

4ps Gateway Review 3 – Investment decision

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Authority: Metropolitan Borough of Wirral

4ps Gateway Review dates: 8th to 10th October 2008

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



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Background

The aims of the project:

These include:-

- The market testing of the key highway and coastal defence maintenance services (excluding traffic signals)
- Integration of 6 term contracts which expire on the 31/3/09
- The delivery of cash savings to the Authority
- Better value in delivering the services with good levels of quality
- A partnership approach with the future provider

A relevant quotation from the Council's OBC is:-

"The Authority expects to achieve the following primary objectives from any new service contracts in the future:

- Sustained delivery of efficiency savings, contributing to the Authority's existing and future Efficiency Plans;
- An enhanced front-line service, whose strengths lie in an ability to be responsive, to co-operate proactively with officers and members and to improve customer satisfaction and perception within the Wirral community; and
- Ability for the client to retain an appropriate level of management and control."

The driving force for the project:

The Council required an efficient and effective highway and coastal maintenance contract; which could be shown to offer good value for money.

The procurement status:

The Council has completed tender evaluation and is about to award the contract

Current position regarding 4ps Gateway Reviews:

The project has had two Gateway Reviews and one Health Check since commencement

Purposes and conduct of the 4ps Gateway Review

Purposes of the 4ps Gateway Review

The primary purpose of a 4ps Gateway Review 3 is to confirm the business case and benefits plan now that the bid information has been confirmed and check that all the necessary statutory and procedural requirements were followed throughout the procurement process.

Appendix A gives the full purposes statement for a 4ps Gateway Review 3.

Conduct of the 4ps Gateway Review

This 4ps Gateway Review 3 was carried out from 8th to 10th October at the Cheshire Lines Building, Canning Street, Birkenhead. The team members are listed on the front cover.

The people interviewed are listed in Appendix B.

The Review Team would commend the Metropolitan Borough of Wirral for its ongoing and mature engagement with the Gateway Review process, which is being used by the Council as an integral part of the drive for efficiency and effectiveness.

The Review Team would also like to thank David Green, Mark Smith and Geof Kaufman for their enthusiasm and openness; and for the efficient arrangements. Further mention should be made of Sheila Jones, Lyn Ebbrell Jenny Williams and Barbara Parker for their considerable efforts in supporting the team. All interviewees are to be commended for their open and frank engagement with the process.

Conclusion

The Review Team finds that a successful procurement has been delivered, in a well managed manner. The project continues to meet Council objectives and will deliver value for money. The omens for success are good.

There is now a need to focus on mobilisation and implementation issues which include:-

- 🌐 Managing the staff transfer to the successful bidder
- 🌐 Developing , programming and implementing a new client management structure
- 🌐 Catalysing an appropriate partnering relationship with the contract
- 🌐 Overhauling future risk controls to reflect the evolution of the project now that the successful procurement phase is concluded
- 🌐 Applying the same level of robust project governance and resourcing to future activities

The following examples of good practice were found during the Review:-

- 🌐 **A successful procurement with strong market interest**
- 🌐 **Well managed process driven to achieve business benefits**
- 🌐 **Pro-active involvement of the audit section to approve each stage of the process and generate suggestions for improvement**
- 🌐 **Good use of virtual data room with on line access**
- 🌐 **A Gershon efficiency target of a cashable 1.5% per annum on the contractor**
- 🌐 **Robust tender assessment process with moderation**
- 🌐 **Good use of external advisors to bridge internal resourcing pressures**
- 🌐 **NEC3 Training for the client side**
- 🌐 **The proposed use of a Code of Conduct to reassure transferring staff of their rights and the Council's commitment to them**

A summary of recommendations can be found in Appendix C.

Status

The overall status of the Project is **Amber** - as defined below.

Red – To achieve success the project should take action immediately.

Amber – The project should go forward with actions on recommendations to be carried out the next 4ps Gateway Review of the project.

Green – The project is on target to succeed but may benefit from the uptake of recommendations.

As regards the recommendations of the previous Health Check the Council has arranged NEC 3 training for staff and is in the process of implementing a new client side organisational structure. Skills auditing work is still in progress.

Findings and recommendations

1: Business case and stakeholders

The current procurement of Highways Maintenance, Drainage, Coastal Protection, Street Lighting works continues to fit with Wirral's Corporate Plan and is still underpinned by the authority's strategic objective to create a Clean, Pleasant, Safe and Sustainable Environment.

