

Animal Shelter Review

Project Management Disciplines

Business Assurance Division

October 2023

Table of Contents

- Objective 3
- Background 3
- Key Findings & Recommendations 3
 - 1. Business Case / Project Planning 3
 - 2. Options Analysis 4
 - 3. Budgets 5
 - 4. Procurement 6
 - 5. Design Review 8
- Conclusion 9
- Appendix 1 | Management Comment by Group Manager, Property & Resource Recovery 10
- Appendix 2 | Timeline 13
- Appendix 3 | Detailed Design Floor Plan 14

Objective

The overall objective of this review is to provide assurance over the effectiveness of the internal controls and project management processes put in place over the development of the new Animal Shelter. The scope of the review is restricted to the controls and processes in place from the development of the business case to the awarding of the construction tender. This includes any processes that related to the construction phase but were completed prior to the tender being awarded (i.e. procurement).

Background

On the 1st of October 2018, a new Code of Welfare (Code) amendment, “Temporary Housing for Companion Animals”, came into effect. A review and condition grade of Council’s existing facility found that in its current state, it did not meet the obligations of the new Code. It was deemed that the current facility would require significant renewal works to gain compliance with the new Code.

In February 2020, four options were presented to Council:

1. Refurbishment of existing facility – undertake substantial refurbishment works to meet code requirements;
2. Building a new facility – build a new purpose-built facility on Council-owned land next to the existing facility;
3. Share a facility with another Council – relocate to a shared facility with another Council; and
4. Outsource service to a private supplier – a private organisation to run the facility on Council’s behalf from a private facility.

Council approved the option to build a new facility.

In February 2021, two developed design options were presented to Council. A base build design and another with the addition of an educational space. Council approved the first option to design and construct the base build only.

A detailed design was subsequently prepared, and a competitive tender process was undertaken for the construction of the new facility. Through the tender process, it was identified that the available budget was insufficient to complete the project.

In June 2022, a request was put forward to Council to increase the budget and also to award the construction contract to Lee Builders. These requests were approved by Council.

Key Findings & Recommendations

1. Business Case / Project Planning

Adequate project planning ensures that the project maintains focus on the objectives and outcomes that have been agreed. Establishing a clear scope defines the boundaries of the project and sets the parameters to baseline the planning, monitoring and tracking of benefits, ultimately supporting informed decision making.

s7(2)(b)(ii) Third Party Commercial

The report outlined the non-compliance well and detailed the work completed to validate the options.

We noted that a project plan was developed early 2022 and updated in November 2022. This plan covered key aspects of a plan but we noted that it was developed quite late in the process. This document had not been signed off by the Project Sponsor to indicate it was finalised when requested for this review.

Some risks and benefits were noted in the project plan that was drafted in 2022. These should have been documented and managed from the point the business case was developed to ensure it informed decision making. Risks that were noted in the project plan were not comprehensive. For instance, project risks relating to cost management and scope creep were not included.

The scope in the initial memo to Council in Feb 2020 recommended having an educational space however we were unable to verify where the need for one was triggered from. Officers confirmed that this was verbally discussed at the Feb 2020 Finance & Audit Committee meeting but as the meetings were not recorded at the time, there is no record. It was noted that there was no formal resolution to suggest that this requirement was not supported by Council. Consequently, two developed designs were presented to Council for approval in 2021, adding to the process timeline.

2. Options Analysis

A good options framework will provide a structured approach to identifying and filtering a broad range of options for delivering programmes and projects.

Through the business case, four options were reviewed (detailed in the background section of this report).

The option to do nothing was not included because the purpose of the project was to achieve legislative compliance and doing nothing would not have achieved that. However, highlighting the risks of doing nothing could have added valuable insights to the conversation.

The four options were thought out and explained. Sufficient information was provided in the memorandum to give a reasonable baseline understanding of the options and the risks and benefits associated to each. These risks and benefits are separate to the project risks and benefits referred to above.

