

PROCUREMENT – LARGE CAPITAL PROJECTS

1. INTRODUCTION

1.1 The PPG have previously received reports on procurement of large capital projects. A further report has been requested covering issues raised by the PPG at its meetings in December 2008 and February 2009.

1.2 The OD PPG at its meeting on 10 December 2008 requested a progress report on the following matters for its meeting on 10 June 2009:

- Training of appropriate staff on application of Prince2
- Ensuring that appropriate technical skills are available, utilising external assistance if required
- Appropriate form of contract to best fit the Council's desire for improved project management

1.3 The ODPPG also met on 11 February 2009. At that meeting it requested the following matters to be reported on to the OD PPG meeting on 10 June 2009.

- The implementation of more robust procedures for estimating costs;
- That it should be identified at an early stage where there are insufficient professional resources in-house to process matters relating to large capital projects, and that where such instances are highlighted consideration should be given to outsourcing such expertise, and the project pricing adjusted accordingly;
- That legal and financial services are represented on all Project Boards;
- Elected Members to be kept informed of any material changes to large capital projects;
- To reaffirm the use of the Prince2 approach to contract management;
- That alternative options for Contractual procedures be considered for both physical works and consultancy; and

1.4 Appendix 1 attached to this note outlines the position with respect to 1.2 above.

1.5 Appendix 2 attached to this note outlines the position with respect to 1.3 above.

A Training of appropriate staff in the application of PRINCE2.

- Corporate - A one day course on project management that includes principles of Prince2 is being delivered to all 3rd and 4th tier staff and Heads of Service.
- Roads & Amenity - All Third Managers have received a one days external Prince2 training which has been followed up with an internal Prince2 course to relevant Project staff on 10 June.

B Ensuring that appropriate technical skills are available, utilising external assistance if required.

- Roads & Amenity - Prior to inception of all Capital Projects they are reviewed by the Third Tier Managers in various Units of Roads & Amenity Services, where the appropriate Project Manager and Project Engineers are appointed. The size and complexity of each scheme is considered when taking these decisions. Managers will ensure that appropriate training is required for all staff.

C Appropriate form of contract to best fit the Council's desire for improved project management.

At the inception of each Project, the Project Manager will be required to establish the procedure to be followed to all the design and construction phases of the project to be undertaken. These phases can be carried out by internal resources for both Design and Construction, but there are many occasions when consultants and contractors need to be employed to allow schemes to proceed. The Project Manager will be required to review alternative methods of procurement for engaging consultants (fixed price, dayworks basis) to undertaking the works through the use of the ICE 5th Edition to include using the New Engineering Contract. Indeed there will be times when advice will be sought from the consultants employed as well.

A database will be kept for all Roads & Amenity Capital Projects indicating the forms of contract which have been employed to appoint consultants and employ contractors and with a degree of justification for such decisions.

A The implementation of more robust procedures for estimating costs

A requirement of OBC's is to have robust estimates prepared. Where projects require a FBC then this must be based on tender returns.

B That it should be identified at an early stage where there are insufficient professional resources in-house to process matters relating to large capital projects, and that where such instances are highlighted consideration should be given to outsourcing such expertise, and the project pricing adjusted accordingly.

The need for all project resources should be identified on the OBC and FBC's and also the PID.

C Elected Members to be kept informed of any material changes to large capital projects.

There is a requirement to prepare exception reports for all service development projects. This should identify material changes. For all strategic change projects a quarterly report on progress will be submitted to members.

D To reaffirm the use of the Prince2 approach to contract management.

The principles of Prince2 are to be followed in all projects.

E That alternative options for Contractual procedures be considered for both physical works and consultancy.

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