REPORT FOR
THANET DISTRICT COUNCIL

POST IMPLEMENTATION REVIEW
DREAMLAND PHASE ONE LESSONS LEARNED

Period of Review: 2008/16

Date of Report: 31st August 2016

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Report Number: U509

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1. EXECUTIVE SUMMARY

1.1 The vision from the Dreamland Trust Delivery Plan dated 2011

"*Dreamland Margate will be a commercial Amusement Park and event location comprising historic rides, classic sideshows, cafés, restaurants, gardens and innovative interpretation to provide an imaginative glimpse into the story of Dreamland's rich heritage. As the first Amusement Park of thrilling historic rides, Dreamland will create a balance between the romantic nostalgia of Dreamland's past with the contemporary requirement to meet the needs of 21st century visitors* and be a commercially viable operation."

1.2 The Council has supported the Save Dreamland Campaign that evolved into being the Dreamland Trust and has worked as an enabler alongside them in their efforts to secure sufficient investment to create a viable project. During the period 2006 to 2010 the Council also worked alongside the site owners who had a vision to develop part of the site (49%) and restore (51%) of the site as a Heritage Attraction to incorporate the listed assets.

1.3 As with all major projects, the timescales involved often mean that things do indeed change and evolve; key personnel move on, projects are handed over, and factors outside of anyone's individual control come into play. Strong Project Management is designed to ensure all foreseeable risks are identified and assessed and mitigating actions put into place – however in this case the top three scoring risks each materialised and this indeed impacted greatly on the original concept and what followed.

1.4 This review was commissioned to pull together the learning from the project, to inform future strategic projects that the Council wishes to undertake.

1.5 The Council recognised the limitations of in-house skills or resources in managing a project of this complex nature and employed external specialists as required. However, the learning reminds us that the task can be delegated; the risk can not. Whilst G&T were engaged to project manage the project, the impact of the project being knocked off course fell on the Council financially.

1.6 The learning areas for improvement in future projects are as follows:

- Governance – whilst the correct authorisations are evidenced throughout the project, the high level turnover of staff and resultant lack of continuity involved has had a detrimental impact. Exercising strong governance includes taking calculated risks.
- Project Risk Management – the Council should ensure mitigating actions are 'SMART' and where possible costed at the outset; if they materialise the impact can also be assessed against potential project termination points or break points, creating an opportunity to assess the full consequences of continuing, and whether it can only proceed when sufficient resources are able to be allocated. The Council can over time improve its overall corporate risk appetite, so when a project is knocked off course, it can more confidently take a calculated risk.
- Project Management – the Council has already taken steps to raise the profile of managing Strategic Projects with the Council only committing to the number of projects it has the capacity to focus on and deliver on time and to budget going forward. This would be further enhanced by creating central control and management of project records.

- Financial Management – The Council should seek to control external consultant fees if strategic projects hit major delays, all future projects should therefore build break clauses into their terms of engagement. The Council should also make larger contingency provisions when working on listed structures.
- Overall – the Council should use project management techniques to become pro-active in the way it manages its projects. Dreamland Phase One has been re-active. Each time a significant risk materialised, the project was knocked off course, and the Council successfully took it forward in a new direction. However, reacting, has cost a time delay which has in turn caused an overspend. It is a fair assessment that this was a unique challenge, and the remaining officers involved in the project have indeed taken on board a great deal of the learning from Phase One into how to move forward. This learning includes making a stronger link from project risk management to the Council's Corporate Risk Management process, if a matter becomes significant enough within a project it will now be escalated – particularly when the matter is in the media and the risk becomes reputational, financial, social, environmental and 'political'.

1.7 Six recommendations have been made within this report of which five have been classified as high priority and one as medium please see the action plan at page 17 for full details.

1.8 This piece of work is not an audit and does not attract an assurance opinion as it constitutes consultancy work. Future internal audit work will review the recommendations made when Project Management is next reviewed, as part of the rolling audit plan.

2. SCOPE OF WORK

2.1 The work is focused on the following areas relating to Dreamland Phase One (the purchase and development of the heritage theme park) only:

a. **Governance Arrangements** – assess the strength of the overall arrangements to ensure that the objectives for the project were defined, that funding for the project was correctly authorised and comment on the governance around decision making; to include the governance surrounding how the operator appointment was made.

b. **Project Risk Management** – review the project risk assessment and challenge how robust this process was managed at both the concept, and throughout the life of the project.

c. **Project Management –** assess the strength of control measures put in place to support project delivery, including membership of the project team, key milestones and if exit strategies were considered or built in.

d. **Financial Management –** consider how officers responsible for delivering the programme were held to account by those charged with governance, including quality, performance and financial controls within the project.

2.2 The following areas were agreed to be out of scope:

- This review has not been extended to include Dreamland Phase Two or any future vision for the site.
- This review does not therefore include a review of the controls within the Phase Two contract to monitor or validate the scheme.
- This review does not cover the operator and developments regarding the administrators, and the numerous matters reported by the media since 2015.
- The Council has refreshed its Project Management approach and the opportunity to review this once it is embedded will be considered in a future audit plan.

2.3 **Period of fieldwork**

The review was performed between 04 July 2016 and 30 August 2016. No other work has been performed since then, the report does not take into account matters that have arisen since then; or anything outside of the Scope.