MDC acknowledged that their facility was compliant with the code and therefore showed minimal interest in perusing a shared facility with PNCC. While it appeared unlikely that their stance would have changed later in the process, we noted that there were no conversations partway through the project to confirm this. We did note that the conversations with MDC were always at an operational level, it is therefore unclear if a different outcome would have been possible if the discussions were more strategic and at a more senior / Governance level.

It was noted that 5 private boarding kennels were initially consulted with. Only one of these showed an interest but once they understood the compliance requirements, they retracted their interest. It is unclear if any private boarding kennels would have shown interest if further consultation was initiated partway through the process but from the lack of interest observed during the initial consult, it appeared unlikely.

s7(2)(b)(ii) Third Party Commercial

This may have presented opportunities for different ways of working or provided for other revenue streams. This appeared to be a missed opportunity.

When reviewing funding options, it was noted that potential external funding was not considered at any point in the process. This also appears to be a missed opportunity.

Overall, it appeared that once Council gave the direction to build a new facility, Officers progressed with the resolution and did not consider any other options. While this is normally appropriate, where it appears that the direction given might not be the best option, it should be encouraged that the decision and other options be reconsidered. It would have been beneficial to engage more regularly with Elected Members on the progress that was being made to ensure that there were no surprises when the information was formally presented for decision making. In this instance, Officers were following through on the direction given by Council and did not feel it was necessary to relitigate earlier decisions.

3. Budgets

To establish arrangements to manage and report all aspects of financial control and project budget to inform decision making.

The budget life cycle had three key phases during the project.

Phase 1: Options Analysis

When the non-compliance was confirmed, it was acknowledged that no budget existed to support the organisation with any options to meet compliance.

The business case prepared by WSP included a cost analysis for each option. The initial indication of the budget required to build a new facility was \$2.9M. The amounts budgeted appear to be based on assumptions and limited information, therefore raised the risk around its accuracy. For instance, the budget was based on 934m² for a new build and 873m² for the refurbishment option, but these measurements were based on high level assumptions.

It is acknowledged that, at this stage of the project it is not possible to have the appropriate level of information required to have an accurate budget, however, in this instance it appears to be materially inaccurate. The budgeted cost for these options may have been more accurate if more time was invested in the budget development.

Phase 2: Developed Design

A developed design was completed and an updated cost estimate of \$4.5M was presented to Council. Limited information was available to review the information this cost estimate was based on.

Phase 3: Detailed Design – Awarding Tender

Once a detailed design was completed and procurement procedures followed, it was noted that the tender price came out as \$5.2M. Through this review, we engaged an independent party to undertake a high-level review of the design and confirm if the tender price appeared reasonable, which they confirmed it was. This took the total budget up to \$7.3M.

Throughout the review of budgets, we noted that maintenance costs for the new facility were not reported. This could have presented an opportunity to discuss and confirm the agreed levels of service.

It was noted that prior to finalising the design, value engineering was undertaken by Officers that had an estimated saving of \$1.33M. Post the tender process and during contract discussions with Lee Builders, value engineering was again undertaken by Officers, with the intention to reduce the contract cost which they successfully reduced by \$150,670.

4. Procurement

The process by which an organisation contracts with third parties to obtain the goods and services required to fulfil its business objectives in the timeliest and most cost-effective manner.

During the review, we noted five procurements from the beginning of the project until the tender was awarded.

Procurement One: Options Report / Business Case

In January 2020, WSP were engaged to complete a business case to acknowledge the non-compliance and what options were available to PNCC. Per Officers, three quotes were obtained but no procurement plan was completed as it was low value. We were unable to sight the three quotes that were obtained as it was prior to the current Project Sponsor taking this role on. We were unable to confirm the total cost for this engagement due to the lack of descriptions on the transaction entries in the former finance system.

It should be noted that WSP were one of the organisations that were later approached for design services, but because they had completed the business case and options analysis, they would have likely been in a favourable position through the tender process for subsequent procurements. Therefore, a more robust procurement process should have been considered at this stage of the project.

