

RSM! Tenon

Gateway Review



PROJECT:

Building for the Future

**Avon and Somerset Constabulary PFI Accommodation
Project**

**Gateway Review 3 (Interim)
(Investment Decision)**

FINAL REPORT

Report Status:	f Final
Date/s of Review:	3 to 6 October 2011
Draft Report Issued to SRO:	18 October 2011
Final Report Issued to SRO	17 November 2011
Delivery Confidence Assessment:	Amber/Green
Senior Responsible Owner:	Julian Kern
	

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1. Background

1.1 Aims of the Project

The Avon and Somerset Constabulary PFI Accommodation Project (the Project) aims to transform a number of elements of the physical estate infrastructure (Police stations, custody suites, criminal justice facilities and firearms facilities). The physical infrastructure changes are also enabling wider transformation of processes and practice in the Force.

In recent years, policing has been subject to an increasing number of demands, challenges and new policy initiatives. There are a number of key strategic themes which provide the context for the overall ASP accommodation strategy, including the proposed PFI scheme:

- The need to support the key priorities in the Avon and Somerset Policing Plan: Citizen Focussed Policing, Reducing Crime and Bringing Offenders to Justice, Protective Services and People and Resourcing.
- The requirement to demonstrate effective use of resources and efficiency gains, through ongoing improvements to key operational processes and the structure of the workforce.
- A drive to improve regional collaboration and joining up with neighbouring forces and partner agencies to deliver services to the public at local level.
- Greater focus on carbon footprint and environmental impact of all public sector organisations.
- The likelihood of on-going focus and potentially unpredictable public policy changes impacting on the way policing is delivered.

1.2 Driving Force for the Project

Important changes in Police methods and operations are enabled by the Project. Many aspects of the organisation's operations are undergoing major transformation to deliver a step change in policing performance. To support this ambitious transformation, significant change is required in the client's property portfolio.

1.3 Procurement/Delivery Status

An Interim Final Business Case has been approved by the Home Office and HM Treasury. Two bidders remain at this stage and are in Competitive Dialogue and both made final bids on 17th October 2011. Bid evaluation is currently underway with an announcement of Preferred Bidder expected in mid January 2012.

On 12 October, Home Office approval was gained to bring the tender process to a conclusion and to close the Competitive Dialogue phase.

The Home Office Group Investment Board is expecting the final FBC for their meeting on 15 December and will be reviewed concurrently with HM Treasury. If successful, and after the requisite standstill period, an announcement on the identity of the successful bidder will be made early in the New Year.

The Programme Team have an outline timetable to finalise the contract by August 2012.

1.4 Current Position Regarding Gateway Reviews

The following Gateway Reviews have been carried out to date:

- A Gateway Review 0/1 was carried out in December 2009. At that stage the Delivery Confidence Assessment was determined as Amber/Red. The Gateway Review 0/1/Report made 9 recommendations, 4 of which of which were defined as "Essential" and 5 as "Critical".
- A Gateway Review 2, Delivery Strategy was carried out in December 2010. At that stage the Delivery Confidence Assessment was determined as Amber. The Gateway Review report made 7 recommendations, 1 of which was "Critical", 5 "Essential" and 1 "Recommended." Section 5.2 of this report details the implementation of the actions recommended at Gate 2 in December 2010. In summary, the Review Team was impressed with the speed and thoroughness of the adoption of previous findings.

2. Purpose and Conduct of the Review

2.1 Purpose of the Review

Gateway Review 3: Investment Decision. This Review investigates the Full Business Case and the governance arrangements for the investment decision to confirm that the project is still required, affordable and achievable. The Review also checks that implementation plans are robust.

A full definition of the purpose of a Gateway Review 3 is attached for information at Appendix A.

This report is an evidence-based snapshot of the Project's status at the time of the review. It reflects the views of the independent review team, based on information evaluated over a three to four day period, and is delivered to the SRO immediately at the conclusion of the review.

2.2 Conduct of the Review

The Interim Gateway Review 3 was carried out from 3 to 6 October 2011 at the Police Headquarters, Portishead. Preparatory and follow-up work has also been carried out by the Gateway Review Team offsite. The Review Team members and the people interviewed are listed in Appendix C.