2.4 **Forms of report**

For the Council's convenience, this report may have been made available to the Council in electronic as well as hard copy format, multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

2.5 **General**

The report is issued on the understanding that the management of the Council have drawn attention to all matters, financial or otherwise, of which they are aware which may have an impact on the report up to the date of issue. Events and circumstances occurring after the date of the report will, in due course, render the report out of date and, accordingly, EKAP will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, EKAP has no responsibility to update this report for events and circumstances occurring after this date.

The report's author would like to thank the officers for making themselves available during the course of the review.

3. BACKGROUND HISTORY

(The following was extracted from the HLF Bid Evaluation Tender Document; furthermore Appendix 1 is a Chronology going further back to 1992- both documents have been shared by the Heritage Development Advisor and concisely set the scene).

"Margate was well established as a seaside resort by the mid C18th and has always remained in the public consciousness as a quintessential 'holiday town'. Dreamland occupies a 7.5 hectare town centre site directly opposite Margate Main Sands. The site has been in amusement park use since the early 1870s when the circus proprietor 'Lord' George Sanger opened a dance hall, menagerie and fun fair within and behind a former seafront railway station building. The Grade II listed Menagerie Cages on the site date from this period. The venue changed hands in 1919 and the new owner, JH Iles, Americanised the attraction, naming it Dreamland after one of the Coney Island amusement parks. Iles' first major investment at Dreamland was the Scenic Railway – which survives is listed Grade II and which was restored as part of the HLF project. An entertainments complex, referred to as Dreamland Cinema, was built at the front of the site between 1933 and 1935. The new building incorporated a pre-existing Ballroom structure and a WW1 timber framed aircraft hangar (which for many years was used as a 2,000 seat restaurant). This group of buildings are also listed at Grade II*.*

In the 1960s and 70s Dreamland, in terms of visitor numbers, was one of the top ten attractions in England and the words 'Dreamland' and 'Margate' are often said to be synonymous with each other.

In January 2003 the then owner of the attraction announced that it was his intention to close Dreamland and redevelop the site as a retail park. The announcement led to the formation of the Save Dreamland campaign, a group who believed that the site still had an economically viable future as a leisure facility. The Dreamland Trust evolved out of the Save Dreamland campaign, eventually becoming a Registered Charity.

The Park finally closed in September 2006 after several years of under-investment. By 2006 the only fixed ride left on the site was the Scenic Railway; which had been listed in 2002. Both the bingo hall and a two screen cinema within the Dreamland Cinema complex closed in 2007, due to the poor condition of the building's roof and problems with the electrics. The Ballroom had already closed in 1990 and was derelict.

An arson attack on the Scenic Railway in April 2008 destroyed 25% of the ride, including the trains. Immediately after the fire, Thanet District Council began serving Urgent Works Notices under Section 54 of the Planning (Listed Buildings and Conservation Areas) Act 1990 on the owners so as to protect the listed structures on the site. The Council and The Dreamland Trust engaged the services of the Prince's Regeneration Trust to advise on the regeneration of the site and both of the Partners subsequently entered into a Memorandum of Agreement with the owners. The essence of this Memorandum was that the Council would work with the owners to bring forward a planning application for an 'enabling' mixed use development on 49% of the site, provided that the owner transferred 51% of the site, including the listed structures, to the Trust who would then work towards the reopening of the Park. This hybrid proposal was the concept behind a bid made by the Council to the Commission for Architecture and the Built Environment (CABE) for a grant under the Sea Change programme to 'reimagine' the site as a Heritage Amusement Park. Both the site owners (the Margate Town Centre Regeneration Company) and The Dreamland Trust were partners in this bid. An earlier small 'development grant' under the scheme was awarded, which enabled Save Dreamland to set themselves up as a constituted body, and in November 2009 CABE awarded the project £3.7m, the largest grant given under the Sea Change programme.

In 2010 The Dreamland Trust made an application to the Heritage Lottery Fund seeking support for the Heritage Amusement Park concept and they were awarded £500,000 *development funding. At the Second Round submission stage Thanet District Council joined the Trust as co-applicants for the grant. In January 2012 the HLF awarded the project £3m, and this offer was extended to £5.8m in April 2014.*

By the end of 2010 it was becoming clear to Thanet District Council that the owners of the Dreamland site were not going to bring forward a realistic planning application for the 'enabling' portion of the site. In May 2011, the Council Cabinet moved to serve a Compulsory Purchase Order (CPO) on the owners for the entire Dreamland site, on the grounds that it was necessary for the Council to act in the furtherance of the economic wellbeing of the District. The CPO Inquiry was held between January and March 2012 and the Secretary of State upheld the CPO in August 2012.

Appeals by the owners to the High Court in March 2013 and the Court of Appeal in May 2013 were dismissed and the freehold of the Dreamland Site was vested in the Council on 13th September 2013.

The District Council was now in possession of the entire site and the works programme funded under the HLF grant began. The Lottery-funded capital works were managed by Thanet District Council, and those to do with public engagement and the dissemination of heritage information by the Dreamland Trust. The capital works included the rebuilding of the Scenic Railway, the restoration of classic amusement park rides, the rebuilding of the Ballroom and the upgrading of the lower ground floor of the Cinema building (which acts as the principal entrance to the Park). The public engagement works included 'outreach' activities, volunteering and events.

Early in 2015 the Council advertised for expressions of interest in running the Park and Ballroom, and selected Sands Heritage Ltd – a new company with Margate connections set up expressly to manage the running of the Dreamland site.

