

Programme/Project Title:
4ps Health Check Number:

4ps Health Check 2 – Procurement Strategy

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Authority: Wirral Borough Council

4ps Health Check dates: 17 – 18 June 2008

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4ps Health Check Team Member: Chris Oulds

In order to promote full and frank exchange of views during the review process and for the purposes of deliberation and production of the recommendations contained herein, this Health Check report is confidential to the project owner in their capacity as employee of the procuring authority.

The logo consists of the letters '4ps' in a white, sans-serif font, positioned inside a solid blue square.

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Background

The aims of the project:

To provide cost-effective Highways Services for Wirral Borough Council through the procurement of a medium term contract for basic highways and engineering services, including surfacing works, street light maintenance and general highways maintenance.

The driving force for the project:

Wirral Borough Council currently delivers highways engineering services through 6 term contract type arrangements and also via their own Direct Services Organisation. The term contracts will expire at the end of March 2009 and having carried out a business study of the possible options for future delivery, they have concluded that they should pursue the procurement of a single technical services contract through a restricted procedure using a NEC 3 (Option B) contract, with the Council retaining a strong "client-function".

The procurement status:

An OJEU notice was issued in January 2008 and following PQQ, 8 suppliers have pre-qualified including the Council's own DSO. It is intended to issue the ITT in early June. It is anticipated that the ITT will not be "set-in-stone" at the time of the review but that there will be some scope to incorporate any suggestions arising out of the review.

It is intended that the ITT will effectively guarantee a minimum level of work whilst also specifying an "estimated" or "anticipated" annual workload. This principle has been endorsed by members.

The Council's own legal team have advised that the DSO can submit a tender which will then be evaluated fairly in accordance with the methodology as defined in the Evaluation Strategy.

Purposes and conduct of the 4ps Health Check

Purposes of the 4ps Health Check:

The primary purpose of a 4ps 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.

Conduct of the 4ps Health Check:

This 4ps Health Check 2 was carried out on 17-18 June 2008 at Wirral Borough Council offices in Birkenhead at the request of Mark Smith, the Project Owner. The team members are listed on the front cover.

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The Health Check consisted of a document review by the members of the Health Check Team, prior to an update by the project team and a programme of interviews with key stakeholders.

Conclusion

The Health Check Team finds that the project has made considerable progress since the Gateway 1 Review was carried out last year and is developing a good position from which to deliver an effective procurement. Best Practice is evidenced through the intensive involvement of procurement, audit, HR and finance functions in the project's development.

The key concern evident is the need to rapidly develop the future contract management arrangements with particular regard to the "Intelligent Client" role demanded by the approach adopted. This should include appropriate training in the use of the contract form proposed.

Adopting the "Intelligent Client" approach will place the Council in a better position to take advantage of innovations offered by their new supplier.

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The project possesses a well written business case which includes a clear scope and incorporates a comprehensive options analysis including thorough benchmarking of similar schemes amongst other councils. It represents an effective appraisal of the position that the council faces and proposes an appropriate way forward. There is now a clear understanding of all the implications, in particular those associated with staffing.

There is a benefits realisation framework which clearly identifies the “top-line” benefits sought and which flows from corporate (and statutory) objectives down through the project aims to the proposed performance management system. This should then deliver the Council’s obligations under the National Indicators.

The initial benefits realisation documentation should be developed to include detail of how the delivery of each benefit will be measured and who will be responsible for this.

The cabinet documentation presented shows that the project, as it stands, is affordable, however, it is recognised that the scheme is going to market at a challenging economic time due to rising fuel costs and the increasing cost of borrowing. Nevertheless, there is on-going widespread support amongst stakeholders for the project and they appreciate that the likely savings arising will be relatively modest.

The procurement strategy is appropriate and should deliver a reasonably competitive outcome. It is likely therefore that it will represent a value for money solution compared with the current arrangements.

There were concerns expressed within the Gateway 1 Review report that some financial aspects were not robust, but these issues have been addressed within more recent cabinet papers and the business case appears to be robust.

2: Procurement approach

The Health Check Team found evidence of a thorough and professional approach to the procurement. The HESPE team has utilised a sound multi-disciplinary team approach to the procurement very effectively and is making best use of the corporate expertise at its disposal particularly the corporate procurement, legal, HR, audit and traffic departments. Corporate procurement is particularly well integrated into the project and is providing valuable advice and expertise including a role in providing Project Assurance.

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The options for procurement have been comprehensively researched and evaluated and full justification for the chosen approach has been documented and endorsed by the Project Board and by Cabinet.

