a number of different stages of the construction process and these are summarised below, along with the potential savings on a typical building project:

Stage of construction	Potential Saving
Ground preparation	10%
Foundations	20 %
Structure	10%
Fitting Out/Snagging	10%

The update stresses that it is best practice to specify penalty clauses for completion delays. It also indicates that Professional Fees (excluding project management) would normally be expected to be 10% of contract costs at current rates.

The Corporation should ensure that future contracts comply with these recommendations. Legally the Corporation has no power to impose these revised practices on existing contractors, or on future contractors where a tender has already been submitted. Existing contracts cannot be unilaterally amended, but it would be reasonable to approach successful tenderers with a view to reaching an agreement that they will follow these revised practices.

Policy Statement

That future invitations to tender for building and linked construction contracts require that contractors adhere to the revised statements of best practice issued by the CLIPS Board in Autumn 2002. Future prices should therefore reflect the above savings.

Minutes of Estates Section Staff Meeting – 14 October 2002

Present:

Premises Management: Vinnie Shan-Blind, Kurt Ainrod, Lou Wattbulb

Maintenance Management: No members present

Energy Management: Dave Dorail, Dan Ing-Roomchair, Becky Shelf, Stan Dardlamp,

Administration: Fran Shwindow, Ben Ister, Chas Tofdrawers,

Apolo gies: Con Creet (Estates Manager), Will Paper (Premises Management Team), Dora Stop (Administration Team)

Minutes of the previous meeting: CC was to provide these but had not done so.

Matters Arising: None

Chair: In the absence of CC, VS-B agreed to chair the meeting.

Training: There is still no training plan for the Section. Members of staff had requested training at their appraisal interviews in March, but have heard nothing since then. CC has been approached about this several times, but to no avail. Staff expressed concern that they were failing to keep their technical and professional skills up-to-date, due to the fact that all training course applications were on hold until Personnel Services had approved the training plan.

VS-B commented that the Maintenance Management Team members have been on several team-building 'away-days', and asked if the other teams present felt that they would benefit from this. Staff generally felt that this would not be worthwhile and would do nothing to address their concerns.

Overtime: DI-R expressed unhappiness about the amount of overtime that he was having to work and the unwillingness of CC to allow him to be paid for this when pressure of work meant that he couldn't take time off in lieu. Members of all teams agreed with this.

Grading: KA asked about progress with the review of grades for the Section. VS-B explained that whilst Personnel Services had confirmed that in their opinion there was no reason why the maintenance management jobs could not be undertaken by surveyors (as opposed to quantity surveyors), CC was opposed to this on the grounds that this was long-established custom and practice. KA pointed out that using surveyors in the Maintenance Management Team would save the Corporation money, as they would be paid on the Surveyor Grade, as opposed to the Quantity Surveyor Grade. VS-B said that he would ask CC for a progress report to put in the minutes. [No information forthcoming from CC at the time of circulation of minutes.]

Retirement of Head of Section: VS-B announced that CC had asked him to inform the meeting that he (CC) would be retiring on 31 March 2003.

Attendance: Several staff complained about the regular non-attendance of CC at meetings, and the usual lack of any interest from the Maintenance Management Team. It was agreed that this concern should be minuted.

Minutes taken and drafted by Chas Tofdrawers

Independent Trading Company Limited

Parfit Way, Bilding Technology Park, Bilding. BL4 6RT.

Mr J.C. Bee,
Bilding Corporation,
Foundation Street,
BILDING.
BL1 5DG.

16 October 2002

Dear Mr. Bee,

Parfit Warehouse Lease

Further to our conversation at the charity dinner last night, I said that I would write to you, setting out my views on the way forward in respect of our tenancy of your warehouse. I have written repeatedly to your Estates Section but have been unable to obtain any substantive response from them.

As I explained, our warehouse is rented from you at an "Incubator Rent", which means that we pay £20,000 plus 20% of our gross profits. This arrangement is set to continue until 31 March 2003 when our five-year tenancy agreement expires. I propose that we renegotiate the terms of the agreement, taking into account the effect of the Corporation's recently completed refurbishment work reducing your annual maintenance costs for the building to £15,000.

Independent Trading is expanding rapidly, and this will significantly increase our profitability over the next five years. In the light of this, I am proposing a new arrangement, whereby we would pay a commercial rent of £55,000 per annum. If you insist on a "partnership" basis, I propose a flat rate element of £15,000 plus 15% of our (increasing) gross profit. I propose that such an arrangement be put into effect from 1 April 2003 and that it should run for five years. Clearly, this would benefit you in that you would have a guaranteed tenant for a further five years. I enclose a copy of our restated management accounts for the year ended 31 December 2001 together with a projection of our anticipated profits for the next three years. Note that we have corrected the basis of cost of sales from the estimates previously provided – presumably we will receive a rebate for the excess rent we are currently paying due to the overstated gross profit previously supplied to the Estates Section. We are only now able to use the previously excess space in the Parfit Warehouse as our business expands. It is gratifying that we are staying on track with the expansion plans that led us to move to Bilding in 1998, and we look forward to further expansion (reflected in the forecasts) with the help of our loyal workforce. We are starting to reap the benefits of the investment in the initially excessively large Parfit Warehouse building. Although neighbouring local authorities have made us highly attractive offers to tempt us to relocate, we would rather stick where we are if we can agree a competitive rent.

I look forward to hearing your comments, and to continuing a successful relationship with Bilding Corporation.

