

## 6 Achievability

### 6.1 Purpose

6.1.1 The purpose of this chapter is to define the Achievability of the project, providing information on how the project is going to be resourced, managed and evaluated. Areas discussed include:

- ‡ Evidence of similar projects
- ‡ Project roles
- ‡ Procurement strategy
- ‡ Project Plan
- ‡ Contract management
- ‡ Risk Management strategy
- ‡ Benefits realisation plan
- ‡ Post Implementation Reviews/Project Evaluation Review
- ‡ Contingency Plan

### 6.2 Evidence of similar projects, where available

6.2.1 Many Local Authorities are embracing a partnership model, in one form or another, to deliver Highways Services. A list, non-exhaustive, of these authorities can be found below:

- ‡ Rochdale
- ‡ Herts CC
- ‡ Plymouth City Council
- ‡ Wiltshire CC
- ‡ Staffordshire County Council
- ‡ Gloucestershire County Council
- ‡ Bedfordshire County Council
- ‡ LB Harrow

6.2.2 The authority has visited the following authorities in order to understand how various Highways service delivery models operate and to inform the structure of any future SCC Highways Service. These include:

- ‡ Rochdale – Operational
- ‡ Plymouth City – Procurement
- ‡ Bedfordshire CC – Operational
- ‡ Hampshire CC – Operational
- ‡ Portsmouth City – Operational

- 6.2.3 Further to the site visits, existing Southampton Highways Staff have worked in other local authorities with various service delivery models, including partnerships and these experiences have also informed the process.

**Two case studies highlight similar successful projects.**

**Gloucester County Council (GCC)**

- 6.2.4 GCC had very similar arrangements to the ones currently in place within SCC. A partnership between the internal staff and contractors and design consultants was in place until April 2006.
- 6.2.5 On 1<sup>st</sup> April 2006, GCC appointed one single service provider on a long-term basis to deliver the Highways Services. In this contract GCC have a well-resourced client team which manages the contract and have retained traffic management, street works coordination, member liaison and a small level of design work in-house. The service providers staff work alongside GCC staff on similar terms and conditions.
- 6.2.6 The original business case for the current contract predicted savings of £1.7m on a total contract spend of £27.3m, a 6.3% saving.

**Wiltshire County Council (WCC)**

- 6.2.7 WCC entered into a contract with a single service provider in 1999 to deliver the majority of its Highways Services. The service provider was set up as a joint venture company (JVC) comprising a design consultant and contractor.
- 6.2.8 Approximately 160 staff were transferred to the JVC under TUPE arrangements. The relationship was treated as a partnership between the Council and JVC allowing and promoting collaboration and innovation in service delivery. Over the long-term (7 year contract) the partnership was able to improve service delivery significantly and deliver efficiency savings.
- 6.2.9 The business case for the contract detailed savings of £1m. These savings were realised and re-invested into highways services.

**For better, for worse: Value for Money in Strategic Service-Delivery Partnerships (Audit Commission, January 2008)**

- 6.2.10 The Audit Commission published findings of a review of Strategic service-delivery partnerships in January 2008. In this context SSPs were defined as ‘a specific form of procurement in which long-term PPPs are established to deliver services’. This definition can be applied closely to the Highways Partnership.
- 6.2.11 The review noted that SSPs offer two types of benefit to Councils. Firstly, they provide value for money benefits; services can be delivered at a lower cost to existing or improved quality standards if Councils manage competitive pressures and procure effectively. Providers may be appointed in their particular area of competence, which is especially important in service areas that require technical expertise.
- 6.2.12 A second advantage of SSPs is that they offer benefits additional to those that can be realised through traditional outsourcing. This has historically been undertaken through tightly specified, arms length contracts with penalty clauses for non-compliance. These traditional arrangements created incentives that worked against fulfilling the intended objectives, such as:

- ┆ clients and contractors withholding information for tactical advantage, or through ignorance of each others needs;
- ┆ refusal of contractors to cooperate in problem solving when circumstances arose;
- ┆ rigidity in design and implementation;
- ┆ opportunities to exploit contract variations.

6.2.13 In contrast SSPs are based on the principle of mutually aligned incentives throughout the course of a long-term relationship. They imply shared approaches to;

- ┆ an agreed long-term perspective on needs, costs and solutions;
- ┆ the allocation and management of risk and rewards;
- ┆ governance arrangements, including dispute resolution;
- ┆ flexibility and responsiveness to changing circumstances.

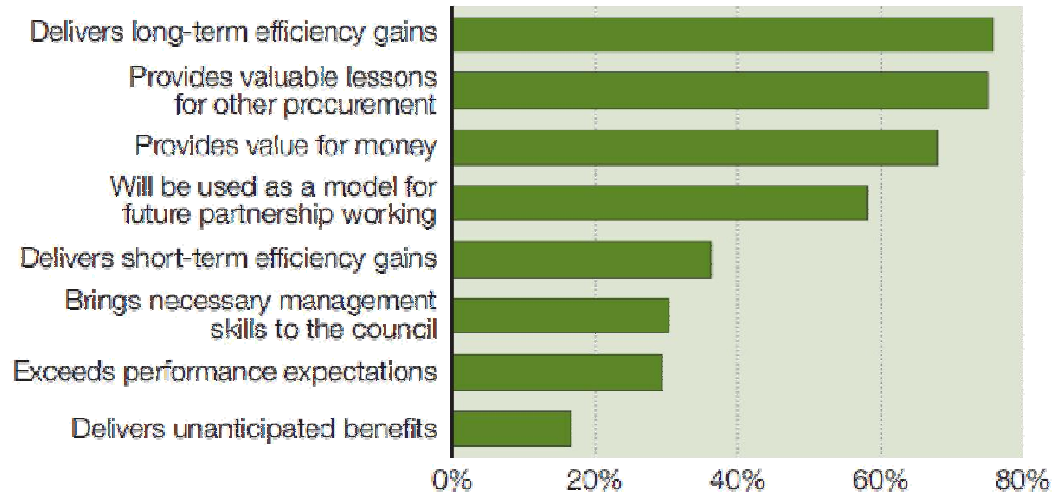
6.2.14 Of the 14 Councils surveyed in the Audit Commission Review, some of the findings are illustrated below in Table 23 and Figure 9.