The project is supported by a well written Outline Business Case, which was originally prepared by the Council's consultants, Capita, in September '07. This led to the development of a comprehensive procurement strategy, which has now been implemented up to the point of the forthcoming proposed contract award.

The business case forecast that the preferred option was capable of realising cumulative savings of approximately £3.3 million over the life of the project. This objective has been realised by the successful bid. This potential saving is based on the contractor receiving a consistent supply of work and assumes that inflation is fully funded (Baxter indexation), although this inflation total is effectively reduced for the Council by the contractor's commitment within the contract to realise an annual efficiency saving of 1.5%. The new contract will also allow the establishment of a streamlined client side management operation, which will produce a saving in client revenue costs. As such the project continues to be affordable and to offer value for money although the realisation of these benefits will be dependant on providing the commitment and resources to adequately manage the mobilisation and delivery of the contract.

The Review Team found that the procurement has been well organised and managed. The tender assessment process was particularly comprehensive and the team was impressed by the use of the Council's Audit function through-out the process.

The procurement has been complicated by the involvement of the Direct Service Organisation (DSO) bid. This has presented organisational challenges to the Council in preparing and assessing the tenders, which have been met, and will present further challenges in transferring the DSO highways staff to the successful contractor. Notwithstanding this the team found buy-in, a clear understanding of and commitment to the success of the project from all the Council Members and officers interviewed.

2: Assessment of the proposed solution

After a robust and thorough procurement the Council has a range of good bids from qualified suppliers. The Council has been pleasantly surprised by the cost and quality advantages of the winning bid; and has verified the validity of the prices.

The winning supplier has an impressive track record and may be building a regional presence with a potential eye on future work in the region.

The evaluation mixture of 70% price versus 30% quality has given the Council the opportunity to give appropriate and wide consideration to the winning bid; including the examination of a significant number of method statements. The financial evaluation was carried out by in-house accountants (Financial Services) based upon populating an Excel model of a representative basket of activities which would comprise a typical annual work flow.

The work about to be awarded to the successful bidder is as follows:-

- 🌐 Footway and carriageway repairs
- 🌐 Traffic sign (non illuminated and illuminated) installation/repair/cleaning
- 🌐 Street furniture (seats, barriers, guard rail)
- 🌐 Road lining/markings
- 🌐 Emergency response
- 🌐 Winter maintenance operations
- 🌐 Minor traffic improvement scheme construction
- 🌐 Structural maintenance schemes (footway/carriageway reconstruction)
- 🌐 Footway/carriageway resurfacing
- 🌐 Surface dressing/treatments
- 🌐 Gully cleansing/repairs and improvements to the highway drainage system
- 🌐 Street lighting maintenance/improvement schemes
- 🌐 Painting programmes for the Councils highway and coastal assets
- 🌐 Coast protection structures minor repairs

Traffic signaling is not included and is currently subject to a separate procurement exercise.

3: Review of current phase

The current phase of the contract has been well managed and should lead to a successful contract award.

A number of activities, which should have been commenced to take the project to the next stage, have been constrained until the status of the in-house bid is publically established and as a result there is a need for action to expedite activities required to ensure readiness for the next phase

A client development plan has been prepared outlining the proposed organisation required to manage the new contract. Familiarisation with the NEC contract has correctly been identified as a core requirement and training has been organised. It is also recognised that a skills assessment exercise is a key element of planning the new organisation, but this has yet to be completed. The staff required will be considerably less than current staffing levels, with reductions planned to be achieved through retirement, which may raise cover and continuity issues in terms of managing the new contract.

4: Risk management

There is a detailed Risk Register in place and this is available on the Council's intranet for access by authorised people on the Project Team and Project Board. The register is updated regularly with new risks added by members of the team.

This appears to include all relevant areas of risk for the current phase up to and including procurement, together with impact assessments and proposed mitigation measures identified. They have been categorised appropriately as:

- Asset Management;
- Financial;
- Human Resources;
- Legal;
- Specification;
- Operational Risk;
- Political;
- Procurement; and,
- Risk Management.

The Review Team observed that whilst this Risk Register identified risks associated with the above areas, it did not appear to reflect the next phase of the project, namely implementation. The Review Team therefore believe that an urgent refresh of the risk register is essential to identify impending implementation risks, and to close out risks that are no longer of direct relevance to the delivery of the contract, for example procurement risks.