Yours sincerely,

Note to Con Creet. I assume that you will consider this perfectly reasonable proposal as part of your negotiations for the new lease. J.C.B.

B. Rix
Managing Director

Independent Trading Company Limited

DISCLAIMER

The company issues this document solely for the purposes of determining rent levels in respect of the company's Parfit Warehouse premises.

It is not intended for disclosure to, or use by, any other parties and the company's Directors take no responsibility for loss or other harm incurred by any parties making use of the contents of this document.

Gross Profit for the Year Ended 31 December 2001

	Year Ended 31 December 2001 Restated £'000	Year Ended 31 December 2001 Original £'000
Gross Turnover	960	960
Cost of Sales	<u>769</u>	<u>634</u>
Gross Profit	191	326

Comments:

Turnover increased by 8.6% compared with the previous year. The Directors believe that the revised definition of Gross Profit, which includes an appropriate proportion of overheads, selling and administrative expenses, represents a more appropriate view of the company's Gross Profit for the year.

The Directors announce projected trading figures, based on the new accounting definitions as follows:

	Years Ending 31 December	
	2002 £'000	2003 £'000
Gross Turnover	1,068	1,210
Cost of Sales	<u>822</u>	<u>920</u>
Gross Profit	246	290

The Directors anticipate that there will be a further increase of 30% in Turnover and Gross Profit in 2004 as the company increases its sales into new export markets. Thereafter Turnover and Gross Profit are expected to stabilise. Due to uncertainty, no projections for other categories of expense can be made.

Promoting Performance In People

Peak House, 21 Rivet Road, Bilding. BL3 0TT.

Mr. D. Glazing,
Head of Property,
Bilding Corporation,
Foundation Street,
BILDING.
BL1 5DG.

Date: 18 October 2002

Our ref: HB/TV/345

Dear Dougal,

Estates Section - Assessment of Promoting Performance in People

Following your request, our assessor visited the Estates Section of your Division.

I am afraid that your concerns are justified. If there is no improvement by the time of the PPIP assessment for the whole Division, I am sorry to say that this Section is likely to drag you down, possibly below the minimum standard for PPIP accreditation. As the full assessment of the whole Division is due in September 2003, it will be necessary to make some fairly rapid improvements to this Section.

The main problems that the assessor found are:

- The failure to provide training, even where a need for training has been identified;
- Where training takes place it is not assessed to ensure that it has a worthwhile outcome for the organisation and the individual. The only "training" that appears to take place is that one of the teams attends "team-building" days, consisting of team golf competitions;
- Staff are unaware of how their work contributes to the achievement of the aims and objectives of the organisation. This is central to having a well-motivated workforce who can identify their own training needs.

You will clearly be disappointed by these findings. However you did indicate to me that the current Estates Manager will be retiring soon and that in recruiting his successor you would be aiming to recruit a person with a proven track record of improving local services by the proactive involvement of all staff. I am sure that this would be of benefit in resolving this problem.

Please do not hesitate to contact me if you require further information or advice.

Yours sincerely,

G. U. Terre

G.U. Terre
Senior Assessor

Memorandum

To: Patty O'Dore – Director of Education

From: Bob de Bilder – Manager – Property Projects

cc: Wynne Doe – Assistant Director of Finance - Accountancy

Subject: Livingstone Primary School Project – Successful Tenderer

Date: 22 October 2002

**BILDING
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the whole community*

I write to inform you that Hinge and Brackett has been confirmed as the successful tenderer for the Livingstone Primary School Project. Details of the design and timetable were adapted from Dampcourse Primary School. I set out the schedule of costs as tendered. Please note that these do not take account of any savings that may be made by adopting the recommendations contained in the recent Construction and Linked Industry Performance Standards (CLIPS) Board technical update bulletin on building practices.

<i>Activity</i>	<i>Duration in weeks</i>	<i>£'000</i>
Ground preparation	3	50
Services	4	65
Foundations	5	120
Main structure	20	790
Ancillary structures	12	410
Plumbing	8	85
Electrical	10	105
Heating	10	70
Plastering	5	45
Decoration	5	50
Fitting out/Snagging*	5	110
Car park	5	70
Playing field	30	60
		<u>2,030</u>

* Snagging is the process of identifying defects in the completed structure and supervision of the rectification of defects by the contractor.

I am pleased to report that Hinge and Brackett has subsequently agreed to reduce these costs in line with the CLIPS Board recommendations. The above tendered prices will therefore need to be updated.

It is Corporation policy on projects to provide 10% of the contracted cost plus professional fees as a contingency. I confirm that we are working to your instruction that this project must be completed no later than the middle of July 2004 in order to allow staff time to prepare the school for opening in September 2004.

Bob de Bilder

Manager – Property Projects

**Mr. J.C. Bee,
Chief Executive,
Bilding Corporation,
Foundation Street,
BILDING BL1 5DG.**

**Ken Tract Ltd
Specialist Building
and Property Services**

30 October 2002

Dear Jay,

Provision of Estates Function

It was good to talk to you on the telephone the other day. I welcome the opportunity you gave me to write to you with some initial proposals.

On the basis of the information you provided, I have put together some indicative proposals for the future provision of the functions of the Estates Section. I have based my proposals on a five-year agreement. Existing members of staff would be transferred to Ken Tract Ltd. on their existing conditions of service, including a comparable pension scheme.

