

## **4ps Gateway Review 4: Readiness for service**

**Programme Title: Procurement of Highway Maintenance & Engineering Works**

**4ps Gateway Number: 4ps361G400**

## **4ps Gateway Review 4 – Readiness for service**

**Version number: Final**

**Date of issue to PO: 18<sup>th</sup> February 2009**

**PO: David Green**

**Authority: Metropolitan Borough of Wirral**

**4ps Gateway Review dates: 16<sup>th</sup> to 18<sup>th</sup> February 2009**

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#### 4ps Gateway Delivery Confidence Assessment

<u>Delivery Confidence Assessment</u>	<b>Amber/ Green</b>
<p>The Review Team finds that much good work has been achieved in the context of a robust procurement. There are some singular factors to be managed at this critical stage including:-</p> <ul style="list-style-type: none"><li>🌍 The significant pensions issues</li><li>🌍 Opposition party involvement</li><li>🌍 Outstanding clarifications</li><li>🌍 Further development of risk management approach</li></ul>	

The Delivery Confidence assessment RAG status should use the definitions below.

<u>RAG</u>	<u>Criteria Description</u>
Green	Successful delivery of the project/programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly
Amber/Green	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery
Amber	Successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost/schedule overrun
Amber/Red	Successful delivery of the project/programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible
Red	Successful delivery of the project/programme appears to be unachievable. There are major issues on project/programme definition, schedule, budget required quality or benefits delivery, which at this stage does not appear to be manageable or resolvable. The Project/Programme may need re-baselining and/or overall viability re-assessed

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#### Summary of Report Recommendations

The Review Team makes the following recommendations which are prioritized using the definitions below.

Ref. No.	Recommendation	Critical/ Essential/ Recommended
1.	<b>That a senior briefing of the entire opposition group of Councillors is undertaken to reduce the future risk profile of the contract</b>	Essential Within 2 weeks
2.	<b>That the Council should develop a strategy to effectively involve the opposition group on the development of the project in future. This could include the formation of a cross party working group to receive reports on highways maintenance issues and benefit realisation/outputs from the contract.</b>	Recommended
3.	<b>That the contingency plan be completed for continuity of the service if a solution to the outstanding item is not agreed by the Council's target date (ideally, say, before the end of February 2009)</b>	Essential Within 1 week
4.	<b>That a reserve depot site be retained to enable competitive bidding to take place at the future re-procurement stage; and to benefit service continuity</b>	Recommended
5.	<b>That contingency planning be undertaken for the scenario of the new Colas depot being available later than planned</b>	Recommended
6.	<b>It is recommended that the financial values of the risks are established, vetted by the Project Board and appropriately reflected in the Council's accounts</b>	Essential/ Recommended By April 2009
7.	<b>That the Council should aim to resolve all of the outstanding clarification issues before contract signature encourages Colas to finalise and promulgate its long term management structure</b>	Essential by April 2009
8.	<b>That post contract completion the risks and benefits in contract form migration from NEC 3B to NEC 3E are formally evaluated and considered by the Project Board in an options appraisal process</b>	Recommended
9.	<b>That a formal options appraisal process takes place on the new asset management system. This should be done on a cross functional basis with robust project governance. Explicit links should be made to the project for evolution towards NEC 3E operation. Should commencement be approved then formal resource planning should be used</b>	Recommended

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**Critical (Do Now)** – To increase the likelihood of a successful outcome it is of the greatest importance that the programme/project should take action immediately

**Essential (Do By)** – To increase the likelihood of a successful outcome the programme/project should take action in the near future. [Note to review teams – whenever possible Essential recommendations should be linked to project milestones e.g. before contract signature and/or a specified timeframe e.g. within the next three months.]

**Recommended** – The programme/project should benefit from the uptake of this recommendation. [Note to review teams – if possible Recommended recommendations should be linked to project milestones e.g. before contract signature and/or a specified timeframe e.g. within the next three months.]

### **Background**

#### **The aims of the programme:**

These included:-

- 🌐 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.”

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#### **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/delivery status:**

The Council is in the mobilisation phase for the new contract and contract signature is imminent.