This exercise also needs to ensure that continuity and contingency plans for the client side are under development and ultimately agreed with the key stakeholders and that the supplier's continuity and contingency plans have been assessed to confirm they meet the requirements of the Council.

The Review Team noted that the Risk Register was last amended on 23 September 2008. The Review Team also noted that the risk register in its entirety is typically issued to the Project Board, and whilst this demonstrates that risks are made available to Project Board members, the appropriateness of this approach should be reviewed.

The Review Team therefore consider that presentation of the "top ten" risks at Project Board in a more readily digestible format would be of benefit to focus attention on the key risks facing the contract, and to assure itself that the mitigation measures and actions are in place to address these risks. A useful project management tool that might assist in this regard is an "Executive Dashboard" which presents the priority risks in a simple format together with their current status and the proposed mitigating action to be taken. Similarly the dashboard could profile the "top ten" issues extracted from the Issues Log.

Recommendation: Following successful award of the contract a fundamental review of the risk register should take place to ensure that it reflects the evolution of the project.

Recommendation: That the "top ten" risks are reviewed at each Board meeting with the Board assuring itself that robust mitigation measures and actions are in place.

5: Readiness for next phase – readiness for service

The Council has begun to construct its post award client side and has taken on board the recommendations of the Gateway 2 Health Check review.

The Review Team noted that this Health Check (carried out in June 2008) recommended that the Council needs to be fully prepared for its “Intelligent Client” role. Whilst the Review Team note that the client function is under development and thought has gone in to the changes required within the Highways Department to perform this role, further work is required to ensure that the Council can perform its duties to maximise the benefit offered by the contract. As noted in the Health Check, advice should be sought from experts if necessary, and given time pressures to mobilise the highways maintenance contract soon, this remains a viable option that should be considered by the Council.

The Review Team would comment that there is a need to apply the same robust governance and project controls to the implementation phase as were applied to the procurement. This will include the need to apply explicit planning for the relevant internal and external resources. Work package breakdown should inform the development of appropriate Gantt charts and support the fundamental revision of the risk register. That is, new tasks bring new risks.

There is a danger that some stakeholders might consider that the project is over with the end of the procurement; but in a very real way a serious further phase has just begun.

A particular aspect of this is the need to convert the considerable goodwill existing between the Council as procurer and the successful bidder into a robust and constructive day to day partnership.

Thus, staff at all levels will need to be briefed, motivated and managed to exhibit appropriate behaviours towards the new contractor. In a similar vein the Contractor will be looking for leadership and boundary setting from the Council from day one. This may be a challenge to the Council whilst the client side is substantially “under construction”.

The Council has a major change management project ongoing in terms of the TUPE transfer of staff to the contractor. A good start has been made and the Council has considerable experience in the field. The Review Team would comment that the Council should health check its level of resources to the transfer. Since the contractor is applying for admitted body status for pensions (perhaps the largest worry for individuals); and data preparation is well advanced the omens are good.

The Review Team would suggest that asking individuals to sign a statement of their length of service, pension entitlement and pay grade/ bonuses etc would have advantages in terms of reassuring individuals of their entitlements but also removing data errors.

The Review Team has looked at the early drafts of the communications plan for the transfer and would comment that the systematic regular briefing of stakeholders as specified in a stakeholder matrix may hold advantages in terms of systemising the process.

The current Communication Plan this does not extend past contract award. A Communications Action List has been prepared to deal with the immediate staff issues presented by the TUPE process. There is a need to prepare an updated communications strategy and plan involving all the stakeholders and work strands to ensure that the proposed partnering arrangement with the successful contractor works at every level within both organisations

Recommendation:

The existing communication action list needs to be expanded into a communication plan covering all aspects of the mobilisation and implementation of the contract. The Council should also consider the use of a stakeholder matrix to keep communications at an accurate and regular level

The Council is to be commended for its idea of giving each employee a written commitment to treating them properly and respectfully during transfer. It is in everyone's interest that morale remains as high as possible before transfer and that existing service quality levels are maintained.

Recommendation:-

That the Council checks the adequacy of its resourcing for the staff transfer project and asks employees to approve their employment records

There will be change management aspects inside the new client side and certainly the Council will want client officers to exhibit new ways of working in future. The Review Team notes that there are good ideas in development and dedicated staff involved. The Council faces a challenge in terms of slimming down the client side through retirement whilst maintaining a consistent direction with the contractor and catalysing appropriate knowledge transfer (succession planning).