Assuming that the contract were to start from 1 April 2003, the charge for this service in the first year would be £625,000, made up as follows:

Service	First year charge £
Premises Management	280,000
Maintenance Management	130,000
Energy Management	215,000

The £625,000 is based on April 2002 prices. Over the life of the contract these prices would be increased annually only by the average earnings index as published monthly by the Government Office of Statistical Information.

I fully understand that outsourcing in this way has not been tried at Bilding Corporation and appreciate the potential difficulties. In recognition of this, I would be prepared to take on individual parts of the service if it were easier for you to get agreement to this. I would be prepared to provide any one of these services, or a combination of any two, at an additional cost of 7.5% on top of the costs per service shown above.

I trust that this will be of interest to you, and look forward to hearing from you.

Yours sincerely,

Ken Tract

Managing Director

Capital House, 45 Primrose Gate, Bilding. BL2 9YY.

Memorandum

To: Bob de Bilder – Manager – Property Projects
From: Lance Caping – Environmental Protection Officer
Subject: Protection of Great Crested Newts
Date: 31 October 2002

**BILDING
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Livingstone Primary School

I have had some important news regarding the site of the above. It turns out that there is a pond in the middle of the area planned for the school building, containing a colony of Great Crested Newts, which are protected under the Environment Bio-Diversity (Protection of Species) Act 1994 (the Act) and provision must be made for the newts.

This will require the Corporation to build a replacement pond before any other work is done on the site. The newts must be collected and transported to their new home. There must then be a period of settling down to ensure that the new pond meets all their requirements. Then, and only then, can the work begin on draining the old pond. Until then the Corporation will be legally required to refrain from undertaking any construction work on the site.

Under the provisions of the Act, only licensed specialist contractors can build the pond and transport the newts. There is only one licensed contractor in the region. The contractor has indicated that an all-inclusive fee of £15,000 will be sufficient to cover the costs of the operation. The whole thing should take three weeks (including settling-in period). As this will be charged to the project, please confirm that you agree for this to go ahead. This work cannot start until the beginning of March, as it would be too cold for the newts before then.

As there is only one contractor available to undertake this work, I contacted Terry Cotter (Director of Legal Services) to check on the legal position. He confirms that Corporation Standing Order requirements to obtain three competitive quotations do not apply in this case.

May I wish you (and the newts) all the luck on your project.

Lance Caping

Environmental Protection Officer

Memorandum

To: C. Ling – Special Projects Accountant
From: Con Creet – Estates Manager
Subject: Parfit Warehouse
Date: 1 November 2002

**BILDING
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You requested more information about this property, and the basis for computing incubator rents. The Parfit Warehouse is a substantial building on the Technology Park, with an area of approximately 50,000 square feet. Independent Trading is the current occupant and has a five-year tenancy on the usual incubator rent terms. The tenant's lease expires on 31 March 2003.

The building has no particular architectural merit, being a typical product of the 1960's. It is structurally unsuitable for sub-division into smaller units. The building was subjected to a thorough survey two years ago, after Independent Trading expressed some concern about the condition of the building. The survey revealed that the building was starting to show its age and needed substantial repairs. This work is now complete. Annual maintenance costs in future should be about £15,000 per annum plus there will be an annual depreciation charge of £5,000. As part of the work, improvements were made to the heating and electrical systems and low maintenance windows were installed. The tenant's current lease has not been revised following completion of this work.

Incubator rents are related to the Corporation's revenue costs and a share of the tenant's gross profits. Bilding Corporation's accounting year begins on 1 April. The gross profit element of the rent is based on what the tenant reports for its accounting year ending during the Corporation's previous accounting year. So a tenant whose accounting year ended on 30 November would have the gross profit element of the 2002/2003 rent based on the gross profit reported for the tenant's accounting year ended 30 November 2001.

For start-up businesses with no previous accounts, rents are based on an estimate of the gross profit for the first two years, negotiated between the tenant and the Economic Development Division. These estimates of gross profit have usually been below actual levels of gross profit subsequently reported. There is no retrospective adjustment of rent levels in the light of actual gross profit reported. The Corporation's procedures also require tenants to send a copy of their audited accounts to the Corporation's Estates Section. In the past we simply filed them. Recent legislative changes mean that businesses with an annual turnover below £5 million no longer need to have an audit, so audited accounts are now not normally available for the tenants of incubator units.

For 2002/2003 we expect to receive £85,000 in rent from Independent Trading; I estimate that, if we were to let the property on the free market, we could expect to receive about £70,000 per annum. This is unusual, because most tenants on incubator rents pay less than they would for a normal commercial tenancy.

Con Creet
Estates Manager

DAMPCORSE PRIMARY SCHOOL
Lurning Way, Dampcourse, Bilding. BL7 6XX.

Ms. P. O'Dore,
Director of Education,
Bilding Corporation,
Foundation Street,
BILDING.
BL1 5DG.

4 November 2002

Dear Ms. O'Dore,

Deficiencies in new school

I write on behalf of the Board of Governors to raise with you several matters of concern. We have previously written to your Directorate about them on several occasions, but have not received a satisfactory response. The whole community in Dampcourse is naturally delighted that our new school is now open, and therefore that so many children can be educated locally. They no longer have to travel long distances to be taught in oversized classes in cramped conditions elsewhere. However, our delight at the opening of the new school in January has been tempered by the evident deficiencies in the school building, and uncertainty about whether these problems can be rectified. Also, the school was completed four months late, and was 20% over budget, so we are all the more disappointed that the school falls short of what we wanted and expected.

