

WIRRAL COUNCIL

CABINET – 4 SEPTEMBER 2008

REPORT OF THE DIRECTOR OF TECHNICAL SERVICES

**HIGHWAY AND ENGINEERING SERVICES PROCUREMENT EXERCISE – 4Ps  
GATEWAY HEALTH CHECK 2 REVIEW**

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**1.0 EXECUTIVE SUMMARY**

- 1.1 The purpose of this report is to inform Members of the results of the Gateway Health Check 2 Review of the Highways and Engineering Services Procurement Exercise which was undertaken by officers from the 4Ps organisation on 17<sup>th</sup> and 18<sup>th</sup> June 2008.
- 1.2 This Review was one of the few Highways and Engineering Services Health Check 2 Reviews carried out thus far, and was considered an important process by the 4Ps such that both Reviewers were “Lead Reviewers”.
- 1.3 This report has been prepared in accordance with the Cabinet resolution of 1st December 2005 that it “be provided with a copy of the full Gateway Review and a detailed report on the actions to be taken in response to each recommendation” (Minute 349 refers).
- 1.4 The report now details the recommendations from the final report of the 4Ps Gateway Health Check 2 Review Team together with appropriate actions to be taken in response. The Gateway Health Check 2 Review final report is appended to this report.

**2.0 BACKGROUND**

**2.1 The Gateway Process**

- 2.1.1 Gateway Reviews were set up by the Office of Government Commerce (OGC) which is part of HM Treasury, in April 2000 to assist Government departments to assess and deliver Best Value in their commercial activities.
- 2.1.2 The process examines a project at critical stages in its life cycle to provide assurance that it can progress successfully to the next stage.
- 2.1.3 The National Procurement Strategy for Local Government recommends the adoption of Gateway Reviews for all new high-risk or major projects.
- 2.1.4 There are six recommended review stages in the overall Gateway Process. These are:-

## RECOMMENDED REVIEW STAGES

### Gates

**GATEWAY REVIEW 0**  
to confirm **Business Strategy**

**GATEWAY REVIEW 1**  
to confirm **Business Justification**

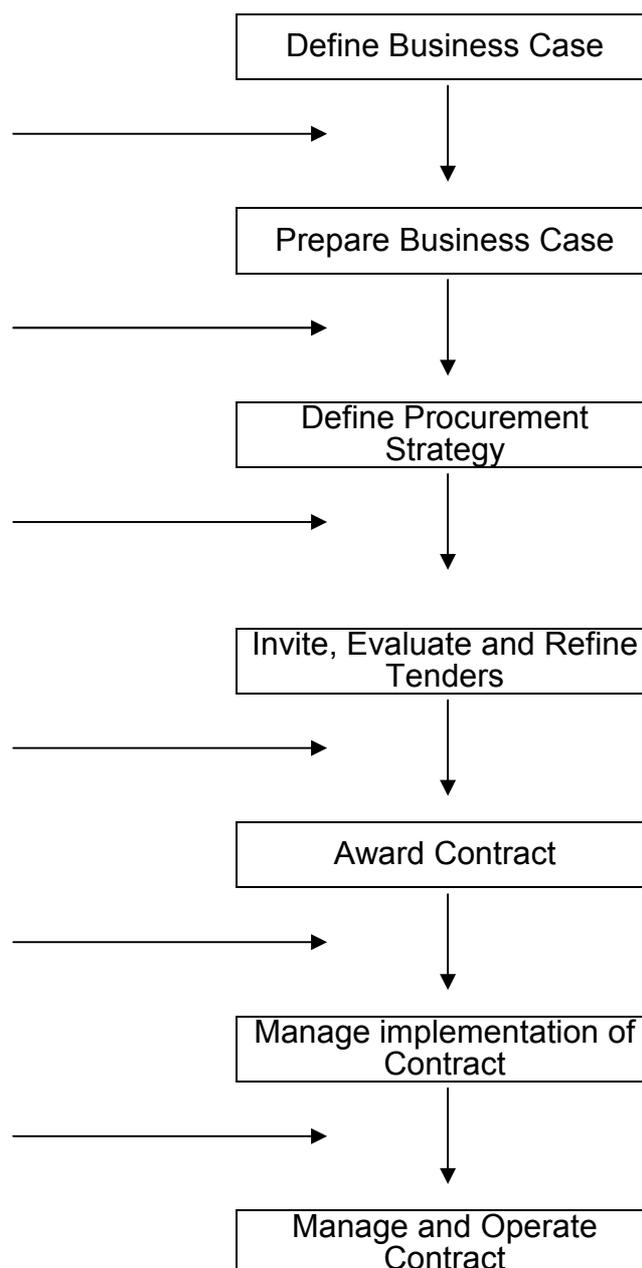
**GATEWAY REVIEW 2**  
to confirm **Procurement Method**  
and **sources of supply**