Procurement Two: Design Services

In March 2020, a procurement plan (sighted) was completed for design services. A closed tender approach was undertaken with only two organisations engaged. Per Officers, these were the only two with relevant experience.

In September 2020, an offer was received from WSP covering concept and detailed design services and a short form agreement (covering concept design only – time capped for 15K) was signed. Subsequently, an updated offer was received in January 2021 for \$232,000. It was noted that no subsequent agreement or contract was signed for the detailed design component. Once Council approved the project to progress with a base build, WSP were advised via email to begin work. While an adequate procurement process was followed, a contract for the detailed design component should have been signed.

The other organisation did not submit a bid.

Procurement Three: Project Management

It was noted that WT Partnership were directly engaged to provide project management support for the construction phase and were requested to put forward a proposal (dated 07 March 2022) for the following services:

- Project Management \$98K
- Engineer to Contract \$6K
- Cost Management Professional Services \$106K

The work on this proposal was noted to begin around the time the construction tender was awarded however we noted that a contract wasn't signed until November 2022 (when it was requested by external auditors).

- As there were limited design consultants with experience in designing animal shelter facilities, a construction contractor would have had to use one of these designers anyway or increase the risk by having a designer who had no experience in designing these types of facilities.
- To enter a design and build contract the Council would have needed to provide a defined scope to the contractor upon initial engagement which in this case would have been in early 2020. At that time, a detailed scope was not available.
- Design and build contracts transfer the design risk to the contractor, as such they add this provision into their pricing. A contractor's margin is also added across the project including the design portion. It is very likely that Council would have ended up paying more for design, increasing the overall project cost further.

s7(2)(c) Obligation of confidence

While the project team believe the appropriate model was adopted, it would have been better practice to have documented the consideration for the different delivery models when the business case was developed.

5. Design Review

We reviewed the current facility design and the design for the new facility. With the limited information available, we had the following observations.

Staff Facilities:

We noted that the size of the current facility is 436m² and the new facility 781m². The administration space in the new facility made up 140m².

We noted that the current facility has desk space for 2 staff members and the new facility caters for 10 staff. When the facility opens, it is intended that the current team (of 5) will be based at the facility.

We noted that the new facility includes a meeting room that can comfortably seat up to 15 staff. The current facility does not have a separate meeting room.

Officers confirmed that future growth for the city and organisation had been taken into consideration for the staff facilities. If provision had not been provided for additional capacity in this design, then there would have been a higher risk that there would be limited feasible options to expand it in the future (if required).

Kennels:

We noted that the current facility has 42 kennels of which the maximum utilisation at any point in the last 12 months was 27. The new facility has 52 kennels. Of the 52 kennels, there are 8 small kennels, 7 large (4m²) kennels and the remaining are 3m². It was stated that the minimum size requirement was 3m², however it was not clear how this directly aligned with the Animal Welfare Code for Dogs (extract below).

Table 2 Recommended minimum sizes for kennels and kennels with runs attached.

Size of dog	Kennel only	Kennel plus run
Small (<7kg)	900mm x 700mm	500mm x 500mm plus 600mm x 1m
Medium (7-20kg)	1.2m x 800mm	600mm x 700mm plus 800mm x 1m
Large (21-40kg)	1m x 1.5m	800mm x 800mm plus 1m x 800mm
Extra large (>40kg)	1m x 2m	1.2m x 1.2m plus 1.2m x 2.4m

Please note this is guidance only and expert advice should be sought where there is any uncertainty.

When confirming the size requirements for the kennels, officers confirmed that reliance was placed on external advice that was sought from the design expert. The kennel size took into consideration the potential for future changes to external requirements.

During the review we noted that limited documentation was available to support the design decisions around future growth. One record that we did sight confirmed that growth was forecasted at 1% over 20 years and it appeared that the number of kennels were based on the average number of dogs per month. It would have been better to place reliance on the maximum number of dogs at a point in time to reflect how many kennels would be required.