The Review Team would like to thank the Julian Kern, his Project Team and the wider operational staff for their support and openness, which contributed to the Review Team's understanding of the project and the outcome of this review.

3. Gateway Review Conclusion

3.1 Delivery Confidence Assessment.

The Review Team finds that overall delivery confidence assessment is **Amber/Green**

The Delivery Confidence assessment RAG status uses 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 do not appear to be manageable or resolvable. The Project/Programme may need re-baselining and/or overall viability re-assessed

In the last Gateway Review (December 2010) the Accommodation Project was somewhat remote from the main transformation and change programmes running within the organisation. It is now clear upon our return that action was swiftly taken by the SRO and the Deputy Chief Constable to ensure that all programmes are properly integrated. Any issues are reported and reviewed by the Chief Officer Group on a regular basis.

The wider Change Team has supported the Accommodation Project (e.g. benefits support) through 2010/11 and the Project is in much better position within the organisation to deliver buildings that will maximise the working method improvements required.

A summary of the Report Recommendations is available at **Appendix B**.

4. Findings and Recommendations

4.1 Assessment of the proposed solution

The business need for the Project has remained constant throughout the process and is clearly articulated in Section 2 of the Interim Full Business Case (FBC). Understanding of the need was tested in the interviews and is clearly embedded across the organisation.

During the Competitive Dialogue process, the Project Team clearly sought innovation from Bidders in terms of design and technical solutions, but there were no significant alternatives proposed by Bidders, driven primarily by the Project's key location and site ownership drivers.

The Bidders' solutions are beneficial to the Project's outputs/outcomes and still within the scope of the OJEU advertisement. They will meet the business need articulated in the Interim FBC. The organisation is committed to the Project being an enabler for business change and analysis is set out in section 2.2 of the Interim FBC, including updates from the approved OBC. The high level of commitment to change was a key feature of our interviews with key operational stakeholders in the Project. We find that the proposed services and service levels as defined in the Project Agreement will meet these agreed business requirements.

The Project Team has spent a considerable amount of time and effort in preparing updated plans for managing the business change on the basis of the proposed solution. We found substantial evidence of discussion and agreement at Project Board level, including consultation with and detailed input from users and stakeholders.

We were pleased to see that a considerable amount of development work has been undertaken on business benefits since our Gateway 2 review. There is a well defined Benefits Register and a dedicated Benefits Manager whom we interviewed and found to be both knowledgeable and enthusiastic about the process for benefits realisation. Work is continuing on how benefits will be measured at Gateway 5.

As this is an Interim Gateway 3 review, where the client has yet to select which of the two final suppliers offers the preferred solution, it is too early to test the proposed supplier's development and implementation plans. This will be examined in the Final Gateway 3 review, prior to the investment decision.

Whilst key activities, sequencing and milestones have been identified by the Project Team, the Project Plan from the appointment of preferred supplier to financial close and beyond would benefit from more detailed programming, critical path analysis and resource allocation in order to better manage the key time/cost/quality risks. The client's technical advisers should be able to advise on best practice, including the use of specialist programming and resource scheduling software.

Allocation and understanding of responsibilities between the parties (in addition to any contractual liabilities) is a process that we would expect to review once the choice of supplier is known and there has been sufficient time to develop the supplier side response. Accordingly, this will be examined in the Final Gateway 3 review, prior to the investment decision.

More work is needed to identify the resources available for the business to fulfil its obligations within the contract/agreement and achieve the intended outcomes of the investment, but this is not unusual at this stage in the procurement process and can be undertaken with the resource planning exercise discussed previously in this section of the report. We note that the client has already identified a contract manager for the operational period of the Project.

As the preferred supplier has not yet been selected, we have not assessed the technical implications of the Project, such as 'buildability', compliance with Achieving Excellence in Construction requirements, health and safety and sustainability issues. This will be examined in the Final Gateway 3 review.

Recommendations:

R1: Now there is some clarity of the way forward, the client should re-plan the project including detailed programming, critical path analysis and resource allocation. The client may wish to consider the use of specialist programming and resource scheduling software – **Essential**

4.2 Business case and stakeholders

We are happy to confirm that the project still fits with strategic objectives, including government and organisational objectives and note that these are detailed in the Interim FBC. In so far as we are aware and was disclosed by the client during our review, we can confirm that external factors have not affected current priorities for the Project.