The Park opened in June 2015 to widespread positive publicity and the Scenic Railway opened in October 2015. Sands Heritage entered Administration in May 2016, although the Park continues to trade."

4. **FINDINGS IN CONTEXT**

The scope has been classified into four Detailed Findings headings as follows;-

4.1 **Governance**

4.1.1 It was confirmed by interview with the Committee Services Manager that the appropriate decision making route for the project is Cabinet. A review of the Constitution revealed under Article 4 the type of responsibility / decision assigned to Full Council, the roles of Scrutiny and Cabinet. Section A goes on to list the Council Functions and those delegated to Cabinet. All key decisions are required to be published in the Forward Plan (the Council also includes non-key Cabinet decisions) in order that Overview & Scrutiny have the opportunity to request a report before the decision is going to be taken. Officers will also take a report to Overview & Scrutiny based on good governance for pre-decision scrutiny. Once a matter has been approved by Cabinet, the decision notice is prepared and sent to members of Overview and Scrutiny, who have five clear days to call it in, otherwise the decision is published at 5:30pm on the 5th clear day.

4.1.2 The post implementation review set out to determine learning from the decision to proceed with the CPO and how the operator was appointed; consequently these two areas were further examined.

Compulsory Purchase Order

4.1.3 A search through Cabinet reports has identified the following connected with the decision making process for the Compulsory Purchase Order.

- April 2010 – Report Update and Approval to proceed with CPO;
- January 2011 - Cabinet report clarifying the 'whole site' updating the area for CPO (should it become necessary) – Annex 1 is the original plan and Annex 2 the revised plan;
- April 2011 - Following the failure of MTCRC to make a planning application under the terms of the Memorandum of Understanding TDC Cabinet move to serve Compulsory Purchase Order (CPO) on the entire (T8) Dreamland site (in the Pink).

The 28.04.11 Cabinet report sets out the background and reasons for the recommendation to proceed with the CPO. It does identify six risks that the decision carries, which centre on uncertainties and it does predict the financial 'worst case scenario'. Essentially though, the report does not spell out the implications of an option not to proceed, apart from highlighting that all grant funding required supporting the project would likely be withdrawn as a consequence. The learning from this is to provide Cabinet with options. Especially where there are so very many uncertainties. One option should have been a challenge to why the Council should own this site, and what the long term goal or strategy should be for its continued ownership, setting out how this proposal supported the Council's Corporate Plan Objectives and the long term affordability and consequences of owning a theme park, particularly one containing so many listed structures.

Indeed, given the experience of individual cases over the wider East Kent local government umbrella, the challenge whether CPO as a route on any scale carries so many uncertainties and risks that councils should never do it, or should only proceed in very rare/extreme cases.

A further challenge is whether the external legal advice received is too narrowly specified so that the Council obtains advice on what it asked for only. This may be improved in future if advice is obtained in two parts; firstly to answer a specific question and secondly to broaden the legal view to provide options on the matter under consideration.

Operator Selection Process

4.1.4 The process for the selection of an operator was first approved by Cabinet at its meeting on 29 April 2010. The matter was presented again to Cabinet on 1 May 2014. During the process, advice given by the Council's specialist advisors changed the way that the procurement should proceed; the first was halted and a second then commenced. A report to the Heritage Lottery Fund, seeking their approval to move forward circa March 2015 summarises the procurement process as follows;

"The first procurement

It was agreed that the Council would seek a not for profit organisation to deliver a heritage amusement park. The opportunity was placed on the European procurement portal and Council web site on 2nd June 2014 allowing 50 days for bid submission. The advert was also placed on the Council's web site and there was extensive press coverage.

The invitation to tender stated that the Council may accept variant bids but only if supported by a compliant bid. Various organisations contacted the Council for information, some made site visits. All contacts were recorded. However following the closing date – only one bid was submitted. This was from Sands Heritage Limited (SHL).

Although only one bid was received, the Council followed the usual diligence process including legal, financial and external valuation checks. These all indicated that SHL's bid was viable. However following detailed site condition information becoming available only after ownership of the site was secured, it was realised that the offer would not be a substantially completed amusement park, but that it comprise land and buildings, some in a very poor condition, and any incoming tenant would need to make substantial capital investment to bring the derelict site back into use. Also, the grant fund monies would need to be subject to change control, as more funds would be required to bring the basic specification up to a reasonable standard; this meant that less money was available for the rides. The ride schedule was reduced and no rides were offered as part of the lease. Following legal advice it was agreed they would be loaned under separate licence arrangements.

Therefore following professional advice, it was determined that the Council should re-advertise the offer of a long leasehold interest as the appropriate primary contract, supported by a simple concession to transfer some of the funders' on-going obligations (learning and development, community engagement). The original procurement advert was closed and a new offer advertised buildings and land available on long lease.

The second procurement

The change to procure on a long lease meant that the primary method of procuring a tenant became a leasehold transaction, regulated by the many land laws. Having already secured Cabinet approval to lease the site the Council's Estates team acted as agents for the Council.
The advertisement for the lease was put in the following publications:

- *Estates Gazette Retail & Leisure supplement – 6/9/14*
- *EG online banner – 22/9/14*
- *EG direct mail shot – directed to property professionals in London and the South East – 6th November*
- *Parkworld on line, from June 2014 to 21 November 2014*
- *Worlds Fair – 6 week ad commencing 3/10/14*
- *TDC website early September*
- *To let board on frontage of site*
- *Local media and national media reports on Dreamland*

The Council also wrote to all organisations that had previously registered expressions of interest that had been logged as part of the original procurement exercise, to ensure they were aware of the revised offer.