#### **Current position regarding 4ps Gateway Reviews:**

This is the third Gateway Review of the project; and there has also been a health check.

The recommendations of the previous review have been implemented

A summary of recommendations, progress and status from the previous 4ps Gateway Review can be found in Appendix C.

#### **Good practice noted**

The Review Team noted the following examples of good practice:-

- Constructive relationship built with incoming provider
- Partnering Board –first meeting held
- Good contractor engagement with future workforce
- Workforce conditioned to be very positive re change
  - e.g. Colas newsletter and “meet and greet” campaign
- Supporting IT project at an advanced stage of development
- Draft contract appears to be at an advanced stage before operational commencement
- Mobilisation meetings every fortnight exemplifying a will from both sides to make things happen
- Functional Analysis project planned using external consultants (client value engineering)
- Integration of blacksmith function into contract structure
  - Business growth opportunity for Colas
  - Security for blacksmith workforce

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- Cooperation on specialist vehicles
  - Colas to lease Council specialised vehicles
- Council keen to move from NEC 3B to 3E- to mutual benefit with explicit risk partition
- Commitment to begin formal procurement of an asset management system
- Independent review of contract documents to detect areas of weakness
- Key Union supportive of the process

### **Purposes and conduct of the 4ps Gateway Review**

#### **Purposes of the 4ps Gateway Review**

The primary purposes of a 4ps Gateway Review 4 are to confirm that contractual arrangements are up to date, that necessary testing has been done to the client's satisfaction and that the client is ready to approve implementation.

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

#### **Conduct of the 4ps Gateway Review**

This 4ps Gateway Review 3 was carried out from 16th to 18<sup>th</sup> February 2009 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 also like to thank David Green, Mark Smith, Mike Wilkinson and Geof Kaufman for their enthusiasm and openness; and for the efficient arrangements. Further mention should be made of Sheila Jones, Lyn Ebbrell, Caroline Kirchen, Jenny Williams, Christine Davies 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.

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#### **Findings and recommendations**

##### **1: Business case and stakeholders**

Stakeholder engagement/communication has generally been well managed and developed. The Conservative group (opposition) has not been engaged about the project for circa 12 months. Staff that are to transfer to the contractor have been consulted throughout the procurement process and their union representatives are working effectively with Colas to prepare for the change. Initial concerns have largely melted away and positive attitudes are now coming through. Client side staff – those not subject to transfer – have been kept informed and training has been initiated to prepare them for the new environment from commencement of the contract. A plan exists to extend the communication to wider stakeholders and is scheduled to take place in March 2009. The one notable exception is the lack engagement with the opposition group on the Council. As a significant stakeholder group this should be rectified.

**Recommendation: - That a senior briefing of the entire opposition group of Councillors is undertaken to reduce the future risk profile of the contract**

**Recommendation: - That the Council should develop a strategy to effectively involve the opposition group on the development of the project in future. This could include the formation of a cross party working group to receive reports on highways maintenance issues and benefit realisation/outputs from the contract.**

##### **2: Review of current phase**

The Council has made significant and measured progress in its aims of outsourcing its highway maintenance functions and integrating its previous network of contracts into one. A thorough procurement exercise with significant bidder interest and some innovation in evaluation techniques has yielded a very competitively priced contract that meets the required quality standards.

Communications and consultation work has been well done and have yielded a positive outlook towards the new contract from the workforce. Most stakeholders are supportive with the exception of the opposition group who have been excluded from the process (see above).

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The Council has accepted that the bid, submitted by Colas, be taken forward and this bid eminently fits the Business Case parameters. Since then there have been a number of developments but none are anticipated to detrimentally affect the realisation of the business objectives of the project.

The Blacksmith Section (existing Council specialised fabrication facility) has now been transferred to the contractor. No figures were brought before the team but the impact is expected to be insignificant on the business model. However, this does bring significant benefits for the staff involved as it secures the future of a number of jobs that otherwise would be at risk. Colas have welcomed the move as it provides a new area of work for them to develop and potentially improve their financial performance on the Wirral contract. It appears that there is significant potential for expansion of turnover of the Blacksmith shop.