The staff accommodation is too small for the number of staff, and does not meet the new Health and Safety Guidelines due to be introduced next year. The nursery classroom is very cramped, and has caused us to have to restrict the numbers of children who can be accepted into the nursery class. Several of the classrooms have not been properly finished off: two of them did not have putty round the glass in the windows, and four of them have rough walls because the top surface of plaster was never properly skimmed off.

These are just the obvious flaws apparent to the staff and governors. We do not know if there are other less obvious problems. The twelve-month retention period on the building is almost at an end, but there appears to have been no systematic inspection of the building by Property Projects. One of the governors has heard that the contractors have alleged that the contract fell behind schedule because of interference by Education Directorate staff resulting in unplanned changes to the specifications. As the completion deadline approached they indicated that they would do as much as possible within the deadline and their contract resources, but that because of the variations they could not be held responsible for the state of completion. They are also refusing to take responsibility for any defects because the variations were not documented and authorised, and they have received inadequate recompense for the extra work that they say they had to undertake.

As local residents, we wanted the school to be a community resource, but none of us was consulted about what we wanted. The building is a scaled down version of Ridgetile School, and cannot be used for out of hours community activities. As a Board of Governors, we were only constituted shortly before the school opened when we were needed to appoint the staff. Sadly we had no chance to say what we wanted. There seems

to have been a top-down assumption by senior Education Directorate staff that as the “experts” you knew what we needed.

There were some hard choices to be made early on in the project, but these seem to have been avoided. There seems to have been an over-optimistic plan that fudged the trade-off between an over-tight deadline and a shortage of resources. With hindsight, how could anyone have accepted this plan as realistic and achievable? The original plans looked well on paper, appeared to be affordable, and therefore the project was approved. Why didn't somebody do a reality check on it? We now have to live with the consequences of the subsequent corner cutting.

There seems to have been confusion over responsibilities and a culture of blame. Why wasn't a search of the mining records conducted sooner? The discovery of the old mineshaft on the site during construction delayed the project by nearly two months. The mineshaft was shown on the old maps of Bilding Mining Company, but two members of Property Projects staff assumed that the other one was doing the search, and that no news was good news!

Reducing the contingency to keep planned costs within the budget was a really poor move. When one of the main sub-contractors went into liquidation there was chaos. Why allow the main contractor to place a critical element of the work with a contractor known to be in financial difficulties?

Local residents reported numerous instances of workmen sitting around with nothing to do or going off-site again. A team of bricklayers arrived when the foundations had hardly been dug and no bricks were due to be delivered for another two weeks. Much of the budget overspend was due to bringing in large numbers of extra workers as the winter approached, so many that they were getting in each other's way.

Much of the planning seems to have revolved around “gut feel” and “experience”, with paperwork being seen by Property Projects as an unnecessary distraction. When Mr. de Bilder went off sick, there was utter confusion, as most of the plans appeared to be in his head! My experience of Property Projects has left me distinctly unimpressed. At least I trust that I shall never have to get embroiled in another one of your new build projects!

On behalf of all the governors, we would wish to get an early reply about how and when the deficiencies in our new school are going to be rectified. Should I expect an answer from the Education Directorate – or Property Projects? I remain profoundly confused about who is responsible for what. I look forward to an eventual reply from somebody.

Yours sincerely,

Clark Gable

Clark Gable
Chair of Governors, Dampcourse Primary School

Memorandum

To: C. Ling – Special Projects Accountant
From: Ray D. Haytor – Director of Finance
Subject: Review of Estates Section
Date: 8 November 2002

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The Director of Corporate Services wishes to progress the review of the Estates Section and its future. The Chief Executive wants to progress the consideration of the standard of its service, its perceived high cost and, indeed, whether the functions should be outsourced. The Director of Corporate Services is keen to receive the input from the Finance Directorate's involvement with the review. As most of the issues involve financial considerations, I have agreed that we will draft the report. It will form the basis of an eventual joint presentation by her and myself to the Corporate Management Team.

You will be aware of most of the issues, but two emerging issues are:

- ❑ The Head of Property suspects that the Maintenance Management Team's costs are too high. He has looked at the cost per chargeable hour and is concerned that it is higher than it should be, implying that non-productive time is higher than normal;
- ❑ The Social Services Directorate has suggested that the costs charged to its residential homes by the same team are excessive. This is an important issue as these homes are much more expensive than comparable homes in the private sector and there is pressure on the Corporation to close some of its own homes.

As you have been involved in the review of Estates, I want you to draft the report for me. Please provide:

- ❑ A financial analysis of the possible savings arising from outsourcing the service to Ken Tract, on the terms contained in the letter of 30 October 2002, including an analysis of the option of outsourcing only one or two of the teams. The analysis should show the overall savings that would be realised by the Corporation;
- ❑ An identification of the range of management issues that need to be addressed should the Estates Section continue to be an in-house service, including areas where existing practices lead to additional costs for the Section and any problems which could affect the PPIP status of the entire Division;
- ❑ An analysis of the rates used for recharging the costs of the Maintenance Management Team to users of their services and a recommendation as to whether the rates should be changed;
- ❑ An evaluation of whether the charge to primary schools by the Maintenance Management Team should continue to be based on a single rate for all primary schools, or whether the charge should vary according to the age and size of the school.

The latter is an issue raised verbally by the Director of Education. I have asked her to put her concerns in writing, and I expect a memorandum from her in the near future. The Head of Property has agreed to gather some information about costs for a sample of primary schools, which he will pass on to you. He is also collecting some information on time spent by the Maintenance Management Team and their charges, and will forward this to you. You should use the April 2002 price base throughout.