The new advert for Dreamland asked for expressions of interest in buildings and land offered on a long lease and asked for the following information:
Expressions of interest should be received at estates@thanet.gov.uk no later than 21 November 2014. The Council are seeking parties who have the following attributes:-

- *Proven track record of similar commercial operation, if possible with case studies / examples;*
- *Evidence of sound financial covenant and details of the organisation;*
- *Evidence of the capacity to manage the unit(s) of interest;*
- *Track record of working in partnership with local authorities and other bodies;*
- *Evidence of being able to generate social/economic/environmental benefits to an area.*

At the closing date, the Council had received six bids. The bids were assessed by the agent (TDC Estates Surveyor). As this site is a longer term investment for the Council all information was reviewed with the Cabinet member with delegated *authority (Cabinet member for Finance and Estates), the Procurement Manager and the Head of Economic Development and Asset Management.*

The bids were considered on the answers to the following parts of the submission
Business Plan
Development Appraisal
Regeneration Commitment
Evidence of Successful Operation
Quality Standards.

We received the expression of interest forms from six candidates, but following legal advice from Trowers and Hamlins, we agreed to consider the previous tender submission from Sands Heritage Limited.

On the whole the written responses we received were poor.

The outcome of the initial screening process and the reviewers agreed with the recommendation made by the Estates Surveyor to proceed with Sands Heritage Ltd who provided comprehensive information, meeting all the requirements, with the only weak area being quality standards. Due Diligence was carried out by the Director of Corporate Services on 27 March 2015. Officers are confident that the correct procurement process has been followed to ensure that an operator who is committed to meeting the needs of this unique site has been found and recommends that the HLF support the decision to award the lease to Sands Heritage Ltd.

The Dreamland Trust has the second highest score on regeneration commitment, but they did not provide information on a business plan, nor on quality standards.

The unsuccessful parties were informed that they would not be taken forward to Heads of Terms stage, SHL's bid was taken forward and they engaged to agree Heads of Terms. The Council has worked with external lawyers to progress the lease. However following some difficulties, the lease negotiations were brought in-house. Due Diligence was carried out by the Director of Corporate Services on 27 March 2015".

4.1.5 The evidence reviewed reveals there was a process followed by a team of officers and members which engaged professional advice to reach their objective of selecting a company to move forward with letting the lease. The due diligence checks were carried out by the Council's Finance team and follows the Due diligence Protocol. The outcome of the decision was taken back to the HLF for approval to proceed.

4.1.6 The learning though from this, and experiences across the wider East Kent local government umbrella, is that fledgling companies with no track record or accounts, set up for a particular purpose carry a greater risk than is being acknowledged through the due diligence checks being undertaken by these multi-disciplinary groups of officers and members. Sands Heritage Ltd was incorporated on 19th June 2014, and was then financed by a £2m bank loan, shareholders and loan of £800k promised from KCC.

File Management

4.1.7 It has been difficult to piece together the management trail for this work due to staff turnover throughout the term of the project. The authors of key reports have since left the Council and there is no clear evidence of handover of files. Consequently, it is suggested that in future all Strategic Projects should have a central filing arrangement with the appropriate restricted access, so that key files are not held on different network areas and are easily retrieved. Good governance includes employing the right systems and processes to be able to provide the management trail.

4.2 Project Risk Management

4.2.1 A report in April 2010 authored by the consultants appointed as project managers, Gartner and Theobald (G&T), set out the Key Risks. Hindsight shows us that the top three critical risks each materialised. The top two having been assessed and scored by the consultants as 5 x 5 i.e. 'certain to happen' with 'maximum impact' on the project.

Risk	Impact	Likelihood	Product	Financial Implication	Risk Treatment	Owner
Project overrun causing additional costs	5	5	25	Cost of scaffolding at up to £6k per week, additional PM costs	Continued management of Coombs contract and correct PM	Capital Development Manager/ G&T
Affordability / discovery of unforeseen costs	5	5	25	Additional funds would be required to complete works	Adopt any savings suggestions, potentially reduce rides budget and hire in rides	Dreamland Trust / TDC / G&T
Failure to contain CPO costs	5	4	20	Higher cost of CPO may lead to further reduction in capital works budget to make scheme affordable	Ensure accurate estimates are obtained from external legal/counsel and witnesses	Capital Development Manager / A Hills / Head of Legal

When they did occur, the impact was a major delay, which in turn has impacted the costs. For example, their report set out some critical dates listed below, against which the actual dates achieved are now shown;

Action	Critical Date Proposed	Actual Date achieved
HLF Application	August 2009	July 2011
HLF Approval	November 2009	January 2012 Grant increased April 2014
Contractor Appointment	October 2010	October 2014
Start on Site	February 2011	November 2014
Practical Completion	May 2012	July 2016

4.2.2 The CPO delay severely impacted upon the Council's ability to let the construction contract; until they had possession of the site clearly construction could not commence. This had the knock on impact that the winning contractor then could not deliver the build by the date expected, and work awarded under the contract was reassigned. This resulted in three parties with different workforces on site all at the same time. The operator published an opening date (against advice) and this then had to be delivered.