**Table 23: Audit Commission Review**

	Range	Mean
Length of contract (years)	5-15	11
Overall value	£50m-£425m	£189m
Anticipated savings (£)	£2.1m-£47m	£16.6m
Anticipated savings (% of contract value)	1.0%-15.4%	8.3%
Capital investment provided by contractor (£)	£4.8m-£30m	£13.0m
Capital investment provided by contractor (% of contract value)	2.3%-15.0%	7.0%

**Source:** Audit Commission

**Figure 9: Audit Commission Review**



**Source:** Audit Commission/Communities and Local Government

**6.3 Project roles**

**Project Governance and Organisation**

6.3.1 The decision making for the project will follow the internal Council decision-making processes as set out in the constitution.

6.3.2 Broadly, there are three levels to the decision making hierarchy within the project.

- ┆ Members
- ┆ Chief Officers Management Team
- ┆ Project Board

**Members**

6.3.3 Members will be asked for approval at four key stages:

- ┆ approval to take the recommended service delivery model forward into the competitive dialogue stage of the project
- ┆ approval to move to Call for Final Tender with two bidders
- ┆ approval to select a preferred bidder
- ┆ approval to enter into the Partnership

6.3.4 Member’s approval will be sought at either Full Council or Cabinet or both forums depending on protocol and circumstances.

**Chief Officers Management Team:**

6.3.5 The Chief Officers Management Team (COMT) consists of:

- ‡ Chief Executive;
- ‡ Executive Directors;
- ‡ Solicitor to the Council;
- ‡ Head of Policy

6.3.6 COMT will be responsible for making the final officer investment decision to move to the procurement stage of the Project.

6.3.7 COMT will also be responsible for any decisions impacting on the wider authority as opposed to project specific decisions.

**Project Board**

6.3.8 The Project Board is responsible to COMT for the overall direction of the project and has responsibility and authority for the project with any remit set by COMT.

6.3.9 The Project Board members and their responsibilities are detailed in Table 24 below.

**Table 24: Project Board members and responsibilities**

Name	Role	Responsibilities
Lorraine Brown	Project Owner/Executive  (Sponsor)	<ul style="list-style-type: none"> <li>‡ Ultimate decision-maker on the project</li> <li>‡ ensuring that the project meets its objectives and delivers the projected benefits</li> <li>‡ providing project resources – financial and human</li> <li>‡ ensuring that the project is subject to review at appropriate stages</li> <li>‡ owns the project or programme brief and business case</li> <li>‡ agreeing major changes &amp; for problem resolution where these are outside the Project Manager’s limits of authority</li> <li>‡ formally closing the project</li> </ul>
Mick Bishop	Project Director/Senior User	<ul style="list-style-type: none"> <li>‡ strategically directs the project at appropriate junctures or as and when referred by the project manager</li> <li>‡ ensures the project does not disrupt day-to-day service operations</li> <li>‡ engages with key stakeholders</li> <li>‡ ensures the Project Manager has the capacity and support to deliver</li> <li>‡ ensures high-level internal support for the programme and project</li> <li>‡ provides interface to members</li> </ul>
Rob Carr	Head of Finance/Senior Supplier	<ul style="list-style-type: none"> <li>‡ ensures adequate financial resources are committed to the project</li> <li>‡ provides strategic financial expertise and guidance to the Project Board</li> </ul>
John Spiers	Head of Property and Procurement	<ul style="list-style-type: none"> <li>‡ ensures adequate procurement resources are committed to the project</li> <li>‡ provides strategic procurement advice to the Project Board</li> <li>‡ guidance on engagement with the business community</li> </ul>

Name	Role	Responsibilities
Sarita Riley	Solicitor	<ul style="list-style-type: none"> <li>∣ ensures adequate legal resources are committed to the project</li> <li>∣ provides strategic legal advice to the Project Board</li> </ul>
Sheila Wareham	HR	<ul style="list-style-type: none"> <li>∣ ensures adequate HR resources are committed to the project</li> <li>∣ provides strategic HR advice to the Project Board</li> </ul>
Malcolm Cooper	Directorate Project Development /Project Assurance Role	<ul style="list-style-type: none"> <li>∣ acts as the project's 'critical friend'</li> <li>∣ provides corporate policy interface</li> <li>∣ provides advice and guidance on Member engagement</li> </ul>

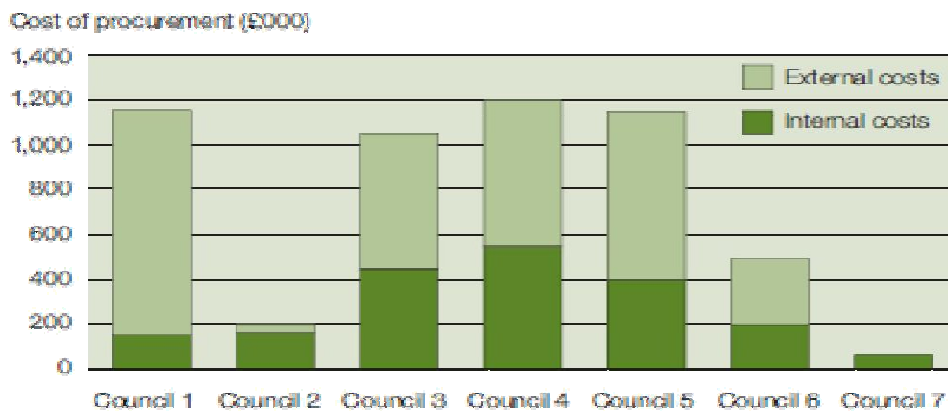
**Resource Requirements:**

6.3.10 This section details the estimated level of resources required to successfully deliver the project to programme and outcome.