The choice of contract form using the New Engineering Contract 3 Option B has been researched and justified in the light of the partnership approach the Council wishes to adopt, although there did appear to be some confusion about whether or not to move to the less client controlled version D at a later stage. The decision on whether or not to adopt this strategy should be clarified and documented clearly as part of the ITT information. Since the Council has not used this form of contract before the Health Check Team recommends that the HESPE team undertakes thorough training (both formal and informal) as a matter of urgency to ensure they are fully prepared to manage the contract on 1st April 09.

RECOMMENDATION: The HESPE team undertake formal and informal training on use of the NEC3 form of contract before commencement of the new contract.

The HESPE team has developed and documented sound and auditable evaluation models for both the PQQ and ITT evaluations. The evaluation of the PQQs received has been thoroughly documented and a clear audit trail provided. The likelihood of an in-house tender bid from the current DLO presents a probity complication in terms of the need to keep a clearly auditable competitive situation between internal and external bidders. The Health Check Team found an excellent best practice example in the way HESPE are handling this. The procurement support is divided into two distinct and separate “streams” one of which supports the DLO team and the other works on the ITT to ensure no advantage is given to the “in-house” bid team.

HESPE’s approach of using 2 parallel evaluation teams and averaging the results should also be commended as an excellent example of an equitable and auditable approach.

For the future management of the contract when awarded, the proposed utilisation of procurement Category Management approach is commended by the Health Check Team and mirrors best practice recommended and instituted by the Office of Government Commerce for central government projects.

The Health Check Team has not had sight of the actual ITT documentation however the ITT is based on a standard NEC3 form with additional clauses and the right expertise is engaged. The few issues surrounding liability insurance and contract form options should be fully resolved prior to the issue of the ITT. The current target ITT issue date is 23 June however there does appear to be some leeway for slippage on this date if necessary without threatening the 1st April 2009 contract commencement milestone.

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3: Review of current phase

The project is in considerably better shape than when it was subject to the Gateway 1 review last year and has moved to a position whereby it is prepared for the procurement phase. Project controls are in place and there is an effective multi-disciplined project team working hard to achieve success. In particular, the involvement of the project adviser together with central procurement, HR, audit and finance should be recognised as probably having been key in moving the project to the position it is in.

The service standards as defined in the documentation appear to be comprehensive and represent an appropriate means of delivery control.

There are some initial thoughts on the future contract management but this should be developed rapidly and documented with due regard to the "Intelligent Client" role that the Council will be adopting and that the contract form demands. It is important to clearly define this at this stage of the procurement process because the approach will be important in presenting a professional outlook to bidders and the Council must ensure that it is ready to manage the contract from "day 1". It will also assist other interfacing council departments such as the call-centre in maintaining consistency in future dealings both internally and with the public.

RECOMMENDATION: The HESPE team should develop and document the proposed contract management arrangements as a matter of urgency.

The project programme is challenging but incorporates a relatively generous mobilisation period. It is therefore thought to be achievable if the team ensure that the contract management plans are developed in detail before the preferred bidder stage is reached.

4: Risk management

The Health Check Team found that the recommendations of the Gateway 1 review regarding risk management have been implemented and that the risk management approach has been significantly improved.

The innovative approach of putting the risk register on the Council intranet for ease of regular access and reduction in paper production is commended as an example of best practice. This will help to make risk management something that every member of staff takes responsibility for as part of their daily working environment. The Health Check Team suggests that this approach be further developed and also possibly extended to other areas such as the Benefits Realisation management.

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The Health Check Team's view is 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. This should be addressed as a matter of urgency and advice sought from experts if necessary.

5: Readiness for next phase – investment decision

The HESPE Team has made excellent progress over recent months and is in a good position to proceed to the next stage. The team operates effectively in a multi-disciplinary way and has a sound procurement approach which should deliver a value for money solution.

There is extensive stakeholder support and the HESPE have established strong market interest which will ensure healthy competition.

The use of best practice approaches in procurement and risk management should be continued and further developed to incorporate benefits management.

The key areas to address during the coming weeks include preparation for contract management and in particular the "Intelligent Client" role. This should also incorporate training in the use of the proposed contract form.

Recommendation: The Council should carry out a resources, skills and capabilities audit as part of the development of future contract management arrangements.

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APPENDIX A

Purpose of 4ps Health Check 2: Procurement Strategy

- 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?

APPENDIX B

Interviewees

NAME	ROLE
Mark Smith	Head of Streetscene & Waste (Project Owner)
Colin Hughes	Assistant Borough Solicitor
Mark Gandy	Group Auditor
Tony Birkett	Senior Procurement Officer
Cllr Jean Quinn	Council Portfolio Holder
Ian Halton	Capita Symonds
Mike Wilkinson	Assistant Director Technical Services (Project Manager)
Geof Kaufman	Project Adviser
Frank Games	Personnel Officer
Tom Sault	Head of Financial Services
Cllr Steve Foulkes	Council Leader