

Via East Midlands Ltd

A614/A6097 Major Road Network Improvement Scheme, Nottinghamshire

Project Governance and Procurement



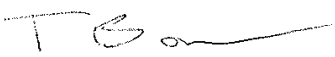



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**Nottinghamshire
County Council**

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1 Introduction

This note is part of the Outline Business Case for the A614/A6097 Major Road Network Improvement Scheme which is to be submitted to the Department for Transport (DfT) in May 2019.

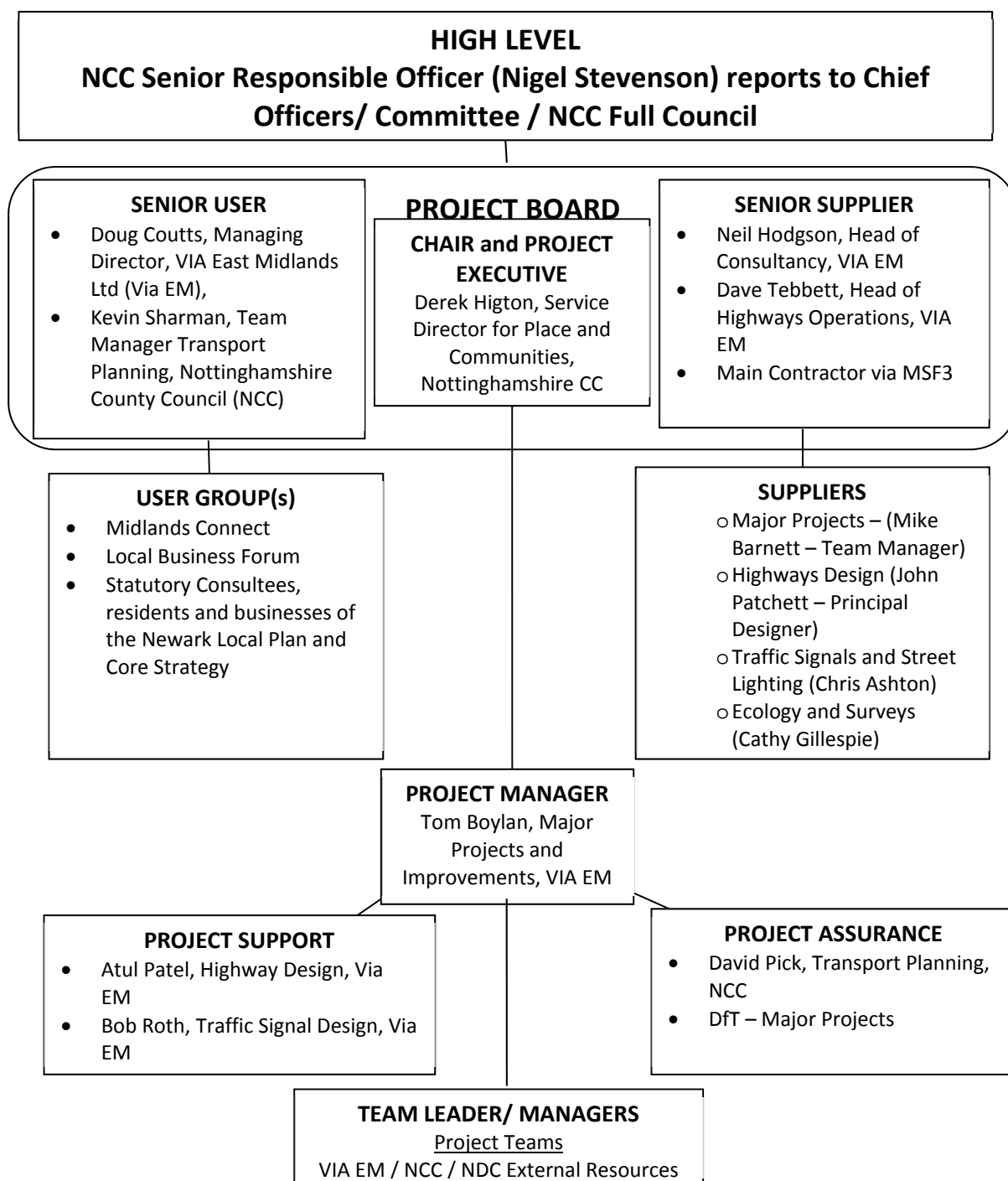
2 Project Governance

The scheme is project managed by Via East Midlands on behalf of Nottinghamshire County Council (NCC) and is run using Prince 2 based controls. The Project Delivery team has a proven track record of procuring and delivering major transport schemes with the most recent example being the Hucknall Town Centre Improvement Scheme which was completed in June 2016 and funded by DfT.