6.3.11 Projects most often fail to deliver the required outcomes due to insufficient resources.

6.3.12 The resource requirement is based on:

- ∣ previous experience of similar projects;
- ∣ guidance from Government improvement agencies;
- ∣ the experiences of other local authorities delivering similar projects; and
- ∣ engagement with the market – both external advisers and Highways market.



Source: Audit Commission

6.3.13 The procurement costs for councils entering SSPs are shown in the above figure. These reflect differences in the types of SSP, however it can be seen that the costs average over £1 million. The majority of the procurement costs for these SSPs are fees paid to external advisers and consultants. This scale of costs, and the proportion paid to external advisers, is comparable to that collected in CIPFA's survey of PFI and PPP costs (Ref. 19). Councils 2 and 7 entered into smaller-scale SSPs (For better, for worse, Audit Commission).

6.3.14 It should be noted that this level of resource is required for a full-integration model and a partial integration model. The level of resources required for co-location would be less than detailed below, while the level of resources required for implementing a virtual partnership would be less still.

**The Project Team:**

6.3.15 The project team will work under the direction of the project manager and carry out the work detailed in the project plan.

6.3.16 The project team will

- ∴ assist the project manager to deliver the project objectives
- ∴ provide technical expertise on the project
- ∴ provide administrative support to the project manager
- ∴ advise the project manager is any risks arise which could affect the delivery of the project objectives
- ∴ provide information as and when required for project documentation

**Core Project Team**

6.3.17 Table 25 outlines the make-up of the core project team, each roles responsibilities and the approximate cost for each post. The cost is based on:

- ∴ salary + 26% on-cost and £4k overhead cost
- ∴ project duration of 34 months
- ∴ Project Manager P-T for 34 months from April 08
- ∴ Technical Manager F-T for 34 months from April 08
- ∴ Technical Officer F-T for 32 months from June 08
- ∴ Change Manager F-T for 32 months from June 08
- ∴ PSO F-T for 34 months from April 08

6.3.18 The core project team would be located in the same office and would also meet on a weekly basis.

**Table 25: Core Project Team**

Role	Responsibilities	Cost (£)
Project Manager	<ul style="list-style-type: none"> <li>∴ leads and manages the project team</li> <li>∴ makes decisions and directs the project and project team within agreed parameters and tolerances</li> <li>∴ runs the project on a day-to-day basis</li> </ul>	100,347
Technical Manager	<ul style="list-style-type: none"> <li>∴ lead on all technical inputs and outputs required</li> <li>∴ Lead on the development of the service specifications and performance indicators</li> <li>∴ Lead on the technical evaluation of the tenders and selection of bidders</li> </ul>	149,102

<b>Role</b>	<b>Responsibilities</b>	<b>Cost (£)</b>
Technical Officer	<ul style="list-style-type: none"> <li>   assist the technical manager on all technical inputs and outputs required</li> </ul>	108,365
Change Manager	<ul style="list-style-type: none"> <li>   leads on all communication activity for the project</li> <li>   leads on all stakeholder engagement for the project</li> <li>   leads on benefits realisation</li> <li>   lead on transition management</li> </ul>	108,365
Project Support Officer	<ul style="list-style-type: none"> <li>   support the project and its associated products and Processes</li> <li>   provide administrative support to the project</li> <li>   provide configuration management</li> </ul>	81,471
<b>Total</b>		<b>547, 650</b>

**Wider Project Team**

6.3.19 The wider project team will be drawn from Council service areas and are outlined in Table 26. No costs have been detailed for time committed to this project, although it can be assumed that each lead will be required to spend approximately 1-2 days per week on the project. It is assumed that no recharges will be levied for the wider project team.

6.3.20 The wider project team, under the direction of the Project Manager, will meet on a monthly basis.

**Table 26: Wider Project Team**

<b>Role</b>	<b>Responsibilities</b>
Finance Lead	<ul style="list-style-type: none"> <li>   Attendance at Project Team Meetings</li> <li>   Under the direction of the Project Manager lead on all financial inputs and outputs required</li> <li>   Supporting the development of the Outline Business Case</li> <li>   Contribute to the development of the tender documents from a finance perspective</li> <li>   Lead on the development of the payment mechanism and affordability model</li> <li>   Lead on the financial evaluation of tenders and the selection of Bidders</li> </ul>
Legal Lead	<ul style="list-style-type: none"> <li>   Attendance at Project Team Meetings</li> <li>   Supporting the development of the Outline Business Case</li> <li>   Under the direction of the Project Manager lead on all legal inputs and outputs required</li> <li>   Contribute to the development of the tender documents from a legal Perspective</li> <li>   Lead on legal evaluation of the tenders and selection of bidders</li> </ul>
Public Realm Manager	<ul style="list-style-type: none"> <li>   Attendance at Project Team Meetings</li> <li>   Providing link to Public Realm Managers and ensuring input and co-operation where required</li> <li>   Supporting the development of the Outline Business Case</li> <li>   Supporting the preparation of the service specification</li> </ul>