Clearly some of these issues could become irrelevant if we decide to outsource the service, but the decision will not be taken on solely financial grounds, so even if the first part of your report suggests that outsourcing appears cheaper, we will still want to discuss the other issues that I have asked you to include in the report.

Ray D. Haytor

Director of Finance

Memorandum

To: C. Ling – Special Projects Accountant
 From: R. Tex - Accounting Technician
 Subject: Estates Section Budget 2002/2003
 Date: 12 November 2002

**BILDING
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As promised, here is the current budget for the Estates Section, based on April 2002 price levels.

	Total Budget 2002/2003 £
Employees	593,096
Transport	24,600
Supplies and Services	28,200
Administrative Buildings Recharge	16,000
Central Support Services Recharge	172,092
	<u>833,988</u>

Administrative buildings recharge includes capital charges and depreciation. Some additional information that you may find useful is that workload levels are related to the following numbers of properties:

Team	Numbers of properties
Premises Management	180
Maintenance Management	150
Energy Management	300

Transport costs are based on the average number of journeys per property per year costed at a mileage rate of 40p per mile:

	Number of return journeys	Average one- way distance (miles)	Cost of transport per property £
Premises Management	5	8	32.00
Maintenance Management	25	5	100.00
Energy Management	2	8	12.80

The supplies and services budget is based on £600 per employee, but with additional advertising costs for Premises Management of, on average, £100 for every property managed.

Central support recharges should be apportioned to teams on the basis of total cost of employees, transport, supplies and services and administrative buildings recharge. The

Accountancy Section confirms that for our purposes we should assume that outsourcing the Section, in part or in whole, will not reduce the Corporation's central support costs. In practice some costs might change but the effect would be negligible overall.

I also provide details of the projected staffing budget for next year:

Estates Section Staffing Budget 2002/2003

Name	Grade	Point	Salary £	Oncosts* £	Total £
C Creet	Section Manager	5	37,575	9,394	46,969
Premises Management Team					
V Shan-Blind	Team Leader – Surveyors	5	31,254	7,814	39,068
K Ainrod	Surveyors	4	30,516	7,629	38,145
W Paper	Surveyors	2	29,133	7,283	36,416
L Wattbulb	Surveyors	3	29,847	7,462	37,309
	Team Total		120,750	30,188	150,938
Maintenance Management Team					
	Team Leader – Quantity				
Ian Sulation	Surveyors	7	35,418	8,855	44,273
Bill Tin-Wardrobe	Quantity Surveyors	6	34,386	8,597	42,983
Eck Stenshun	Quantity Surveyors	6	34,386	8,597	42,983
Ken Vexion-Boiler	Quantity Surveyors	6	34,386	8,597	42,983
	Team Total		138,576	34,646	173,222
Energy Management Team					
Dave Dorail	Team Leader – Surveyors	5	31,254	7,814	39,068
Dan Ing-Roomchair	Surveyors	3	29,847	7,462	37,309
Becky Shelf	Surveyors	2	29,133	7,283	36,416
Stan Dardlamp	Surveyors	1	28,422	7,106	35,528
	Team Total		118,656	29,665	148,321
Administration Team					
Fran Shwindow	Administrator	4	18,417	4,604	23,021
Ben Ister	Clerical Officer	2	13,500	3,375	16,875
Chas Tofdrawers	Clerical Officer	2	13,500	3,375	16,875
Dora Stop	Clerical Officer	2	13,500	3,375	16,875
	Team Total		58,917	14,729	73,646
Section Total			474,474	118,622	593,096

* Oncosts:

Employers' National Insurance Contributions 10%
Employers' Superannuation Contributions 15%

I hope all this is useful.

R. Tex

Accounting Technician

**National Museums and Antiquities Commission of Constructia
11 Excavation Drive, Bilding. BL4 6OD.**

Mr. Bob de Bilder,
Manager – Property Projects,
Bilding Corporation,
Foundation Street,
BILDING.
BL1 5DG.

Date: 13 November 2002

Dear Sir,

Important Archaeological Find at Livingstone

I am delighted and thrilled to tell you that important archaeological remains have been found on the site of the new Livingstone Primary School. A member of the public, who was walking his dog on the site, made the discovery.

The finds appear to indicate that there may be a Roman burial of high status on the site. This is unusual as most Romans were cremated and so this could be an extremely important find. It could lead to a new and deeper understanding about Roman burial customs locally and the way in which the native tribes were subjected to Roman rule.

The complicating factor for you is that we must undertake, at the cost of £35,000, a full excavation of the find. This will take 8 weeks. By law, this excavation must be completed before the building project can start. However, in order to do so it will be necessary first to drain an adjacent pond. I understand from your Environmental Protection Officer that this cannot be done until the resident population of Great Crested Newts have been relocated.

Yours faithfully,

Mac Anichle-Diggar

Mac Anichle-Diggar
Regional Archaeological Officer

Memorandum

To: Amena Tees – Director of Corporate Services
From: Patty O’Dore – Director of Education
cc: Ray D. Haytor – Director of Finance
Subject: Building Maintenance Management Service Level Agreement
Date: 14 November 2002

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I recently attended a meeting of the Bilding Primary Headteachers’ Association. During coffee before the start of the meeting, I was approached by a group of headteachers with a complaint about the charge made for building maintenance management. The Maintenance Management Team of your Estates Section provides this service.

The gist of their complaint is that they are being overcharged for this work, and they are reluctantly considering going to an external provider early next year, when the SLA’s are up for renewal.