A Project Board is in the process of being set up and will meet approximately 3 times a year. The meetings will be focussed on key milestones / decision points rather than sticking to rigid meeting dates.

The latest organogram for the project can be found in Figure 1. The governance structure which is in place for the A614/A6097 MRN improvement project follows an established structure that has been used by Via East Midlands for the successful delivery of other major and significant transport schemes.

Figure 1: A614/A6097 MRN IMPROVEMENT -ORGANOGRAM



3 Project Board

The Project Board will be chaired by Derek Higton the Service Director for Place and Communities at Nottinghamshire County Council. Other members will include Neil Hodgson, Via East Midlands, Head of Consultancy, Tom Boylan, Via East Midlands who is the project manager (PM) for the scheme and David Pick who is the principal officer for Transport Planning at Nottinghamshire County Council (as client). Atul Patel the lead highway designer for Via East Midlands will also attend the Project Board. A representative from the principle contractor will also be invited to attend once a contractor for the project has been formally appointed.

Neil Hodgson is one of Senior Suppliers of the project and is Head of Consultancy at Via East Midlands. The Design Consultancy group consists of the following teams:

- **The Major Projects Team** (Tom Boylan) who will project manage the scheme. This team write reports to Full Council and Place Committee, deal with Statutory processes including planning applications, Compulsory Purchase Orders, Traffic Regulation Orders and provide all financial quarterly monitoring reports to the DfT. The PM will also manage the project team which includes: Highway Design, Environmental Services (landscaping etc), legal and property services. The major projects team manage all public consultation events, attend public meetings and are effectively the Council's face of the scheme to the wider public.
- **Highway Design Team**
- **Traffic Signals and Lighting**
- **Environmental Services**

Neil Hodgson is authorised to make decisions regarding resource allocation within Via East Midlands Design Consultancy. Scheme issues and risks are highlighted directly to Neil Hodgson on a bi-weekly basis and dependent on severity are then raised with Doug Coutts (Director of Via East Midlands). Monthly Progress Reports are also sent to the client providing an update on design issues, fee estimates, the scheme budget and project risk.

The PM also reports to the Project Board via Highlight Reports which inform on the progress of the scheme. The information within the Highlight Reports is drawn from the Progress Reports and the more frequent Project Team meetings held between the PM, highway designers, landscape architects and the traffic signal engineers.

The PM is authorised to make decisions on a day to day basis. Design changes or issues/risks above a value of £50,000 are reported to the Project Executive and then to the Project Board. The Project Board are empowered to make decisions on questions raised by the PM and also direct internal reporting procedures.

The Project Board will inform senior personnel within NCC including the SRO in all correspondence with the DfT on the scheme. The Project Board will agree progression to the next agreed work stage and also take key decisions that affect the programme, quality or cost of the scheme. Nottinghamshire County Council has now set up a Highways Major Project Board which also meets on a monthly basis and attendees include senior members of the County Council and Via East Midlands.

The PM holds Project Team meetings overseeing delivery, risk, programming and budget control. The Major Projects and Improvements Team at Via East Midlands will lead the project on behalf of NCC and will liaise with the DfT throughout the life of the scheme, including submitting Quarterly

Monitoring Reviews, Full Approval Submission, Evaluation and Monitoring Reports and Financial Audits.

4 Project Procurement

The main construction works for the A614 Major Road Network Improvement Scheme will be procured using the Medium Schemes Framework (MSF) which is provided through the Midlands Highway Alliance (MHA) of which NCC is a lead member. The Medium Schemes Framework is now in its twelfth year and its key and over-riding objective is to develop an effective procurement option for the delivery of highway schemes.

Using the MSF helps to reduce procurement costs and gives greater flexibility over the timings of construction compared to a traditional tender route. However, the main major benefit of the MSF is that it enables a significant period of Early Contractor Involvement (ECI) with the appointed contractor. This is a collaborative approach and key benefits include involving the contractor in the design process with key suppliers and sub-contractors also being involved in decisions at a much earlier stage. The appointed contractor can also carry out value engineering and assist in the management of risk whilst also fixing a target price for the overall package of works.

On the successful completion of ECI, savings and innovation for the project are recorded and returned to the MHA. Savings are continuously reviewed by the Framework Community Board to ensure that lessons learnt are shared as widely as possible. ECI had generated savings of over £16 million through MSF2 up to March 2017 across all member projects (MHA website). Case studies demonstrating these benefits are available on the MHA website. Typically contractors are now being selected six months prior to the start of the project and it is anticipated that the A614 / A6097 MRN Improvement project would have a contractor on board closer to 12 months before the start of works to maximise potential savings over the construction period.