The contractor has recently introduced 3 items for negotiation [in the pensions area]. 2 of these have been agreed with no detriment to the overall business case. 1 remains outstanding which has the potential to invoke a significant reappraisal of the procurement process to date. This matter requires urgent resolution and evidence has been given that the Council is actively engaged to achieve a speedy closure of this matter. The risk that this is not achieved exists and a contingency plan needs to be developed urgently if the risk should materialise. The Review Team notes that officers are already working on a contingency plan.

**Recommendation:- That the contingency plan be prepared and implemented for continuity of the service if a solution to the outstanding item is not agreed by the Council's target date (ideally, say, before the end of February 2009)**

The Client Side welcomes the change that the contract will bring to the delivery of the highway maintenance function in the Wirral. There is the potential to develop a more targeted/efficient use of the resources available to identify works and transmit this information to the contractor: further there is an appetite now on both sides to move towards a more output specification based contract. This would transfer more risk to the contractor and should result in leaner use of client resource, once the change had been made.

Should the Council decide to proceed it should develop a plan for the move to NEC 3 E form of contract on a project-managed basis and possibly set up a joint working group to oversee this once the 3 B form of contract is operational and working satisfactorily.



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The TUPE project is going well and is properly resourced. The Review Team notes that Colas is planning some necessary harmonisation activity post contract signature. This activity is likely to be welcomed by the workforce as it will remove inconvenient differences between members of the same team on e.g. working hours, lunch breaks, commencement times etc. These changes are supported by the key union.

There are some significant work packages to complete including the winding down of the old DSO's accounts, the sale of surplus stock and transfer or sale of vehicles no longer required. There are also some contract clarifications which need to be resolved (see above).

The Council's aim of achieving contract sign off by 1<sup>st</sup> April 2009. before operational commencement is ambitious but the omens of this being achieved are good, subject to the resolution of the key issue above.

Although the Council has committed to the sale of the original depot it has another potential depot site which it intends to retain; and this should be advantageous to the re-procurement process in circa 5 years. It also provides a useful platform for service continuity, if required.

**Recommendation: - That a reserve depot site be retained to enable competitive bidding to take place at the future re-procurement stage; and to benefit service continuity**

The Review Team would also recommend that contingency planning should be undertaken for the scenario of Colas' new depot development falling behind schedule and a future new owner requiring vacation of the Council's current highways depot.

**Recommendation: - That contingency planning be undertaken for the scenario of the new Colas depot being available later than planned**

Stakeholders are confident that significant progress has been made on the IT front and the Council is at the user acceptance trial stage with its modification of the Oracle CRM system to send instructions to the contractor; and with the integration of the gully and street lighting systems into one approach for ordering work and receiving confirmation of completion and billing information.

The modified system furnishes all the relevant information to the Council electronically and is therefore efficient in administration terms.

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### **3: Risk management**

The officers have undertaken much sterling on risk management, including the use of an external consultant.

In reviewing the risk management aspects of the project it is clear that extensive time has been invested in developing a robust risk management system.

The risk register has identified owners and the Project Board considers risk reports on a regular basis. Priority risks are given specific attention.

The Review Team would comment that, once again, the risk register will require a fundamental review as the procurement project comes to an end. Indeed officers may already be planning such a revision.

It was evidenced during the interviewing of council officers and representatives that work continues 'at a pace' to close out and / or minimise identified risks wherever possible, with an objective of being complete before 01 April 2009.

Work is being cross checked and challenges to Colas' pricing being undertaken

It was identified from interviews that there remains four main risks within the Risk Register that are continuously being monitored and targeted to mitigate / minimise / close out their potential impact on the project. The four items advised to the team were:-:

- required completeness of the asset management inventory,
- HAMS procurement software system reliability
- establishment of a procurement system link to business management system and
- establishment of a robust management system that ensures delivery to output specification.

A fifth risk that has been identified as one that stands out this stage, as 'escalating', is economic uncertainty. It relates to the current effects and impact of the 'credit crunch' and the concern that the effects it may have on the Council's ability to achieve best value.