Role	Responsibilities
Highways Assessment Engineer	<ul style="list-style-type: none"> <li>‡ Supporting the evaluation of tenders and selection of bidders</li> <li>‡ Attendance at Project Team Meetings</li> <li>‡ Developing and delivering the Transport Asset Management Plan and subsequent Ten year investment programme</li> <li>‡ Supporting the development of the Outline Business Case</li> <li>‡ Contributing to the development of the service specifications and providing required information for tender documents</li> <li>‡ Supporting the evaluation of tenders and selection of bidders</li> </ul>
Procurement Lead	<ul style="list-style-type: none"> <li>‡ Attendance at Project Team Meetings</li> <li>‡ Under the direction of the Project Manager coordinate all procurement activity</li> <li>‡ Provide advice and guidance on procurement rules and regulations, specifically in relation to Competitive Dialogue Procurement Process</li> <li>‡ Support the development of the Outline Business Case</li> <li>‡ Contributing to the development of the tender documents</li> <li>‡ Supporting the evaluation of tenders and selection of bidders</li> </ul>
Property Lead	<ul style="list-style-type: none"> <li>‡ Attendance at Project Team Meetings</li> <li>‡ Under the direction of the Project Manager coordinate all property Activity</li> <li>‡ Provide advice and guidance on the Council's accommodation Strategy</li> <li>‡ Provide the link between the project accommodation and the wider Council accommodation activities</li> <li>‡ Support the development of the Outline Business Case</li> <li>‡ Contributing to the development of the tender documents</li> <li>‡ Supporting the evaluation of tenders and selection of bidders</li> </ul>
HR lead	<ul style="list-style-type: none"> <li>‡ Attendance at Project Team Meetings</li> <li>‡ Provide advice and guidance on HR and personnel issues</li> <li>‡ Lead on any required HR and personnel inputs or outputs</li> <li>‡ Contribute to the development of the Communication Plan and Stakeholder Engagement Plan</li> <li>‡ Support the development of the Outline Business Case</li> <li>‡ Contribute to the development on the tender documents from a HR Perspective</li> <li>‡ Support the evaluation of tenders and selection of bidders</li> </ul>

**Work Streams:**

6.3.21 The project will require a number of workstreams to be established to deliver cross-cutting work packages. The workstreams will need to be developed as the project is developed. However, it is likely that there will be workstreams in the following areas:

- ‡ Programme and procurement process
- ‡ Output specification
- ‡ Payment mechanism
- ‡ Accommodation
- ‡ Communications and Stakeholder Engagement

- || ICT
- || HR and TUPE

- 6.3.22 Workstream groups will be created and disbanded as necessary throughout the life-cycle of the project.
- 6.3.23 Each workstream will be lead by the most appropriate lead from the core or wider project team and will include the most appropriate individuals for the delivery of the workstream. Workstream members can be from outside the core or wider project team.
- 6.3.24 The first task of any workstream group will be to create a specific Terms of Reference.

**External Advisers:**

- 6.3.25 The project can not be delivered without the use of external advisers.
- 6.3.26 External advisers bring experience, specialist knowledge and a commercial awareness to the project which is not available internally.
- 6.3.27 The external advisers will work with the Project Manager and the appropriate project lead and will support the Council’s internal project team. The advisers will also be expected to deliver key documents for the project (e.g. tender documents) and offer advice and guidance throughout the project.
- 6.3.28 Table 27 below details the required advisers and approximate cost for the life of the project:

**Table 27: Advisory Requirement**

Adviser	Outputs	Budget (£)
Financial	<ul style="list-style-type: none"> <li>   Payment Mechanism</li> <li>   Financial models and evaluation of financial elements of bids</li> <li>   Financial advice, support and guidance</li> </ul>	125,000
Legal	<ul style="list-style-type: none"> <li>   Project Agreement/Contract</li> <li>   Support through Competitive Dialogue Process</li> <li>   Evaluation of legal elements of bids</li> <li>   Legal advice, support and guidance</li> </ul>	125,000
Technical	<ul style="list-style-type: none"> <li>   Service specifications</li> <li>   Support through Competitive Dialogue Process</li> <li>   Evaluation of service specifications</li> <li>   Technical advice, support and guidance</li> </ul>	150,000
Other (e.g. Capita recharges, insurance/HR etc)	Not yet defined	50,000
<b>Total</b>		<b>450,000</b>

**Total resource requirements:**

6.3.29 Based on the composition of the internal core project team and the requirement for external advisers to provide the skills, capacity and experience not available within the Council the projected cost of delivering the project is detailed below in Table 28.

**Table 28: Total Resource Requirement**

Resource Type	Cost (£)
Staff Costs	£547,650
External Advisers	£450,000
Contingency	£50,000
<b>Total</b>	<b>£1,047,650</b>

**Stakeholder Engagement:**

6.3.30 Under the direction of the Project Board and Project Manager the Change Manager will be responsible for stakeholder engagement and communications.

6.3.31 The wider stakeholder group for a project is often the group which will make or break the success of the project. Good stakeholder management is crucial to the ability of a business to deliver enduring change.

6.3.32 Good stakeholder management will:

- ∣ ensure you have considered the opinion of the most influential people within the organisation and shaped the project to organisations wider goals;
- ∣ ensure all stakeholders fully understand the project and its benefits;
- ∣ anticipate reaction to the project and issues within the project and build into the project plan actions to secure support for key decision points;
- ∣ ensure that decisions are made with a good understanding of the impact they will have on all stakeholders and the reaction of all stakeholders to that decision.

6.3.33 A Stakeholder Engagement Strategy will need to be created. The strategy will include the following:

- ∣ a list of all project stakeholders
- ∣ a stakeholder interest table identifying what interest each stakeholder has in the project
- ∣ a stakeholder Influence/Impact Matrix identifying the level of engagement each stakeholder has in the project (e.g. ensure buy-in/consult/keep interested and informed/inform)
- ∣ a stakeholder engagement plan based on the I/I Matrix detailing the forum, frequency, interest(s) and owner for each stakeholder.