4.2.3 The risks in the project risk register had been thought of at the project outset, and their scores and predictions were reasonable. The Council was aware of the high risk nature of the project, and driven by the overwhelming community support to save Dreamland have adjusted course several times to deal with the impact of each risk. The financial impact is covered at 4.4 below.

4.2.4 The robust critical friend challenge (with hindsight) is whether the Council would have taken action to terminate or mothball the project had those been options highlighted and considered though the risk management process? i.e. “was the impact of X so great that the Council should cease to move the project forward at this time”. The period 2010 to 2015 was turbulent for the Council, and whilst this high risk, high profile project was delivered it was later than planned and over budget. The clear objectives defined at the outset, ‘to regenerate an area of Margate that makes a significant contribution to the Council’s Corporate Objectives’ have indeed been delivered in the short term; with the long term viability of the park presently uncertain. The Council was successful in keeping the DCMS, HLF and external funding bodies on board with the delay, ensuring the conditions of grant ware complied with. It is not the role of this review to challenge the decisions made in the past, but to learn from how project risk management and project management techniques can be used in future strategic projects to achieve realisable goals on time to budget – or terminate projects that cannot.

4.2.5 The Risk Management section of Gartner and Theobald’s report is fairly light touch. The risk treatments listed are weak and passive, for example “continued management of contract and correct PM” against a ‘certain’ score with ‘maximum” impact for “project overrun causing additional costs”. The Council was certainly aware of the high risk nature of the project, however there was no robust challenge through the Risk Management process as to why the Council was undertaking the project at all, swayed by (real or perceived) community support not a challenge that establishing a theme park was too finically risky for it to undertake.

4.2.6 In addition, when the project risks did materialise it was a very reactive process, and linked to 4.4.5 below, there was no link or escalation between the Project Risk Management process and the Corporate Risk Management process. The overspend being first reported to Cabinet via the budget monitoring report in July 2015. Strong Risk Management for a project should also seek to identify the deal breakers or exit strategy points if resources are not available to deliver due to unfavourable circumstances affecting the planned delivery.

4.3 Project Management

4.3.1 At the outset, it was recognised due to its uniqueness and complexity that external specialist project managers should be appointed to deliver Dreamland Phase One (and it became a grant condition). Gartner and Theobald LLP were appointed and acted in this capacity. Indeed, it is one of the costs which overspent resulting from the delays caused by the lengthy CPO process, which extended the contract with them. Evidence of documents authored by them, has been presented from the time of the beginning of the project. The Masterplan itself, which was further supported by detailed documents comprising:

- Interpretation & Branding Strategy
- Access Strategy
- Rides Strategy
- Activity strategy
- Business Plan
- Conservation Management Plan
- Building services and Sustainability Report.

4.3.2 Evidence regarding project team meetings, minutes and action points have not been provided by officers as there has been many handovers within the Council and this in itself is endemic of the story of Phase One. It is not to say Gartner and Theobald could not produce them if asked, but this review has stopped short of doing so to avoid any associated costs that might flow from such a request. Officers who have been interviewed have concurred that project management could have been stronger over Phase One.

4.3.3 The purpose of Project Management is to ensure an appropriate level of control is in place to deliver with quality, on time and to budget. This process is therefore synchronised with the project risk assessment. The risks dictate the controls that are required to mitigate the identified risks. The project risk management process is discussed in 4.2; however, it stopped short of identifying any exit strategies, or project break points which could have been built into the project management process to intervene when time delays and costs exceeded expectations.

4.3.4 A strong factor surrounding Phase One is the evolving nature of how it unfolded. It started out with a campaign group who, over 12 years, very successfully obtained investment, with then the awarding bodies specifying that they needed the Council to act as the accountable body to be able to move forward. In this sense, the Council responded to the overwhelming community desire to save Dreamland, and to draw down the grants as it also contributed towards many goals in the Corporate Plan for the regeneration of Margate, and current corporate aims for inward investment and job creation. It was however predicted at the outset that the top three risks would each in turn materialise to impact the project, knocking it off course.

4.3.5 In terms of the ‘lessons learned’ the Council has decided to introduce a refreshed Project Management process for all future strategic projects, based on a new Project Management Toolkit. There is also a reinvigorated desire to create focus, to invest resources in what can be achieved and to park pipeline projects until there is sufficient time and resource to deliver them well. This is a success. There has been a great deal of learning from the Peer Review and former attitudes and working relations have moved on significantly. During this review, at no point was there mention of members behaving inappropriately or pressuring officers to act in any particular way, which is very pleasing to report.

4.3.6 Additional learning from this project includes the challenge for Directors to have the capacity to carry on with the day job and deliver strategic projects. The resource required should be quantified in advance and Directors (or responsible staff) should be seconded to the project with back fill arrangements in place to cover their day to day roles for the duration of the project. If the Council is successful in creating focus to only invest the resources in projects it can successfully complete, then imperative to that is recognising and creating the capacity to deliver them, or not to embark on such projects at all.

4.4 Financial Management

4.4.1 The arrangements for Financial Management have been a very consistent part of the project, with the External Funding Officer from the Finance Team having been part of the project team since 2008. The records maintained are a meticulous account of all the grant monies and drawn down, and the capital and revenue financial account codes used to record the detailed transactions. This information is shared with the Project Team. There have been a number of changes to the s.151 Officer post throughout the life of the project.