While it was noted that several areas were futureproofed and therefore catered for additional capacity compared to the current facility, it wasn't always clear through the review what assumptions were made to determine the future state. Therefore, we could not conclude on its appropriateness.

While individually, these design elements would not have made a material difference to the overall cost, in aggregate, a smaller appetite for future proofing across the design of the facility could have reduced the costs more materially.

Conclusion

Overall, learning occurs on every project and this project is no different. However, due to the project spanning over several years and with staff turnover, at times it was challenging to validate some of the processes applied and decisions made. Some of the learnings identified were point in time and it should be acknowledged that the project management discipline has gained more maturity and the associated processes have improved in that time, reducing the likelihood of these findings occurring going forward.

No formal recommendations have been made as these are already covered within other reviews that we have completed.



Masooma Akhter
Business Assurance Manager
05 October 2023

Appendix 1 | Management Comment by Group Manager, Property & Resource Recovery

Overall Management believes the pre-construction phase of the project was a robust and thorough process which in the main was consistent with best practice for a project of this size and complexity. As the designs progressed, the uncertainty and risk in the project was able to be mitigated and worked through, and cost certainty was able to be refined at the design milestones i.e. concept, developed, and detailed design.

The final designs have not only enabled the legislative requirements to be met, but also provided a future proofed facility which will meet the requirements of the city both now and in the future.

Several specific elements of the project have been commented on in further detail below:

Design Procurement

- There were only two design consultants identified in the country with experience in designing animal shelter facilities: WSP and [REDACTED]. Given this, Management determined that it was appropriate to simply directly approach both consultants for a price rather than doing an open tender for design. This was reflected in the Procurement Plan for design.
- WSP was the only consultant to quote for the design [REDACTED] s7(2)(b)(ii) Third Party Commercial [REDACTED]. Given they were familiar with the issues of the facility and they produced the initial concept “blocks on paper” design, this also enabled the designs to start advancing immediately.

Education Space Design Option

- When presenting the initial report to Council in early 2020, Council provided direction to Officers to explore the inclusion of an educational space within the facility that could be considered on its merits once more detail was available. This direction was taken as an action by Officers through the presentation, however, upon reflection it would have more explicit for a resolution to be passed to better record this given Council meetings were not recorded at that time.
- To give effect to this direction, developed designs were advanced whereby the base design of the facility was the same, but an option was provided to include the educational space as a “bolt on”. By taking this approach Officers were able to minimize any additional design time, whilst still providing the option to Council for consideration as requested.

Options Analysis

- Officers are confident in the robust options analysis that was undertaken in 2019 to determine whether any partnership options were possible with neighbouring Territorial Authorities or private entities. Officers are also confident in the findings that there were no options that could be progressed further. The findings from these discussions was reflected in the initial business case document.
- Once Council gave the direction to build a new facility, Officers progressed with the resolution and did not explore any further options or reinvestigate the options explored in 2019. Officers are not aware of anything to suggest the situation had changed from that in 2019.

Future Proofing in Design

- Future proofing the facility was a key consideration in the design process. The facility needed to have capacity for the current number of dogs, capacity for immediate and short term growth and surge capacity in kennel numbers should it be required, but also provide an expansion provision so the facility could easily be expanded in the future when the city needs it.
- The future growth was considered for both the kennels and staff facilities i.e. office space. Given the layout of the facility, there was no feasible way to provide an expansion provision for the staff facilities, so space had to be allowed for the staffing numbers to increase from 5 to 10 staff in the design. That said, this added very little additional cost, and when investigated as part of the value engineering, reducing this would have only saved circa \$50K, however, would have created a poor outcome should this need to be expanded in the future.
- The kennel capacity did provide options for future expansion and allowed for a whole block to essentially be deferred into the future, whilst still building the facility around it. Whilst there is a slight increase in kennel numbers than the old facility being built now, as mentioned above this allows for surge capacity and immediate growth. There was no practical way to reduce the footprint of kennel block B to mirror the exact number of kennels without achieving a poor outcome.