In addition to the advantages outlined above, the medium Schemes Framework also allows for:

- High levels of participation in the regular Framework Community Board
- The ability to measure performance through the Framework Community Board that is well attended by all member partners.
- Benchmarking MSF projects against projects delivered by other methods.
- Performance management – reporting of performance shows high levels of client satisfaction and numerous regional awards.
- Investment in skills – every project has an Employment and Skills Plan in place to maximise and monitor job creation, learning and skill development for the construction industry. This is part of the MHA Skills Community, Construction Industry Training board (CITB) and recognised by the Institution of Civil Engineers (ICE) to address the skills gap in the construction industry as the number of infrastructure projects increase.
- Collaboration and shared learning- meetings are held regularly, usually every two months and providing an opportunity to share information about:
 - Target price
 - Outturn costs
 - Time predictability
 - KPI information

- Innovations
- Near misses
- Lessons learnt

MSF1 and MSF2 had already shown an increase in the amount of savings achieved since the frameworks were developed. Savings in time and money (as reported above) have been made by removing the need for each authority to separately conduct EU compliant procurement procedures. However, MSF3 has improved the framework further by incorporating the following proposals:

- **Safety** – Ensure that CSCS cards are held by all local highway authority staff working on framework projects.
- **Dependable** – Simplify contractor selection process and abandons the Lot 1 and Lot 2 split to widen the procurement pool.
- **No delay, no surprise** – Makes further improvements to early contractor involvement by including an option so that payments can be made to the contractor during ECI process.
- **Good value** – Increase the use of the local supply chain to achieve additional value when possible.
- **Customer focused** – Use the Social Value Act to quantify community benefits.
- **Collaboration** – Improve information sharing within projects and audit the provisions of fair payment charter and link to performance measures.

The use of the Medium Schemes Framework also ensures long term relationship building, particularly in terms of well-known, recognised and understood processes, protocols and contractual terms between contractor and authority of how they work and what their processes under MHA awarded projects are. This is particularly important in terms of risk and risk allocation/transfer between parties. The MHA has established contractual terms for these and it is anticipated that the division of risk will be applied to maximise local input to the process, whilst also achieving and incentivising on-time, on-budget and the most efficient delivery mechanisms.

5 Contract Management

The latest iteration of the framework, MSF3, utilises Option C (target cost) from NEC4 Engineering and Construction Contract (EEC). The EEC form of contract has become public sector contracts of choice, being used for nearly all projects procured by national and local government bodies and agencies. Via EM, on behalf of NCC, have successfully used the previous framework, MSF2, to deliver other major highway projects including the Hucknall Town Centre Improvement Scheme which was funded by the DfT (contract value £8.5 million) and Hucknall Rolls Royce (contract value £3.1 million). Delivery of these projects has provided recent experience and knowledge of working with EEC contracts and target cost options. The same teams are working on the A614/A6097 MRN Improvement project and will be using this experience to prepare the works information and contract documentation.

An open book accounting approach would be in operation, with the contractor providing a monthly breakdown of costs with a set of Key Performance Indicators (KPIs) used to assess service delivery. Payments would be made on the basis of actual outturn costs as set out in the contract documents. Incentive mechanisms will be explored for the contractor to minimise costs.

Throughout the development of the scheme to date, risks have been identified and actively managed and a Risk Register has been produced to record this. Where appropriate, risk owners have been

allocated and tasked with eliminating risks where feasible or identifying mitigation measures for residual risks. The same ethos will be taken right through to the delivery stages of the works package. Design risk will be retained by Via East Midlands/NCC but the delivery and programme risk will be shared and incentivised with the appointed contractor, through the MHA pain/gain mechanism. The contractor is incentivised to beat the initial target cost as they will benefit from the savings as follows:

Table 1: MSF3 Contract incentives

Share range	Contractors share %
Less than 80%	30%
From 80% to 110%	50%
Greater than 110%	100%

Conversely if costs do go over budget the contractor will have to bear their share of that increased cost. Via EM/NCC will use the MHA Performance Management Toolkit to assess scheme progress and contractor performance against KPIs. Scores against the indicators will be reviewed regularly throughout the life of the scheme.

A project risk register will be prepared by the contractor and design team as part of the procurement process to collate the risk for the project. Throughout the construction period risk will continue to be reviewed by the same project team through regular monthly project meetings, allowing risks to be 'closed down' where appropriate. Collaborative workshops with the contractor and client will also be held at the ECI design process to help develop innovative ways of working and identify efficiency savings. Progress meetings will also be utilised to raise opportunities to make further cost savings on the Target Cost or to identify new risks.