4.4.2 When searching the Council Intranet there is evidence that reporting to Members has occurred frequently over the life of the project through various committees; particularly featuring regularly in Budget Monitoring reports. In addition to Portfolio Holder briefings, and formal decisions taken to Cabinet, items have been identified in the Forward Plan and have been presented to the Overview and Scrutiny Panel, most notably in March 2014 when it called in a Cabinet Member decision regarding Dreamland Compensation Payments.

4.4.3 The project had been on track financially until several things happened at once, and therefore as part of the budget monitoring report presented to Cabinet on the 30 July 2015 an anticipated overspend to the project totalling £2,225,500 was reported, along with the following text. "*The Dreamland project is one of the largest regeneration schemes the Council has ever undertaken and it has been challenging due to the unique nature of the assets involved. With a budget of just over £18m already approved, split between capital and revenue, it has been the capital budget element that has posed the most challenges. Due to the complex and large scale nature of capital projects, the original budgets have to be based on estimations that often need revising as the project advances. In this instance this is due mainly to unforeseen works on site and the elongation of the project timeline due to the compulsory purchase process. The main works tender came in slightly under budget but there have been additional works where provisional sums calculated in the contract were not sufficient. The main area of project overspend was in relation to the service provision, the Scenic Railway and external areas of the park. Professional fees have risen due to the requirement to maintain a professional team throughout the projects duration. The elongation of the project timeline caused by the compulsory purchase of the site and the inability to undertake works during the park's first summer season, has led to the increase in professional fee costs. The other main areas of overspend relate to the delivery of works that were in the lease but were not in the tendered works package, additional legal and valuation expert fees required for the sites compulsory purchase and elements of works to be invoiced to the operator*".

4.4.4 As part of the 10 September 2015 Cabinet Dreamland Progress Update Report the breakdown of the detail of the extra funding requirement was set out as below:

	£000
Urgent Works overspend	*16*
Current anticipated overspend	
Based on current cost reports and other TDC commitments	
Main works	
Variations to main works contract. Tender returns higher than anticipated.	*906*
Rides	
Restrictions on rides to ensure value for money	*(367)*
Professional fees	
Extended duration of project (due to CPO/opening)	*396*
***Activity,** Predominantly due to the programme, pre-operations And marketing reduction of marketing activities now undertaken by operator*	*(149)*
English Heritage grant	
Due to the timing of the availability of this grant, it has now had to be allocated to the Cinema.	*100*
Cost of removing contaminated spoil from site	*70*
Additional legal costs	
Additional legal costs to complete CPO including lands tribunal	*200*
Agreed additional works list	
Additional works added as a result of variations between lease and contracted works	*730*
Estimate of cost of works to be funded by operator	*200*
Contingency	*123*
	2,225

The proposed funding for the anticipated overspend is set out below.

Funding Source	***£000***
Dreamland Reserve	*9*
Car park income 2014/15 (urgent works)	*16*
Borrowing	*2,000*
Estimated income from operator	*200*
	2,225

Based on income projections in relation to the Dreamland car park the cost of the £2m borrowing above can be met. In accordance with the Prudential Code increased borrowing levels will require the Mid-year Treasury Strategy Report to reflect the increase in borrowing."

4.4.5 The Project Manager or responsible Director determines how and when their Portfolio Holder and the Cabinet should be made aware of a project being on or off target. The learning from this is that a method for linking Project Risk Management and Project Financial Management to the Council's Corporate Risk Management process via escalation needs to be improved. The regular budget monitoring report should not be the first formal communication that a project has overspent.

5. CONCLUSIONS

5.1 **Governance Arrangements** – The governance around decision making for the project was found to comply with the Constitution and delegated authority therein. The governance surrounding how the operator appointment was made was tested and found to be in accordance with a proper process that accords with the Due Diligence Protocol adopted by the Council in December 2014. Council Officers followed the advice of externally engaged specialists in adopting the procurement methodology. The scoring of submissions was conducted by a cross departmental team of officers and the responsible Cabinet Member. The internal selection process was summarised and details sent to the HLF for approval before proceeding. However, new companies incorporated for a specific function, holding no previous track record in the sector or at least three years trading accounts, carry a very high risk that they will succeed. The learning from this is to take a greater account of the risks presented by fledgling companies. Whilst the governance surrounding the decision to undertake the CPO was sound, the Cabinet paper did not provide alternative options for consideration and the risk and uncertainty surrounding CPO leads to the conclusion that councils should not undertake CPO. The assessment of the overall project arrangements and funding are covered below.

5.2. **Project Risk Management –** the learning is for the Council to strengthen Project Risk Management arrangements to include an assessment of what action should ensue if key milestones are not attainable as planned. E.g. put the project on hold and seek alternative funding streams or, terminate and mothball the project, or take the risk and proceed with consequences. The external project managers had correctly identified the project risks, however their mitigating action was not 'SMART' nor had they extended this to identify any 'deal-breaking points' where significant delays or actions outside the control of the Council might put the project in jeopardy. It is feasible that even had these been considered that the Council would have continued in exactly the same way that it has to deliver the project. However, the consideration of consequences provides the opportunity to re-assess the risks, and determine if the impact (usually financial) can be tolerated.