6.3.34 This analysis of the project’s stakeholders will provide the information required to manage and communicate with the projects stakeholders. It will underpin the projects communication activity.

**Project Stakeholders:**

6.3.35 An initial review of the project’s stakeholders has identified the following as the main stakeholders:

- ‡ Members
- ‡ Senior Officers
- ‡ Executive Director for Environment
- ‡ Managers of in-scope services
- ‡ Highways Staff
- ‡ Trade Unions
- ‡ The Market

**6.4 Procurement strategy**

6.4.1 The most appropriate procurement route for this project, regardless of the final Partnership Model, is the competitive dialogue procurement process.

6.4.2 The competitive dialogue procedure is a new procedure introduced in the public sector procurement directive (2004/18/EC), which has been implemented in the Public Contract Regulations with effect from 31<sup>st</sup> January 2006. It is for use in the award of complex contracts where there is a need for the contracting authorities to discuss all aspects of the proposed contract with candidates. Such dialogue would not be possible under the open and restricted procedures.

6.4.3 Under CD procuring:

- ‡ Dialogue is allowed with selected suppliers to identify and define solutions to meet the needs and requirements of the contracting authority
- ‡ The award is made only on the most economically advantageous tender criteria;
- ‡ Dialogue may be conducted in successive stages, with the aim of reducing the number of bidders/solutions; and
- ‡ There are explicit rules on post-tender discussions.

6.4.4 The new procedure was negotiated for use in complex projects. It is for use where the open or restricted procedures would not allow for the award of such contracts –as in this case. It has a wider application than existing PPP/PFI projects, however, these types of projects are what the procedure was designed for. The current practice is to use the competitive dialogue procedure where possible for procurements where more than one solution could exist.

6.4.5 The competitive dialogue procedure allows contracting authorities to explore what the most appropriate and VFM solution can be provided. Where the contracting authority can not define the technical means of a project or detail their needs at the outset the use of competitive dialogue is most appropriate.

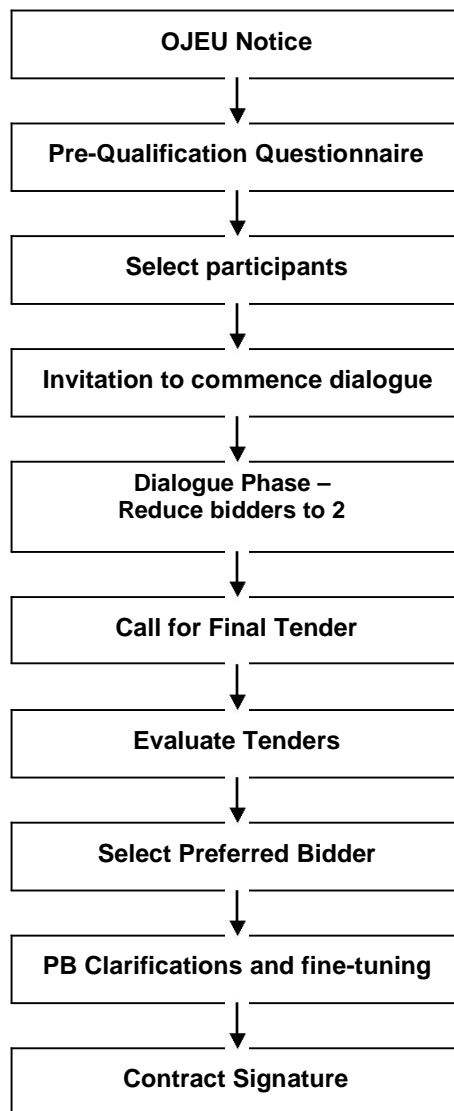
6.4.6 For PPP contracts it is also the case that financial or legal make-up cannot be defined in advance, because issues such as risk allocation, how the project is going to be carried out and financed and who is responsible for which services, will be the subject of discussions with the potential providers.

6.4.7 While the Council will know what outcomes they are expecting from a new service delivery model and perhaps have a reasonable idea as to what the best-fit model is for

delivering these outcomes there will still be a large number of unresolved areas and issues which can only be resolved through engagement with the market and which will impact on the final solution. The competitive dialogue process will allow the Council to further explore the following areas:

- ⋮ cultural synergies;
- ⋮ service scope;
- ⋮ service delivery;
- ⋮ service performance levels;
- ⋮ level of efficiencies within service areas;
- ⋮ financial models;
- ⋮ staff issues;
- ⋮ the form of partnership structure, and;
- ⋮ the issues (legal, technical etc) associated with the structure

**Figure 10: Competitive Dialogue Flow Chart**



6.4.8 Table 29 outlines typically the competitive dialogue procurement process and the number of weeks to be delivered. However, this timetable is dependent on the circumstances of the procurement and while taking into account internal approval processes these are expected to be relatively swift.

**Table 29: Competitive Dialogue Procurement Process**

Competitive Dialogue Procurement Process	Week
OJEU Notice and commencement of procurement process	0
Pre-Qualification Questionnaires issued	0-6
PQQ's completed by bidders and returned	6 (+6)
Evaluation of PQQs and selection of shortlist	10 (+4)
Start Competitive Dialogue Process by issuing Invitation to Submit Outline Solutions (ISOS)	10 (+0)
ISOS returned	16 (+6)
Evaluation of ISOS and reduce number of bidders	24 (+8)
Refine tender documents and issue Invitation to Submit Detailed Solutions (ISDS)	26 (+2)
ISDS returned	38 (+12)
Evaluation of ISDS and reduce number of bidders	52 (+14)
Refine tender docs and issue Call for Final Tender	56 (+2)
Final Tenders submitted	64 (+8)
Evaluation of Final Tenders	74 (+10)
Selection of Preferred Bidder	76 (+2)
Financial and Commercial Close	88 (+12)
Mobilisation	104 (+16)
Service Commencement	104 (+0)

**6.5 Project plan**

6.5.1 The project plan is dependent upon many circumstances and interim milestones will inevitably alter throughout the life of the project.