The full business case is not yet complete, but this is an Interim Gateway 3 review. The client's intention is to submit a final FBC to the Home Office by 17 November. The recommended way forward clearly meets the business need and the preferred option analysis was found to be robust.

Until such time as the preferred supplier is selected and the final FBC completed, we are not yet in a position to determine whether the commercial arrangement represents value for money, but we have examined both shortlisted suppliers funding arrangements and found these to be deliverable in the current funding market. We do, however, note that the project finance market is particularly susceptible to general economic volatility and that the client will remain with this risk up to financial close. In mitigation, the authority terms include a 0.5% interest rate buffer, there is circa £1m headroom on

affordability and the bidders are required to deliver a final price that is subject to a cap based on their 5 September indicative prices.

Having discussed the change enabling opportunities of the Project with senior operational managers within the organisation, we believe that the client is being realistic about its ability to manage change and that the Project outputs will support and help crystallise such change. Similar change programmes are being undertaken in other police forces around the country in response to cost improvement and efficiency requirements from the Home Office.

Section 5 of the Interim FBC demonstrates the client's affordability analysis and records the conclusion that the project is affordable to the client and the Home Office. Whilst we have not carried out financial due diligence as part of this review (such due diligence is the responsibility of the client, the Project's financial advisers and the model auditors), we found the financial advisers and client financial representatives thorough in their analysis of the affordability position.

The Benefits Register is a significant improvement since Gateway 2 and further development, as previously recommended, should make for efficient benefits planning. The client has identified 17 high level critical success factors and 8 of these already have measures identified and agreed, with the remainder to follow by the end of 2012.

Stakeholders, business and user representatives have been involved in the preparation and approval of the draft contract and will also be involved in the forthcoming tender evaluation process, as will the Project Team and members of the Police Authority.

Recommendations:

R2: The organisation should continue to resource the benefits management process and the development of the Benefits Register. Measures should be identified and agreed for the remaining 9 critical success factors or, alternatively, if the factor cannot be measured its position on the list should be reviewed - **Essential**

4.3 Risk Management

A number of risk workshops have taken place and we are more confident that risk management is embedded in the Project. The Risk Register is tabled monthly and operational support staff recognised risk as an integral part of their work at this Gateway Review.

Of all the major risks that arose during this phase, many have been resolved and are now shown as closed on the Risk Register. Key risks remaining are centred around approval of the business case, agreeing contractual terms with the preferred supplier, planning risk and other necessary consents, funding and interest rate risk. These risks have been identified and some

dissected but the version of the Risk Register we reviewed (version 0.8) needs some more input from the Project Team in relation to mitigating actions.

As an Interim review, we did not explore the business contingency and continuity arrangements and plans that aim to minimise the impact on the business in the event of major problems during implementation and rollout, as these will need to be developed in conjunction with the preferred supplier.

A high level review of the contract documentation would confirm that these reflect standard terms and conditions and this was confirmed by the Project legal advisers during interviews. Re-competition issues are factored into the SoPC benchmarking and market testing provisions.

Recommendations:

R3: The Project Risk Register should be updated by the Project Team in relation to mitigating actions - **Recommended**

4.4 Review of current phase

We are satisfied with the control of the Project and note the significant efforts made to address recommendations from the Gateway 2 review – documented here in Section 5. As the Project Team continues with an intensive period of effort in relation to progress to financial close, more detailed programming and resource planning would be beneficial and we have already made a recommendation to this effect. It would also be advantageous to formalise the co-ordination meetings between the individual Project team members with focus on design/technical, facilities management and operational policing matters into a technical and operational co-ordination group.

The client assessment, based on the Interim FBC (September 2011) shows that there is headroom of circa [REDACTED] and [REDACTED] available. The client has included the financial projections into its Medium Term Financial Plan and longer term financial projections, which have also taken account of the impact of the CSR.

The Interim FBC has validated the assumptions from Gateway Reviews 1 and 2 and the required organisational procurement and technical checks are in the process of being carried out at this interim stage. Compliance with statutory requirements, (e.g. planning, building regulations) will either be a Condition Precedent on the contract becoming effective or will be a contractual obligation on the supplier.

We have reviewed documented information that confirms the activities and processes in the delivery strategy and plan have been followed by the Project Team and these are referred to in the Interim FBC. We understand that the