**GATEWAY REVIEW 3**  
to confirm **Investment Decision**

**GATEWAY REVIEW 4**  
to confirm **Readiness for Service**

**GATEWAY REVIEW 5**  
to confirm **Service Benefits**

### **Project Stage**



2.1.5 The Environmental Streetscene Services Procurement Exercise was the first Wirral Council Project to use the Gateway Process. This was commenced in October 2005 with a Gateway Review 2. Subsequently, Gateway 3, 4 and 5 Reviews were undertaken.

## **2.2 Purpose of 4Ps Health Check 2: Procurement Strategy**

2.2.1 The primary purpose of a 4Ps Gateway Health Check 2 is to confirm the outline business case now that the project is fully defined and ensure that the procurement strategy is robust and appropriate.

- Is the procurement approach appropriate?
- Have all approaches been investigated?
- Is the business case up to date?
- Are the specifications of requirement correct?
- Can the project team and its structure deliver?
- Is the project plan realistic?

2.2.2 The 4Ps are, at this time, reviewing and amending the Gateway Review Process and the “RAG” form of recommendation is currently being revised. For this exercise the “RAG” form for recommendations was not used by the Review Team.

### **3.0 GATEWAY REVIEW REPORT OBSERVATIONS AND RECOMMENDATIONS**

A summary of the full observations and recommendations from the report is described below:

#### **3.1 Business Case and Stakeholders**

The Health Check review team found that the project possesses a well written business case which represents an effective appraisal of the position that the Councils faces and proposes an effective way forward. The team acknowledges that the benefits realisation framework clearer identifies the ‘top-line’ benefits sought and believes that the proposed performance management system should deliver the Council’s obligations under the National Indicators. The report advises the Project Owner to develop this process to show how each benefit will be measured and who will be responsible.

The review team believes that the procurement strategy should deliver a “reasonable comprehensive outcome likely to represent a value for money solution”.

Importantly the Review found that although the Gateway 1 Review expressed concerns that some financial aspects of the business case were not robust, the issues have now been addressed.

#### **3.2 Procurement Approval**

The Health Check Team found evidence of a thorough and professional approach to procurement with the HESPE team making best use of a multi disciplinary input to the process. It was considered that procurement options had been fully explored and full justification for the chosen approach (OJEU-Restricted Process) being documented and endorsed by the Project Board and Cabinet. However the Review team advised that any existing confusion regarding the appropriate NEC 3 Option of Contract should be clarified and documented within the Invitation to Tenders document. The team also advised that as the NEC process is new to the Council it should undertake a “thorough training (both formal and informal) as a matter of urgency and this is the Health Check’s first recommendation.

The Review team found that the evaluation models for both PQO and ITT (Tender) evaluation were “sound and auditable” and the team found an excellent best practice “example” of the way the procurement process ensured that there will be a clearly auditable process to separate the process of procurement and the process of submitting an in-house tender to ensure “no advantage is given to the in house bid team.

The Evaluation methods and processes were also considered examples of “an equitable and auditable approach”

The team also comments that “For the future management of the contract when awarded, the proposed utilisation of procurement Category Management approach is commended... and mirrors best practice”.

#### **3.3 Review of Current Phase**

The review team acknowledge that there are project controls in place with an effective multi-disciplined project team working hard to achieve success.

The team further acknowledges that the Project Board had some sound initial thoughts on future contract management and advised that this particular issue should be developed rapidly to ensure that the Council “is ready to manage the contract from day 1”.

This issue is listed as the second recommendation of the review team.