6.5.2 Based on current circumstances, a broad, high-level programme is set-out in Table 30 below.

**Table 30: Project Plan**

<b>Milestone</b>	<b>Proposed Milestone</b>
Final draft of Outline Business Case	Beginning of April 2008
Equalities and Environmental Impact Assessment Completed	April 2008
Highways Senior Management Consultation	Early April 2008
COMT consultation	Mid/late April 2008
1 <sup>st</sup> Stage of OBC Signed-off by Project Board	Beginning of May 2008
1 <sup>ST</sup> stage of OBC Completed	Beginning of May 2008
Staff/Stakeholder Consultation	Early May 2008
Report to Scrutiny	Mid-May 2008
Report to Cabinet	Mid-June 2008
Report to Council	Mid-July 2008
OJEU Notice issued	Beginning of September 2008
Commence Competitive Dialogue	Mid-October 2008
Cabinet decision to go to Call for Final Tender with 2 bidders	September 2009
Preferred Bidder Selected	February 2010
Decision on preferred bidder	February 2010
F&C Close	March 2010
Contract Award	March 2010
Service Commencement	September 2010

- 6.5.3 It is anticipated that the project will need to go before Members on four occasions:
- ⋮ at the outset;
  - ⋮ at move to CFT, mid-way through the project;
  - ⋮ for selection of preferred bidder; and
  - ⋮ for contract award. However, Members may require the project to come back at additional key stages.
- 6.5.4 The programme is tight and is dependent on approval from Members at key decision points. If there is any delay at key approval stages then the programme is likely to slip.

## **6.6 Contract management Introduction**

6.6.1 Any contract management/client management will need to be considered carefully in relation to its interfaces with other Council services and other Council Clients, such as the Street Lighting PFI Client. There are clearly synergies between the two and where possible the clients should be mutually aligned.

6.6.2 Partnerships take a step-away from traditional client/contractor relationships and as such are based on mutually aligned incentives throughout the course of a long-term relationship. The objective is for a shared approach to:

- ‡ an agreed long-term perspective on needs, costs and solutions;
- ‡ the allocation and management of risk and rewards;
- ‡ governance arrangements, including dispute resolution; and
- ‡ flexibility and responsiveness to changing circumstances.

6.6.3 Good contract management goes much further than ensuring that the agreed terms of the contract are being met – this is a vital step, but only the first of many. No matter what the scope of the contract, there will always be some tensions between the different perspectives of customer and provider. Contract management is about resolving or easing such tensions to build a relationship with the provider based on mutual understanding, trust, open communications and benefits to both customer and provider – a ‘win/win’ relationship.

6.6.4 Increasingly, public sector organisations are moving away from traditional formal methods of contract management (which tended to keep the provider at arm’s length and can become adversarial) and towards building constructive relationships with providers. The management of such a contract, in which the specification may have been for a relationship rather than a particular service, requires a range of ‘soft’ skills in both the customer and the provider.

6.6.5 Therefore, clear contract management is fundamental to the success of the Partnership and needs to be adequately resourced. This is corroborated by the recent report from the Audit Commission ‘For better, for worse: VFM in SSPs’ which states that without a strong client function the partnership is less likely to deliver the anticipated outcomes.

6.6.6 The Council should aim to create a robust contract management structure which ensures that both parties to a contract meet their obligations as effectively and efficiently as possible, in order to deliver the business and operational objectives required from the contract and in particular to provide value for money.

6.6.7 The following factors are essential for good contract management:

### **Good preparation**

6.6.8 An accurate assessment of needs helps create a clear output-based specification. Effective evaluation procedures and selection will ensure that the contract is awarded to the right provider.

### **The right contract**

6.6.9 The contract is the foundation for the relationship. It should include aspects such as allocation of risk, the quality of service required, and value for money mechanisms, as well as procedures for communication and dispute resolution.

### **Single business focus**



- 6.6.10 Each party needs to understand the objectives and business of the other. The customer must have clear business objectives, coupled with a clear understanding of why the contract will contribute to them; the provider must also be able to achieve their objectives, including making a reasonable margin.

#### **Service delivery management and contract administration**

- 6.6.10 Effective governance will ensure that the customer gets what is agreed, to the level of quality required. The performance under the contract must be monitored to ensure that the customer continues to get value for money.

#### **Relationship management**

- 6.6.11 Mutual trust and understanding, openness, and excellent communications are as important to the success of an arrangement as the fulfilment of the formal contract terms and conditions.

#### **Continuous improvement**

- 6.6.12 Improvements in price, quality or service should be sought and, where possible, built into the contract terms.

#### **People, skills and continuity**

- 6.6.13 There must be people with the right interpersonal and management skills to manage these relationships on a peer-to-peer basis and at multiple levels in the organisation. Clear roles and responsibilities should be defined, and continuity of key staff should be ensured as far as possible. A contract manager (or contract management team) should be designated early on in the procurement process.

#### **Knowledge**

- 6.6.14 Those involved in managing the contract must understand the business fully and know the contract documentation inside out ('intelligent customer' capability). This is essential if they are to understand the implications of problems (or opportunities) over the life of the contract.