The proposed client side organisation has four units, Enforcement, Asset Management, Finance and Performance Management & Contract Management) reporting directly to the Assistant Director, who will be the first single point of contact with the contractor in the Maintenance Division.

The Council may wish to consider identifying one senior person below the Assistant Director to be responsible for coordinating dealings with the contractor on a day to day basis. The Review considers that there is a potential for ambiguity with four sections dealing with the contract under the Assistant Director.

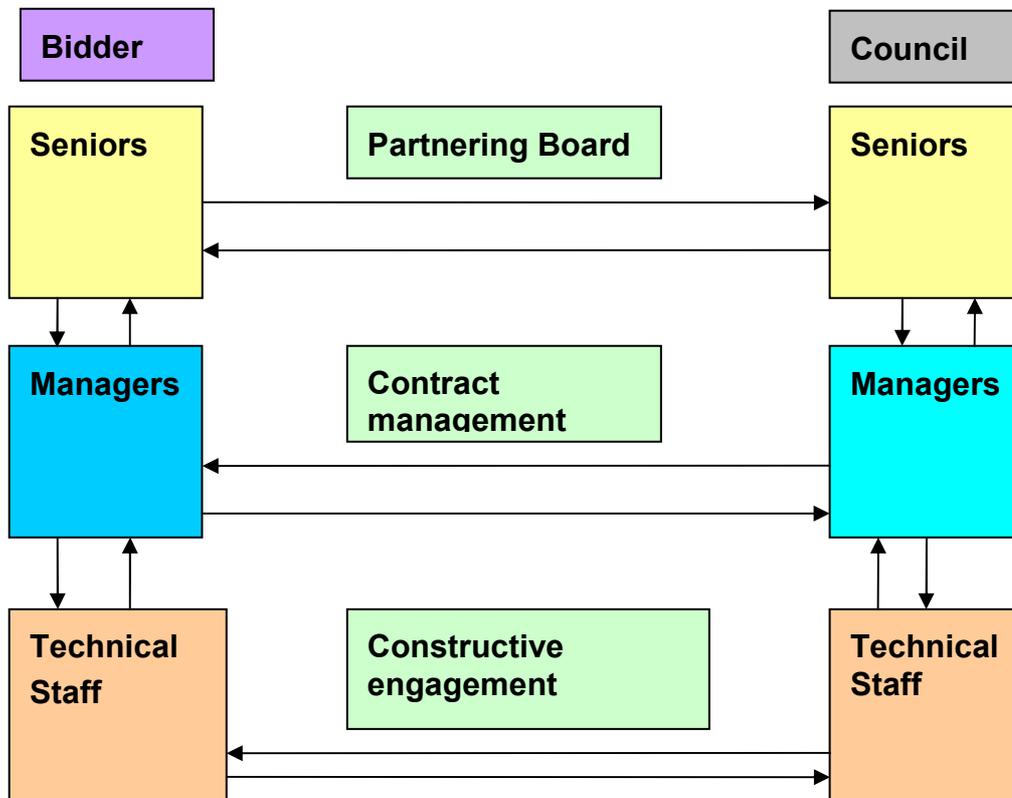
There may be value to the Council in defining the new behaviours from client officers and in terms of training and mentoring individuals to achieve them. Through such an approach the Council will achieve the lean client function it desires.

Recommendations:-

That the Council should resource and plan the introduction of the new client organisation and consider the option of having one senior manager responsible for coordinating the dealings with the contractor on a day to day basis

The process of implementing the new client side should include the identification of new client officer behaviours and the training of staff to achieve this standard at all levels of seniority. That any change management aspects applying are identified and addressed on a project managed basis.

A successful contractor engagement is illustrated below:-



The establishment of an accurate asset register will form a key step in migrating the contract from NEC3 Form B to Form D. This, by allowing the use of output specifications and target pricing, is a potential step to realising greater efficiencies through the contract. The purchase of such an asset management system will be expensive and initially resource intensive including:-

- 🌐 The purchase price of the software (and hardware as appropriate)
- 🌐 The need to deliver a comprehensive condition survey
- 🌐 The need to interpret, analyse and manage the data
- 🌐 The need to train staff

While the contractor will support the Council in the introduction of these systems it is important that any system is both “future proof” in terms of the renewal of the contract and is compatible with other Council processes & systems.