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As part of the risk register template it was noted that there is a section included that states 'risk quantification' and has specific headings that amongst others includes 'financial impact minimum £k', 'financial impact most likely £k' and 'financial impact maximum £k'. It was identified that no financial configuration had been included at this stage but is intended to be established and concluded.

Additionally, it was inquired as to once the min/ most likely / max impact figures are established what will be / what is the policy / procedure for reflecting such risk monies within the financial reporting structure of the project and the Council's accounts.

**Recommendation: - It is recommended that the financial values of the risks are established, vetted by the Project Board and appropriately reflected in the Council's accounts**

In the context of some key clarifications being outstanding it is clear that there are areas remaining that need to be / are being addressed to 'de-risk' the potential for misunderstandings post contract. One example of the items discussed related to clarity of applicable traffic management charges for reactive work at weekends.

There is also some uncertainty on the identification of key long term Colas management personnel.

**Recommendation: - That the Council should aim to resolve all of the outstanding clarification issues before contract signature encourage Colas to finalise and promulgate its long term management structure**

It has been advised by both Council officers and Colas that there is a desire from both parties to move, post contract, progressively towards a more collaborative working arrangement (Moving from NEC 3B to NEC 3E) to enable in certain areas of activities innovative technical solutions to be evolved that would mutually benefit both parties. It is recommended that if this desire is moved forward towards instigation that a risk assessment and evaluation is undertaken with regard to the Council's benefits and risks, before engaging with any possible change.

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**Recommendation: - That post contract completion the risks and benefits in contract form migration from NEC 3B to NEC 3E are formally evaluated and considered by the Project Board in an options appraisal process**

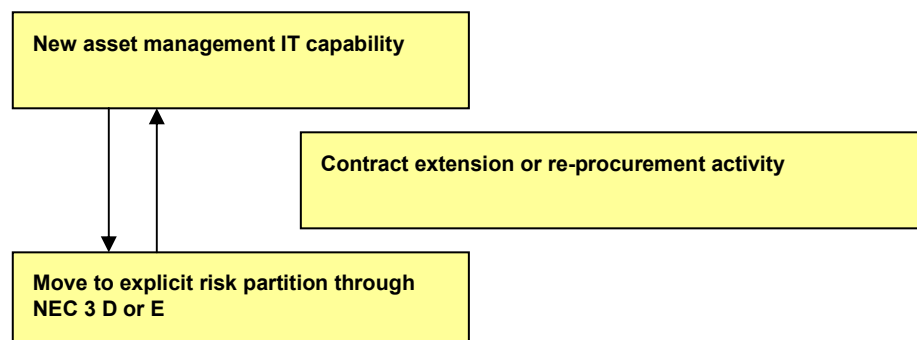
There is still a large workload to be undertaken in checking out the Colas pricing regime and closing out of potential risks before 01 April 2009. It is recognised from interview evidence that a great deal of effort and hard work is being expended and focused in achieving this objective, with prioritisation being made for clearing key items; The recommendation here is that the more that can be resolved with Colas before closing out equals less opportunity for disagreement / dispute post contract.

#### 4: Readiness for next phase – benefits evaluation

The Council has begun a process of logging pre-commencement performance levels to allow benefits realisation to take place. Although ideally benefits realisation work should have begun at the start of the procurement the Review Team notes that, as part of the Council's development of a new approach, these activities are being undertaken earlier in procurement projects' life cycles.

The Project Team has decided to capitalise on the success of its IT development to begin the process of acquiring a new and comprehensive asset management capability.

The Review Team views this new IT project and the move towards NEC 3D or NEC 3E contracts as interrelated projects in a programme and this is illustrated below:-



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


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The current IT project has a strong focus on delivering client needs through senior user and senior supplier roles. The Review Team believes that the opportunity should be taken to exploit this positive environment for the next stage of IT development.

Related to this is a desire to move towards an integrated and singular asset/ordering system to replace the multiple systems that will operate initially. Such a move is essential to compliment the move towards output specification working but will require resources and careful planning. This is perhaps best achieved as a separate project.