#### **Flexibility.**

- 6.6.15 Management of contracts usually requires some flexibility on both sides and a willingness to adapt the terms of the contract to reflect a rapidly changing world. Problems are bound to arise that could not be foreseen when the contract was awarded.

#### **Change management**

- 6.6.16 Contracts should be capable of change (to terms, requirements and perhaps scope) and the relationship should be strong and flexible enough to facilitate it.

#### **Proactivity**

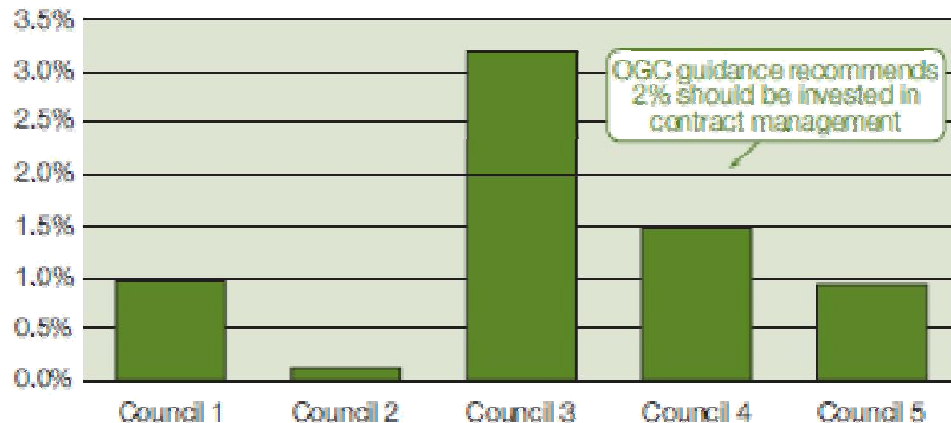
- 6.6.17 Good contract management is not reactive, but aims to anticipate and respond to business needs of the future.

## Contract Management Resource Requirements

6.6.18 Typically, contract management resources equating to 2% of the contract value are required. However, the Audit Commission recently found that authorities are under- investing in their client-side management costs.

### Councils are under-investing in client-side management capacity for their SSPs

Ongoing management costs as % of annual charge (£000s)



Source: Audit Commission

6.6.19 The Audit Commission (For better, for worse: 2008) has stated that they would anticipate that councils should expect to invest at least 2-3 % of the contract value to resource client-side management.

### Contract Management Team

6.6.20 The exact structure of the client team will be dependent on the final structure of the partnership and the services which are passed across to the Partnership. However, it is broadly expected that the client team will provide the following functions:

- ∴ contract management;
- ∴ benefits realisation tracking;
- ∴ broad policy/strategy; and
- ∴ interface with the wider council.

6.6.21 The size of the contract management team may have to change over the life of the contract. The early stages are often more demanding in terms of management time.

6.6.22 At the very least the contract management team will need to incorporate the following positions:

- ∴ Contract Manager
- ∴ Contract Officer
- ∴ Technical Officers
- ∴ Benefits Realisation Manager
- ∴ Contract Administrator

**Contract Manager**

- 6.6.23 The primary attributes required for the post of Contract Manager will not be technical qualifications (ie Chartered) – although technical/service expertise and experience would be beneficial - but commercial and contract experience.
- 6.6.24 The main functional responsibilities of the contract manager (or contract management team) on the customer side are to:
  - ‡ track the interpretation of business requirement into contractual provisions
  - ‡ act as a single point of contact for all formal and legal correspondence relating to the contract
  - ‡ maintain the specification of contract performance metrics
  - ‡ monitor contract performance and report at overall service or business outcome level
  - ‡ monitor subordinate performance metrics as appropriate
  - ‡ represent the customer’s interests to the provider at contract level
  - ‡ oversee operation of the contract(s)
  - ‡ determine and take remedial actions by agreement with the provider
  - ‡ negotiate remedies with the provider
  - ‡ escalate contract problems as necessary
  - ‡ Maintain/develop contract specifications.

**Transition Management**

- 6.6.25 In order to ensure a reasonably smooth transition from one service delivery model to the next it is important to ensure those involved in setting up the service are also involved post-service commencement.
- 6.6.26 The proposed roles of Technical Manager, Technical Officer and Change Manager are all proposed permanent posts and it is expected that these roles will evolve into client roles post-service commencement.
- 6.6.27 The Technical Manager and Technical Officer will have a clear and detailed knowledge of the service specifications and the processes and procedures for operation of the partnership.
- 6.6.28 The Change Manager will have a clear and detailed knowledge of the anticipated benefits of the project and will be responsible for leading on the tracking of these benefits.

**6.7 Risk management strategy**

- 6.7.1 Robust risk management is absolutely crucial to the success of the project. This section details the risk management strategy for the project.
- 6.7.2 All be identified risks will be entered into the risk log. Any person may identify a risk however the risk log will the responsibility of the project manager.
- 6.7.3 Each risk will be allocated a score of 1-5 for: the likelihood of the risk occurring (L); and, for the impact of the risk occurring (I). The two figures will be multiplied to provide a risk score.

$$2(L) \times 5(I) = 10 \text{ (Risk Score)}$$

6.7.4 Risk Appetite:

1-8 = Low Risk  
 9-13 = Medium Risk  
 14-25 = High Risk

6.7.5 The response to the risk occurring will be considered using the following categories:

- ‡ Prevent the risk occurring
- ‡ Reduce the impact of the risk
- ‡ Accept that the risk may occur
- ‡ Contingency plan for the risk occurring
- ‡ Transfer the risk to a third party

6.7.6 The management of the risk will then be allocated to the person best-placed to manage the risk.

6.7.7 The risk log will be reviewed on a weekly basis. All risks identified as 'high' will be reported to the Project Board on a monthly basis.