As such, there is a valid business case (payback) for this investment in terms of the ability to push risk to the contractor through renegotiation of the contract under NEC (to mutual benefit) but it will remain an expensive intervention. It is in the interests of the Council to retain control of key aspects of this system to enable it to re-procure in a smart way in the future. Grant aid may be available for the purchase of this system.

In order to work in partnership it is in the Council's interest to manage the contract through a competent client management IT system. The winning bidder can be involved in this, and may contribute a system or in kind. However, once again ultimate ownership and control of the Council's data should reside with the Council.

Recommendation:-

That the Council defines and executes its IT needs in terms of asset management and contract supervision. That these projects be robustly governed and have explicit resource plans, risk controls and identified future business benefits

The Council faces other challenges outside the immediate scope of this review including:-

- The need to resource an options appraisal on the future of the Transport Section since its workload will be significantly reduced by the outsourcing of the highway service
- The need to integrate the concept of area- based budgets into day to day operations without adversely affecting the routine and reliable commissioning of work necessary for an efficient operation
- The need to make highly demanding cuts in budgets without adversely affecting fixed overhead recovery by the contractor and consequently commitment to the contract

All of these challenges will exacerbate the heavy draw on internal resources.

The next 4ps Gateway Review is expected in the spring of 2009

APPENDIX A

Purpose of 4ps Gateway Review 3: Investment decision

- Confirm the business case and benefits plan now that the bid information has been confirmed.
- Check that all the necessary statutory and procedural requirements were followed throughout the procurement process.
- Confirm that the recommended contract decision, if properly executed within a standard lawful agreement, is likely to deliver the specified outputs/outcomes on time, within budget and will provide value for money.
- Ensure that management controls are in place to manage the project through to completion, including contract management aspects.
- Ensure there is continuing support for the project.
- Confirm that the approved procurement strategy has been followed.
- Confirm that the development and implementation plans of both the client and the supplier or partner are sound and achievable.
- Check that the business has prepared for the development (where there are new processes), implementation, transition and operation of new services/facilities.
- Confirm that there are plans for risk management, issue management and change management (technical and business) and that these plans are shared with suppliers.
- Confirm that the technical implications, such as 'buildability' for construction projects; and for IT-enabled projects information assurance, the impact of e-government frameworks (such as e-business and external infrastructure) have been addressed.

APPENDIX B

Interviewees

NAME	ROLE
David Green	Director of Technical Services
Mark Smith	Head of Streetscene and Waste
Mark Gandy	Group Auditor, Finance
Ray Williams	Corporate Procurement Manager
Colin Hughes	Assistant Borough Solicitor
Geof Kaufman	Project Advisor
Cllr Steve Foulkes	Leader of the Council
Tom Sault	Head of Financial Services
Emma Degg	Head of Tourism and Marketing
Brian Smith	Principal Assistant Engineer
Cllr Jean Quinn	Portfolio Holder
Ian Halton	Capita Symonds
Paul Bradshaw	Head of Human Resources

APPENDIX C

Summary of recommendations

Red – Take action immediately.

Amber – Take action by the next 4ps Gateway Review.

Green – Take action as required.

		Status (if appropriate)
Ref. No.	Recommendation	R/A/G
1.	Following successful award of the contract a fundamental review of the risk register should take place to ensure that it reflects the evolution of the project.	A
2.	That the “top ten” risks are reviewed at each Board meeting with the Board assuring itself that robust mitigation measures and actions are in place.	G
3.	The existing communication action list needs to be expanded into a communication plan covering all aspects of the mobilisation and implementation of the contract. The Council should also consider the use of a stakeholder matrix to keep communications at an accurate and regular level	G
4.	That the Council checks the adequacy of its resourcing for the staff transfer project and asks employees to approve their employment records	G

5.	That the Council should resource and plan the introduction of the new client organisation and consider the option of having one senior manager responsible for coordinating the dealings with the contractor on a day to day basis	A
6.	The process of implementing the new client side should include the identification of new client officer behaviours and the training of staff to achieve this standard at all levels of seniority. That any change management aspects applying are identified and addressed on a project managed basis.	G
7.	That the Council defines and executes its IT needs in terms of asset management and contract supervision. That these projects be robustly governed and have explicit resource plans, risk controls and identified future business benefits	G

NB: Full R/A/G definitions can be found in the status section.