5.3. **Project Management –** the control measures put in place to support Phase One project delivery were hampered by the top three risks materialising, a changeable membership of the project team, failure to reach key milestones on time and the lack of any exit strategies or 'project pause breaks' built in. The Council has introduced a new approach for all new strategic projects – a key improvement being to focus on what can be achieved within the resources available. Future strategic projects should also seek to identify the deal breakers or exit strategy points if resources are not available to deliver, or due to unfavourable circumstances affecting the planned delivery. File storage for strategic projects should be organised centrally, with restricted access, so that if a key member of staff leaves, project files are not held all over the network in 'orphaned' files. Key to future success hinges on the accurate assessment of the resources required to undertake projects, and for the Council to create capacity for Directors (or lead officers) by seconding them to the project and backfilling the day to day role for the duration of the project.

5.4 **Financial Management** – strong financial controls within the project existed for the monitoring and reporting for actuals, albeit a reactive process. However the nature of the listed building structures involved led to unprecedented unforeseen works. Time delays meant that some grant conditions could not be met, and funds had to be re-allocated, putting further pressure on the Council. The announcement of the opening date by the operator created a very short timescale to complete the works, which incurred additional costs. The overspend has been reported transparently to Cabinet and through the Quarterly Budget Report. The lessons learned, are to build in bigger contingencies (both in terms of contract duration and budget) for any future works to listed structures. Also, linked to the Risk Management learning above, to estimate the cost of each risk materialising, so the impact can be more transparently measured in quantifiable terms – a contract not being delivered in 30 weeks as planned was the problem – but the cost of the extension just through the prelims had a big affect on the final cost (this was in addition to the unforeseen works). And, to link escalation from Project Financial Management to the Corporate Risk Management process should an overspend occur, not to rely on budget monitoring to report it after the fact.

6. DISTRIBUTION LIST

Prepared by: - **[Christine Parker]**	**Date**	**To**
Draft report	25/08/16 17/10/16 21/10/16	Corporate Resources Director
Final report	10/11/16 13/12/16	Corporate Resources Director Overview & Scrutiny Panel

Appendix 1

Dreamland Margate – Chronology

1992 – Dreamland Cinema listed Grade II
1996 – Bembon Brothers sell Dreamland to Dreamland Leisure (Jimmy Godden)
1997 – Margate Seafront Conservation Area designated
2001-2003 – Most fixed rides removed from site
2002 – Scenic Railway listed Grade II
2003 – Dreamland Leisure announces that the Park will close and redeveloped as retail and leisure uses
2003 – Nos 41-47 Marine Terrace (owned by Dreamland Leisure) destroyed in an arson attack
2003 – The Save Dreamland campaign founded. This later evolved to be the Dreamland Trust (DLT)
2004 – Power disconnected from the Cinema Organ
2004 – Local Plan Inquiry creates Policy 'T8', which says that Dreamland must remain an amusement park, except under exceptional circumstances
2005 – Dreamland Leisure sells two 30% stakes in Dreamland to the Waterbridge Group and David Schrieber, to form the Margate Town Centre Regeneration Company (MTCRC)
2006 – Last year of operation of the Park
2007 – The bingo hall and the two screen cinema in the Dreamland Cinema building close
2008 – (March) An arson attack destroys 25% of the Scenic Railway (which was not insured)
2008 – (April) Listing of Dreamland Cinema upgraded to II*
2008 - (April) Roz Kerslake and Rolland Jeffery of the Prince's Regeneration Trust (PRT) shown around Dreamland. PRT commissioned to produce a scoping report into Dreamland's future (funded by English Partnerships)
2008 – (July) PRT scoping report presented to Margate Renewal Partnership. PRT advocate TDC working with MTCRC to create a new amusement park on 51% of the site (including the 3 listed structures) and a mixed use development on the rest of the site
2008 – (August) Thanet District Council (TDC) erect fence to protect the Scenic Railway under a Section 54 Urgent Works Notice
2008 – (September) TDC apply for £30,000 development grant from the CABE 'SeaChange' fund
2008 - (October) Dreamland Cinema inspected by TDC revealing advancing decay to the interior
2008 – (October) SeaChange development grant bid of £30,000 successful
2009 – (February) Menagerie Cages and Gothick Wall (from the 1870s) listed Grade II
2009 – (March) The Waterbridge Group go into administration. David Schrieber buys the Waterbridge 30% stake
2009 – (March and December) CABE Urban Panel visit Margate and identify Dreamland as **'Margate's crucial regeneration project'**
2009 – (April) SeaChange bid submitted with input from PRT, Locum Consulting and Levitt Bernstein Architects. Assembling the bid cost £180,000 of which £55,000 was to be paid by MTCRC
2009 – (June) TDC, DLT and MTCRC agree a Memorandum of Understanding to jointly take the project forward
2009 – (November) TDC awarded £3.8m for the Dreamland project under the SeaChange Programme
2010 - (April) Cabinet report update and approval to proceed with CPO
2010 – (November) Conservation Management Plan consulted upon
2010 – (December) MTCRC sells the Scenic Railway to 'Margate Ride Ltd' and the majority of Dreamland Cinema to 'Margate Cinema Ltd'
2011 – (January) Cabinet report clarifying the 'whole site' updating the area for CPO (should it become necessary) – Annex 1 is the original plan and Annex 2 the revised plan
2011 – (Onwards) The first of a series of Section 54 Urgent Works Notices are served on the owner relating to the Cinema, Scenic Railway and security. To date, TDC have spent

in the region of £1.9m on the listed structures, which they are yet to be repaid (and are unlikely to be so)

2011 – (March) Conservation Management Plan adopted

2011 – (April) Turner Contemporary opens

2011 – (April) Following the failure of MTCRC to make a planning application under the terms of the Memorandum of Understanding TDC Cabinet move to serve Compulsory Purchase Order (CPO) on the entire (T8) Dreamland site.