### 3.4 Risk Management

The team found that the recommendations of the Gateway 1 Review had been implemented and that the risk management approach has been significantly improved. They considered that the innovative approach of putting the risk register on the Council intranet is an example of best practice and suggested that this approach could be further developed and possibly extended to other areas such as Benefits Realisation Management.

The Health Check team advise that the “key risk for the next stage is that of ensuring that the Council, as a client, is fully prepared for its “intelligent client” role in managing the contract and fulfilling its obligations.

### 3.5 Readiness for Next Phase – Investment Decision

The Review team felt that “The HESPE team has made excellent progress over recent months and is in a good position to proceed to the next stage”. The use of best practice in a number of disciplines is recognised.

The third recommendation from the team addressed the need to prepare for contract management and advised “that the Council carry out a resources, skills, and capabilities audit as part of the development on future contract management arrangement.

## 4.0 REVIEW RECOMMENDATIONS

Ref No.	Recommendations
1.	The HESPE team undertake formal and informal training on use of the NEC 3 form of contract before commencement of the new contract.
2.	The HESPE team should develop and document the proposed contract management arrangements as a matter of urgency.
3.	The Council should carry out a resources, skills and capabilities audit as part of the development of future contract management arrangements.

## 5.0 ACTIONS TO RECOMMENDATIONS

5.1 The Project Board have agreed to initiate a programme of training on the use of NEC forms of Contract in accordance with the Review Recommendation 1.

5.2 Progress has been made with the development of the proposed contract management arrangements for the new Term Maintenance Contract. A review of current methods of working and reporting has been undertaken, together with an initial proposal for a revised Contract Management Unit. Potential gaps in the line management of the Unit have been identified and will be required to be filled over the period prior to the contract start. The first steps have also been taken to recruit a Contract Manager, applications are due back by the middle of August. It is the intention that this officer will play a pivotal role in the establishment of the Contract Unit and the management of the contract.

5.3 With the appointment of the Contract Manager and the implementation of the revised Contract Unit structure, it will be necessary to look at the training requirements for all members of staff involved with the new contract. One particular area of concern is the knowledge required to appreciate the implications of the Specification for Highway Works and the Method of Measurement for Highway Works. These documents are fundamental to the successful control and management of the work on site. This training will need to be completed in advance

of the contract start date. Further training may also be necessary depending on any new appointments made. This will only be possible in a few months time.

## **6.0 CONCLUSION OF THE REPORT**

6.1 The Health Check team found that the project has made considerable progress since the Gateway 1 Review and is “developing a good position from which to deliver an effective procurement”.

Best practice is evidenced through the intensive inter disciplinary working.

The key concern of the team is the need to rapidly develop and effectively train the future contract management organisation which although not an issue for the Gateway 2 Health Check, will be required in the immediate future to ensure that the Council is in the best position to work with the new contractor once an award of tender has been made - thus being in “a better position to take advantage of innovations offered by their new supplier”.

## **7.0 FINANCIAL AND STAFFING IMPLICATIONS**

7.1 There are no additional financial or staffing implications arising directly from this report. Any further financial or staffing implications which arise during the procurement process will be reported to Cabinet as appropriate.

## **8.0 EQUAL OPPORTUNITIES IMPLICATIONS**

8.1 There are no implications under this heading.

## **9.0 PLANNING IMPLICATIONS**

9.1 There are no implications under this heading.

## **10.0 COMMUNITY SAFETY IMPLICATIONS**

10.1 There are no implications under this heading.

## **11.0 HUMAN RIGHTS IMPLICATIONS**

11.1 There are no specific human rights implications arising directly from this report.

## **12.0 LOCAL AGENDA 21 IMPLICATIONS**

12.1 There are no implications under this heading.

## **13.0 ACCESS TO INFORMATION ACT**

13.1 No background papers have been used in the preparation of this report.

## **14.0 LOCAL MEMBER SUPPORT IMPLICATIONS**

14.1 The report has implications for all wards.

## **15.0 RECOMMENDATIONS**

15.1 Cabinet is requested to:

- (i) Note the contents of the report.
- (ii) Approve a further Gateway Review (Gate 3 to confirm Investment Decision) prior to Award of Contract.

**DAVID GREEN, DIRECTOR  
TECHNICAL SERVICES**