Budgets

- It is acknowledged that the project cost continued to grow throughout the design process, which while expected, was not a desirable outcome. As detail continues to develop, the costing of the elements of the project are also able to be refined, with the final project cost not being certain until the construction tender process is completed.
- The initial pricing at concept stage was indicative pricing presented in February 2020 had very little detail and simply based on an approximate facility size and a then standard industry build cost per square metre.
- As the design progressed into the developed design stage, as presented in February 2021, there was more clarity of requirements, and as such the price was able to be refined. That said, this was still essentially only a 50%-completed design, with many of the details still to be brought into the development.
- It was only by February 2022 when the detailed designs were completed, and all the design elements were worked through, that accurate pricing was able to be determined. The final cost was then confirmed through the construction tender process.
- It is acknowledged that at the time of tender for the construction, the construction market was heavily impacted by the constraints caused by Covid-19, and this no doubt impacted on the final construction cost that was achieved. That said, the project could not be delayed any further without potentially incurring significant financial penalties from the Ministry for Primary Industries for a non-compliant facility.

Value Engineering

- Significant value engineering was undertaken through the detailed design and tender process to reduce the price, whilst still achieving the project outcomes, unfortunately this still resulted

in a large increase from the price indicated in 2020, however, Officers are confident that this was the best price that could be achieved.

- The value engineering process was explored in the tender award report in length.

Timeline

- It is acknowledged that there was a relatively long lead in time of circa 20-months from the identification of the non-compliance with the new welfare standards in January 2019, through to the first budgets being approved to commence the design from July 2020.
- From experience, a project of this size and complexity would be expected to have a design phase of circa 18 months. The Animal Shelter design phase was proceeding to this timeline, however, experienced delays in late 2021/early 2022 due to Covid-19 impacts on the design consultants. The result of this was that the entire design phase instead took circa 24 months before a consented detailed design was achieved. However, this was unavoidable.

Appendix 2 | Timeline

2018

- October 2018 – New code of welfare amendment “temporary Housing for companion Animals” came into effect.

2019

- January 2019 – Council determined existing facility did not meet the new standards. Ministry for Primary Industries inspected site and confirmed this.
- October 2019 – Council Officers explored opportunities to do a joint venture with other territorial authorities (MDC) and private providers or to outsource to a private provider.
- November 2019 – Council Officers confirmed joint ventures and outsourcing were not viable.

2020

- January 2020 – WSP engaged to conduct a business case to review work to date and determine high level options.
- February 2020 – **First report to Council on the issue.** Council resolved that preferred option was to build a new facility. First set of budgets approved for 2020/21 and 2021/22, instructed Council Officers to come back with options for the new building design once applicable.
- March 2020 – Design Procurement Plan completed.
- August 2020 – Closed tender process (Request for Price) for concept design undertaken.
- September 2020 – Tender closed. 1 tenderer – WSP.
- October 2020 – Agreement signed with WSP for concept and developed design.
- December 2020 – Concept and developed design complete.

2021

- January 2021 – Agreement entered with WSP for detailed design.
- February 2021 – **Second report to Council – presented design options.** Council resolved to proceed with their preferred option which did not include an educational facility. Budget increased for 2021/22 and 2022/23 to reflect updated information.

2022

- February 2022 – Detailed design complete. Consent Lodged.
- March 2022 – Construction tender process undertaken.
- April 2022 – Construction tender closed. 2 tenderers.
- May 2022 – Tender tags, clarifications, post tender value engineering undertaken. Preferred tenderer selected.
- June 2022 – Consent achieved, **third report to Council to increase budget based on tender for 2022/23 and 2023/24 and to award contract to preferred tenderer.**

This timeline has been provided by the Project Sponsor to support the review.

Appendix 3 | Detailed Design Floor Plan