2011 – (July) Listing of the Scenic Railway upgraded to II*

2011 – (July) Dreamland Trust Business Plan

2011 – (July) Letter to HLF 2 confirming Thanet District Council has issued notices for the compulsory purchase of the site and intends to see this process through to its conclusion. It further commits to working with the Dreamland Trust to deliver the project, including the contribution of Officer time, and financial investment by way of a grant and through Thanet's own resources. Specifically, the Council will act as the project managers for the rebuilding of the Scenic Railway.

2011 – (August) Joint bid made to the Heritage Lottery Fund (HLF) by TDC and DLT for funding for the Dreamland project

2011 – (December) HLF award £3m towards the project

2012 – (January to March) CPO Public Inquiry

2012 – (August) Secretary of State upholds CPO on entire T8 site and established Dreamland as a 'single planning unit'

2013 – (March) MTCRC appeals CPO in the High Court

2013 – (May) High Court dismisses appeal

2013 – Preliminary notice of Vesting

2013 – (May) MTCRC lodges appeal to the Court of Appeal

2013 – (August) Vesting process approved by Cabinet

2013 – (September) Transfer of ownership to TDC

2014 – (March) Overview & Scrutiny call in Dreamland Compensation Payment

2014 – (May) Cabinet approval for the Council to seek to procure a suitable third party to operate the amusement park.

2014 – (19 June) Sands Heritage Ltd incorporated at Companies House

2014 - (July) Cabinet approval to seek expressions of interest to lease phase 2 land and buildings- comprising Dreamland Cinema and Ballroom, and gives approval to fund capital costs for the sunshine café.

2014 – (October) Heads of Terms agreed with potential Dreamland Operator

2015 – (May) Sands Heritage Ltd entered into 2 agreements for lease

2015 – (19 May) Dreamland reopens

2015 – (July) Overspend (and how funded) reported to Cabinet £2,225,500

2015 – (July & August) Testing of Scenic Railway trains

2015 – (September) SHL claim for delays of park being fully opened the reason why they can not meet Business Plan targets and achieve income levels predicted

2015 – (September) Update Report to Cabinet

2015 – (October) scenic Railway opens

2015 – (December) SHL enter a Creditors agreement

2016 – (May) SHL go into administration- Administrators Duff & Phelps appointed to take over the running of the park

2016 – (July) tenders for 'HLF grant conditions evaluation review' sought

2016 – (July – August) Post Implementation review of Phase One concluded

2016 – (August) CEO of SHL resigns.

Heritage Development Advisor TDC
Extended by EKAP
August 2016

SUMMARY OF RECOMMENDATIONS AND ACTION PLAN FOR MAJOR PROJECTS

Appendix 2

Priority	Main Control Risk	Recommendation to mitigate risk	Proposed Action or Action Taken	Proposed Completion Date & Responsibility
H	Weak project risk management may create a reactive environment where the delivery of the project is continuously reliant on having to reach agreement to alter course – with increased cost and delay. The result will be late and over budget.	1. The Council should ensure each project has a robust system for managing project risks. This must include a full understanding of the consequences of not meeting key milestones – and identifying in advance if any such events will trigger a point at which the project is terminated.	Corporate Project team should implement milestone break point options within project risk management in advance.	31.03.17 CMT
H	Weak project risk management may create a reactive environment where the delivery of the project is continuously reliant on having to reach agreement to alter course – with increased cost and delay. The result will be late and over budget.	2. The impact of each risk identified within the project risk management process should be costed so that it can be measure in a quantified way.	Better planning of the consequences if a risk materialises, understanding whether it may have such a detrimental effect on the project that it should be terminated or put on hold.	31.03.17 CMT
H	Weak project risk management may lead to all control mechanisms with the project failing, resulting in late and over budget outcomes.	3. Project risk management should be carried out throughout the life of the project. It is intended to drive and control the project, not become a reactive ‘fait accompli’.	Monthly updated project risk management returns should be provided to, and challenged by, the Project Sponsors – and if so significant escalated to the Corporate Risk Management process.	31.03.17 CMT

Priority	Main Control Risk	Recommendation to mitigate risk	Proposed Action or Action Taken	Proposed Completion Date & Responsibility
M	Poor handover controls may lead to project files and documents becoming ‘orphaned’ on the Council’s network.	4. The continuity of staff fulfilling a particular role on a project can not be guaranteed, therefore all project files should be stored in a central area, with access only granted to the project team. The files should be organised so that key project documentation is available along with project meetings, minutes and action points, reports to committee for authorisation and links to contracts held with Legal, Procurement and Finance Teams.	Create a filing system on the network, secured to grant authorised access. This will also reduce duplication of files held on different work spaces on the network.	31.03.17 CMT
H	Unforeseen costs may spiral out of control.	5. The Council should build larger contingencies into projects working on listed building structures.	Provision for a ‘worst case scenario’ should be built in, see the risk assessment process costing in 2 above.	31.03.17 CMT
H	Grant conditions not complied with may trigger a clawback clause.	6. The responsible officer for each project that attracts external funding must ensure they are appraised of the grant conditions so all decisions made during the project are in line with the conditions.	The consequences of triggering a grant clawback must be considered as part of the project risk assessment, as this could impact the Council’s Corporate Risks.	31.03.17 CMT