They suggested to me that the cause of this overcharge is that all primary schools are charged the same amount for this service, but that the actual cost of the service varies between primary schools according to age and size.

These headteachers were all from schools that were either small or modern. They believe that they are paying more than it would cost to get a private sector surveyor to undertake this work.

I should be pleased to hear your comments. I am sending a copy of this memorandum to the Director of Finance.

Patty O’Dore

Director of Education

Memorandum

To: C. Ling – Special Projects Accountant
 From: Anne Ayle – Head of Personnel
 Subject: Estates Section Employee Pay Scales 2002/03
 Date: 15 November 2002

**BILDING
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Please find attached the salary grades and scales of employees of the Estates Section, based on current salaries. Grades and salary points are summarised below:

	Point	£	Comments
Section Manager Grade	1	33,384	The section manager is paid at least one point above the highest point paid to any other member of the section
	2	34,386	
	3	35,418	
	4	36,480	
	5	37,575	
Quantity Surveyor Grade	1	30,516	The team leader is paid at least one point above the highest point paid to any other member of the team. Only the team leader can progress to point 7
	2	31,254	
	3	31,971	
	4	32,682	
	5	33,384	
	6	34,386	
	7	35,418	
Surveyor Grade	1	28,422	The team leader is paid at least one point above the highest point paid to any other member of the team. Only the team leader can progress to point 5
	2	29,133	
	3	29,847	
	4	30,516	
	5	31,254	
Administrator Grade	1	16,734	
	2	17,265	
	3	17,823	
	4	18,417	
Clerical Officer Grade	1	13,188	
	2	13,500	
	3	13,764	
	4	14,283	

Anne Ayle

Head of Personnel

Memorandum

To: J.C. Bee – Chief Executive
From: Patty O’Dore – Director of Education
Subject: Livingstone Primary School Project – Urgent Problems
Date: 18 November 2002

**BILDING
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I am becoming increasingly pessimistic about whether we can complete the Livingstone Primary School project on time and within budget. We have suffered several setbacks that have delayed the project and which will add to its costs. As if this wasn’t bad enough, we have now been informed that some of the site is contaminated by chemical waste and needs decontamination before ground preparation can begin. This will take a specialist contractor 12 weeks to complete at a cost of £100,000! Standing Orders on competitive tendering are apparently not applicable, as this is specialist work.

Worse still, Bob de Bilder now refuses to commit to being able to complete the project on time. Now he says that we may have to throw money at the project (without being able to say how much might be needed) and even then it might not be finished until September!

The letter from the Chair of Governors at Dampcourse Primary School makes clear Property Projects are to blame for the school being four months late and 20% over budget. Despite the best efforts of myself and some of my staff to keep the project on track and sort out the obvious flaws in the design, Property Projects failed. Why should part of my Directorate’s capital allocation have been wasted because Property Projects are incompetent? My concern now is that history is about to repeat itself and that there will be a similar shambles on the Livingstone Primary School new build project.

I am extremely concerned about this situation. If the school is not completed by the middle of July 2004 (72 weeks after 1 March 2003), the school will not be ready to receive its first pupils in September, and we will receive a huge amount of unfavourable publicity. My capital financing limit is £2.5m and I have no revenue resources available to meet any further costs without cutting other education provision. I suggest that Property Projects are made to take responsibility for the overspending or that any excess be charged to central contingencies! To add insult to injury, now that Property Projects operate on a “commercial basis”, they intend to levy a charge for their services of 2.5% of the entire cost of the project before allowance for contingencies.

I would welcome your comments on this deeply worrying situation.

Patty O’Dore

Director of Education

Memorandum

To: C. Ling – Special Projects Accountant
From: Wynne Doe – Assistant Director of Finance - Accountancy
Subject: Status of Livingstone Primary School Project
Date: 20 November 2002

You will be aware of the Director of Education's concerns about the cost and timetable for the new Livingstone Primary School. The Chief Executive has asked the Finance Directorate to establish the true situation in respect of the probable total cost of the project and the projected date of completion. Please draft a report for me to be tabled at the Corporate Management Team (Patty O'Dore is insisting upon a discussion at this level). There is concern that project management on new school builds is not sufficiently professional. Have the lessons of the Dampcourse Primary School project been learned?

The report should cover the following areas:

- Background to the Livingstone Primary School project and the problems encountered;
- An updating of the Livingstone Primary School project estimates of cost and timescale in the light of the latest information about activities and costs;
- A critical path network analysis diagram for the project, taking account of all of these changes, indicating whether completion will be on time and within budget using normal methods;
- An updating (if required) of the network analysis diagram and determination of the lowest cost required to complete construction within the deadline using crash methods;
- An outline of the key features of effective project management and the main steps involved at each stage; *
- An assessment of how far project management on the Dampcourse and Livingstone Schools projects has fallen short of best practice (this should include consideration of the Education Directorate's performance as a client); *
- An indication of what steps are needed to improve project management on the Livingstone Primary School project (and any other such projects) in the light of experience, and who should be responsible for these; *
- Consideration of where budgetary responsibility for any overspending should lie;
- Conclusions and recommendations.

* Please address these requirements in an appendix with a matrix format (required format attached).

Please note that the costs of the newt migration, the excavation and the decontamination all form part of the overall cost of the project. Professional fees relate only to the Hinge and Brackett contract element, and are 10% of the contractor's revised contract price. Contingencies should be estimated at 10% of the total cost (excluding any Property Projects charges) in line with usual Corporation policy.