An options appraisal process on the new IT system should take place and the following groups should be represented on the cross-functional team:-

-  Client engineer
-  IT section
-  Procurement section
-  Colas

This would allow the Council to weight the strength and weaknesses of the various options, scope and specify the system requirements and begin procurement and/ or development.

#### **Recommendations:**

**That a formal options appraisal process takes place on the new asset management system. This should be done on a cross functional basis with robust project governance. Explicit links should be made to the project for evolution towards NEC 3E operation. Should commencement be approved then formal resource planning should be used**

The Review Team would comment that the post award Colas management structure appears in outline/ generic form only; without most key individuals being identified. At the moment Colas is utilising senior but interim managers to oversee their side of the mobilisation.

It is in the Council's interest to remove this uncertainty in the short term.

**The next 4ps Gateway Review is expected in October 2009 when the contract has been in operation for 6 months**

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## **APPENDIX A**

### **Purpose of 4ps Gateway Review 4: Investment decision**

- Check that the current phase of the contract is properly completed and documentation completed.
- Ensure that the contractual arrangements are up-to-date.
- Check that the business case is still valid and unaffected by internal and external events or changes.
- Check that the original projected business benefit is likely to be achieved.
- Ensure that there are processes and procedures to ensure long-term success of the project.
- Confirm that all necessary testing is done (e.g. commissioning of buildings, business integration and user acceptance testing) to the client's satisfaction and that the client is ready to approve implementation.
- Check that there are feasible and tested contingency and reversion arrangements.
- Ensure that all ongoing risks and issues are being managed effectively and do not threaten implementation.
- Evaluate the risk of proceeding with the implementation where there are any unresolved issues.
- Confirm the business has the necessary resources and that it is ready to implement the services and the business change.
- Confirm that the client and supplier implementation plans are still achievable.
- Confirm that there are management and organisational controls to manage the project through implementation and operation.
- Confirm that all parties have agreed plans for training, communication, roll-out, production release and support as required.

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- Confirm that all parties have agreed plans for managing risk.
- Confirm that there are client-side plans for managing the working relationship, with reporting arrangements at appropriate levels in the organisation, reciprocated on the supplier side.
- Confirm information assurance accreditation/certification.
- Confirm that defects or incomplete works are identified and recorded.
- Check that lessons for future projects are identified and recorded.

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## APPENDIX B

### Interviewees

<b>NAME</b>	<b>ROLE</b>
Mark Smith	Head of Service, Streetscene & Waste
David Green	Director, Technical Services
Adrian Sheppard	Operations Director, Colas
Paul Bradshaw	Head of Human Resources
Ray Williams	Corporate Procurement Manager
Mark Gandy	Group Auditor
Cameron Neill	Business Manager, Colas
Gavin Shaw	Group Accountant
Cllr Jean Quinn	Cabinet Member, Streetscene & Transport Services
Colin Hughes	Group Solicitor
Ken Crilly	Unison Branch Officer, Technical Services
Mike Wilkinson	Assistant Director, Highway Maintenance
Brian Smith	Contract Manager
Cllr Paul Hayes	Conservative Spokesperson
Emma Degg	Head of Tourism and Marketing
Karen Laird	Project Manager, It
Mark Ennis	Business Information Officer, ICT
Dave Callcott	Senior Assistant Engineer, Health & Safety, Risk Management
Kevin Earle	Consultant
Laura Furlong	Press Officer



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#### APPENDIX C

#### Recommendations from previous 4ps Gateway Review

<b>Recommendation</b>	<b>Progress/ Status</b>
<b>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.</b>	Risk register is being updated
<b>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.</b>	Risk prioritisation is being practised
<b>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</b>	Communications plan has been updated
<b>That the Council checks the adequacy of its resourcing for the staff transfer project and asks employees to approve their employment records</b>	Resources appear adequate
<b>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</b>	Key contact in place

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<p><b>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.</b></p>	<p>Training of staff now ongoing</p>
<p><b>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</b></p>	<p>IT project has delivered sufficient functionality for trials of the system to begin before contract commencement</p>