6.7.8 Clearly a project of this scale and nature will carry a number of significant risks and a comprehensive risk register will need to be developed along with accompanying risk strategy. These documents would be developed in compliance with Southampton's approved methodology for assessing and managing risk and will be presented to the Project Management Board for approval.

6.7.9 There are two main types of risk faced by the implementation of this project:

- ‡ risk involving the development and implementation of the partnership, and
- ‡ risk of the subsequent failure of the partnership

6.7.10 The risk strategy needs to address these two main areas of risk and a summary of the requirements of the risk strategy that should be used is included below:

6.7.11 In compiling the project risk strategy there are some fundamental questions that will need to be addressed, including:

- ‡ what risks are to be managed?
- ‡ how much risk is acceptable?
- ‡ who is responsible for the risk management activities
- ‡ What relative significance time, cost, benefits, quality, stakeholders have in the management of programme risks?

6.7.12 Further risks are identified in the options appraisal for the preferred service model in the Strategic Business Case and in the options appraisal of the partnering model in the Outline Business Case.

6.7.13 Risk quantification and analysis is, at this stage in the procurement process, generic. As the project progresses into the detailed business case further work is required with the end product of a comprehensive risk register being completed that encompasses all aspects of risk management.

## **6.8 Benefits realisation plan**

6.8.1 A Benefits Realisation Plan and Benefits Management Strategy will be developed based on the following expected benefits:

- ┆ Efficiency savings (cashable and non-cashable)
- ┆ Improved service levels
- ┆ Improved customer focus
- ┆ Improved highways network

6.8.2 The Benefits Realisation Plan will be used to track the realisation of the above outcomes.

6.8.3 The Benefits Realisation Plan should clearly show what will happen, where and when the benefits will occur and who will be responsible for their delivery. The plan for benefits needs to be integrated into or co-ordinated with the programme plan and should be very clear about handover and responsibilities for ongoing operations in the changed state (where the benefits will actually accrue).

6.8.4 There should also be a tracking process which monitors achievement of benefits against expectations and targets. The tracking process must be capable of tracking both 'hard' (e.g. cost, headcount) and 'soft' (e.g. image) benefits and operates alongside the changed operation.

6.8.5 In addition, there should be evidence of realisation of actual benefits (through the tracking process). The benefits claimed should be defensible against third party scrutiny.

- ┆ Schedule detailing when each benefit or group of benefits will be realised
- ┆ Identification of appropriate milestones when a programme benefit review could be carried out
- ┆ Details of any handover activities, beyond the mere implementation of a deliverable or output, to sustain the process of benefits realisation after the programme is closed.

### **Benefits management strategy**

- ┆ Outline description of the programme's benefits and where in the organisation the benefits will occur
- ┆ Model of the benefits showing any interdependencies and dependencies on specific areas of change required within the organisation
- ┆ Description of the functions, roles and responsibilities for benefits planning and realisation, aligned to the programme's organisation structure
- ┆ Review and assessment process for measuring benefits realisation covering who will be involved in reviews and how and when the reviews will be carried out.

## **6.9 Project Review and Post Implementation Reviews**

6.9.1 It is important to reflect on the delivery of the project to detail lessons learned and equally important to review the operational service to ensure that the anticipated benefits are being delivered.

### **Project Reviews**

6.9.2 Once the service is operational the Project Board will close the project. A Project Closure Report will be completed as will a Lessons Learned Report. These documents will be made available to relevant stakeholders and will be available for reference to inform the delivery of future projects.

### **Post-implementation Reviews**

- 6.9.3 The service will be reviewed on a regular and frequent basis. These service reviews will be the responsibility of the Partnership Board.
- 6.9.4 The contract should clearly lay out the review process and the remedies for addressing performance issues.
- 6.9.5 Common practice often incorporates a number of key performance indicators in to the contract. It is important that the KPIs are linked to the anticipated benefits and required outcomes of the Partnership. For example, efficiency savings or customer satisfaction,
- 6.9.6 These KPIs are monitored on a regular basis by the Partnership Board. If the KPI's fall below a certain threshold then Improvement Action Plans are agreed with the express purpose of improving the KPI.
- 6.9.7 The Change Manager will be responsible for tracking the realisation of the benefits.

## **6.10 Contingency plan**

- 6.10.1 This section summarises the outline arrangements for contingency management if service implementation is delayed.
- 6.10.2 The Council currently delivers its highways services internally, with this provision topped-up by external contractors. To supplement the internal resources the Council has a contract for Highways Maintenance and a contract for design services.
- 6.10.3 These contracts expire in 2008 with no possibility for extension and will therefore be re-tendered in September 2008 for an initial period of 2 years with a view to the long-term service delivery model commencing in September 2010. The contracts will include the option to extend the contracts for a period of 2 further years. This will allow the Council, if needed, till September 2012 to implement the long-term service delivery model.
- 6.10.4 If the long-term service delivery model seems unlikely to commence by September 2012 then alternative arrangements will be required. The alternative arrangements will depend primarily on the situation with regard to the implementation of the long-term service delivery model.
- 6.10.5 In addition to the need to extend the contracts of incumbent contractors the Council would also need to consider the cost implication of any delay to the project. A delay would impact on the costs of staff salaries, external advisers fees, the schedule of rates on existing contracts, and would also impact on the final cost of the partnership due to inflation.
- 6.10.6 A further contingency strategy is required to cover the possibility that the approval to proceed to a long-term partnership model is rejected by either COMT or Members. If this occurs then the Councils position would need to be re-evaluated, however, the most likely way forward would be to move to a long-term contract with one service provider along the more traditional client/contractor route.

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