Wynne Doe
Assistant Director of Finance - Accountancy

Format required for Appendix analysing the standard of Project Management.

<u><i>Project Management Key Elements</i></u>	<u><i>Weaknesses on Dampcourse and Livingstone Schools Projects</i></u>	<u><i>Proposals</i></u>	<u><i>Responsibility</i></u>
Element 1			
Step1	Weakness 1	Proposal 1	A.N. Other
	Weakness 2	Proposal 2	A.N. Other
		Proposal 3	A.N. Other
Step2	Weakness 3	Proposal 4	A.N. Other

Memorandum

To: C. Ling – Special Projects Accountant
 From: Dougal Glazing – Head of Property
 Subject: Maintenance Management Team
 Date: 21 November 2002

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Please find attached a breakdown of time spent by the above for the year April 2001 to March 2002. I expect the pattern to be similar this year.

The costs of the Team are recharged on the basis of a fixed charge per type of property. The charges were calculated some years ago, using an analysis of the direct time spent on each type of property. Since then the charges have been increased each year, roughly in line with inflation, but adjusted so that they more or less cover the costs of the Team, including the clerical officer and a share of the costs of the Section Manager and Administrator. The costs of the Section Manager and Administrator are apportioned over the three professional teams pro rata to the cost of the teams. Any under or over-recovery remains as a charge against the Corporate Services Directorate budget.

Most clients receive a central services recharge, but schools instead are invoiced in April each year, as part of a Service Level Agreement. Schools have the power to go elsewhere for this service, or to manage the maintenance of their buildings themselves, but none has yet done so. This arrangement began in April 2000, as part of the progressive development of Direct Management of Schools (DMS).

The current charges are:

Type of Property	Charge per Property £	Numbers of Properties
Primary Schools	1,500	122
Secondary Schools	3,000	14
Residential Homes	6,000	7
Leisure Centres	7,500	3
Other	3,000	4

On the attached sheet, there is a summary of time spent on managing maintenance at a sample of primary schools last year, as requested. I have broken down the schools between “old” and “modern”.

I look forward to seeing your draft report. As some of the issues are sensitive within this Directorate, I would be grateful if the circulation of the report could be restricted.

Dougal Glazing
 Head of Property

Maintenance Management Team – Analysis of Time 1 April 2001 to 31 March 2002

	Ian Sulation	Bill Tin- Wardrobe	Eck Stenshun	Ken Vexion- Boiler	Total
Productive Time	Hours	Hours	Hours	Hours	Hours
Primary Schools	953.00	424.00	747.00	710.00	2,834.00
Secondary Schools	243.00	252.00	314.00	256.00	1,065.00
Residential Homes	-	321.00	11.00	184.00	516.00
Leisure Centres	-	250.00	177.00	-	427.00
Other	59.00	-	120.00	220.00	399.00
	1,255.00	1,247.00	1,369.00	1,370.00	5,241.00
Non-productive time					
Leave (holiday)	222.00	222.00	222.00	222.00	888.00
Sickness	222.00	165.00	74.00	185.00	646.00
Training	74.00	74.00	74.00	74.00	296.00
Maternity	-	-	-	-	-
Other	156.00	221.00	190.00	78.00	645.00
	674.00	682.00	560.00	559.00	2,475.00
	1,929.00	1,929.00	1,929.00	1,929.00	7,716.00

Notes

Standard hours for the year are 1,929 (52.14 weeks per year @ 37 hours per week)

The average day is 7.4 hours ($\frac{1}{5}$ of 37 hours per week)

Annual leave includes national holidays and is 30 days per year for all staff with more than five years service, 26 days for those with less than five years

Productive time is spent either on-site, travelling from the office to properties, or in the office and always relates to specific properties

Maintenance management time: primary schools (sample) 1 April 2001 to 31 March 2002

School	School type	Floor area (sq. metres.)	Direct time spent by Maintenance Management Team (Hours)
1	Modern	3,250	12
2	Modern	5,000	20
3	Modern	2,500	14
4	Modern	3,000	18
5	Old	4,000	28
6	Old	1,950	30
7	Old	2,750	19
8	Old	2,800	38

Memorandum

To: C. Ling – Special Projects Accountant

From: Bob de Bilder – Manager – Property Projects

Subject: Livingstone Primary School Project – Amendments and Timetable

Date: 22 November 2002

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At my request, Hinge and Brackett has indicated which of the activities of the Livingstone Primary School contract it is possible to accelerate by deploying extra staff and/or working overtime. Some activities cannot be accelerated. I have allocated letters A-P to the activities. Note that activities A (new relocation), B (archaeological dig) and C (soil decontamination) are not part of the Hinge and Brackett contract, but are part of the whole project. Unfortunately, these three activities must be undertaken consecutively and Hinge and Brackett cannot begin work until the soil decontamination is fully completed.

As I indicated previously, trying to meet the mid-July deadline could be very costly. The accelerated (crash) costs are shown in the table below. Hinge and Brackett intends to accelerate only those activities that we specify, in which case, the higher scale of charges would be applied to those selected activities only. These crash costs include the CLIPS Board recommended efficiency improvements. They represent the total projected cost of the activity on an accelerated basis, not additional cost to the cost on a normal basis.

Activity	Accelerated Basis	
	Duration (Weeks)	Cost £
D. Ground preparation	Cannot accelerate	N/A
E. Services	3	75,000
F. Foundations	3	112,000
G. Main structure	17	781,000
H. Ancillary structure	10	387,000
I. Plumbing	6	105,000
J. Electrical	9	118,000
K. Heating	8	84,000
L. Plastering	4	56,000
M. Decoration	4	56,000
N. Fitting out/Snagging	4	119,000
O. Car park	4	75,000
P. Playing field	26	72,000
Total	98	2,040,000

Some further points about the project:

- Note that the durations and costs for accelerated activities are not divisible, so for example the heating activity will take either 10 or 8 weeks – it cannot be done in 9 weeks for an extra £7,000.
- No other activity can be started until ground preparation is completed.
- Thereafter, work can begin on the playing field, installation of services and laying the foundations.

- By careful planning, it should be possible to install the services at the same time as laying the foundations, but work on the main structure cannot start until both the installation of services and laying the foundations are completed.
- The car park cannot be started until the services are installed.
- The main structure must be completed before remaining activities can begin.
- Plumbing must be completed before the heating system can be installed.
- Also, electrical work must be completed before plastering can start.
- By working from room to room, it will be possible to erect the ancillary structures whilst plumbing, electrical, heating and plastering work are proceeding.
- Decoration cannot begin until the heating system has been installed, plastering is finished and erection of ancillary structures is completed.
- Fitting out cannot start until decoration is completed.
- The car park and playing fields must be ready by the time the fitting out is complete for us to accept the school and hand it over to the Education Directorate.

You will appreciate that there are 72 weeks between the earliest start date (beginning of March 2003) and the deadline (mid-July 2004). Personally, I don't see how we can achieve this; all we can do is to reduce the slippage, but only at an unacceptably high cost. Those newts have a lot to answer for!

Bob de Bilder

Manager – Property Projects

Memorandum

To: C. Ling – Special Projects Accountant
From: Dougal Glazing - Head of Property
Subject: Estates Section Expenditure
Date: 26 November 2002

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You asked for some information about how costs might be affected by changes in the size and activities of the Estates Section. My thoughts are:

- Employee, transport and supplies costs are largely fixed and would only change if the whole of a team were outsourced, in which case these costs would fall to zero (including the costs of the clerical officer);
- The costs of the Administrator would remain unchanged unless the whole section were outsourced, in which case the cost would disappear (the post-holder could be redeployed to a vacant post within the Corporation without the need for redundancy costs);
- The costs of the Section Manager would not change even if the whole section were outsourced; the post-holder would not be transferred, but would act as the Corporation's client officer, and the cost to the Corporation would remain the same;
- There would be no redundancy costs: teams would be transferred to the outsourcer under protection of employment legislation;
- The Administrative Buildings Recharge (ABR) is partially fixed, in that it would only fall if a whole team were to be removed. Each professional team costs £5,000 in ABR, plus £1,000 for the Section Manager: his cost would not change if the whole lot were to be outsourced;
- For the purposes of your calculations you should assume that the Administration Team incurs no additional ABR. The clerical officers use the space allocated to their professional team and the Administrator shares space with the Section Manager;
- Any reduction in the ABR would represent a real saving to the Corporation, because the space released could be used by other employees currently in rented accommodation.

Dougal Glazing

Head of Property

BILDING CORPORATION E-MAIL
CONFIDENTIAL

9:06 27/11/2002

To: Wynne Doe – Assistant Director of Finance – Accountancy

From: Theo D. Lyte – Assistant Director of Education (Resources)

We need your help. As you know, our Directorate is under considerable pressure financially. We are being blamed quite unfairly for poor financial control. Quite frankly, we have not been allocated enough funding, either in terms of capital or revenue, to provide adequate facilities for the rising school population. It is the children who are suffering. Surely we can find some way to help them.

We hoped to make a saving of at least £150,000 against the £2.5 million set aside for the Livingstone Primary School project, and we really wanted to use the £150,000 to fund the building of a new classroom at Dampcourse Primary School. 30 children are being taught in a draughty, leaky portacabin because the existing building is too small. There are complaints of bronchitis, asthma and sinusitis being caused by these conditions. How can we accept the Corporation's failure to meet the needs of these children like this?

The shortage of capital resources means that we need your help to help the children. If we can get the cost of Livingstone Primary School charged to the Education Directorate down below £2,350,000 then we could have the new classroom built at Dampcourse, and the children would be the winners. Children matter more than newts or abstruse accounting rules that nobody apart from the number crunchers can understand. What I understand is that children are suffering because the system won't find the money to provide proper facilities.

Could we treat the extra costs for newts, Romans and toxic chemical soil contamination as unforeseen events, and charge them against what seems to me an unnecessary and excessive heading of Contingency in the Livingstone Primary School costings? I don't see why the Education Directorate should be hit with a huge charge for environmental costs for dealing with issues that are nothing to do with education. If these costs were paid for by the contingency, this would presumably also save some of the 10% surcharge for professional fees. Remember that the Education Directorate is not responsible for causing any of these problems.

If these costs cannot be paid for by contingency, surely the costs should be taken as a central charge. Alternatively, can these costs to be charged to Economic Development? After all, most of these extra costs have only arisen because they forced us to agree to build Livingstone Primary School on a brownfield site.

Your help would really be appreciated, and it would allow our Directorate to meet our obligations to provide the children with the facilities that they deserve. I am sure that I can count on you to be creative and help me put the children first.

We need to respond to this, but as I am going on holiday today I shan't have time. Please pass this e-mail to C. Ling. These issues can be addressed as part

of the Livingstone Primary School report that C. Ling is drafting for me. WD.