

Gateway Review 4

Readiness for service

Authority Name: East Sussex County Council
Project Name: Bexhill to Hastings Link Road

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Project Owner: Becky Shaw

Gateway Review dates: 18/03/2015 to 20/03/2015

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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 Project Owner immediately at the conclusion of the review.

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Delivery Confidence Assessment

Delivery Confidence Assessment

Amber / Red

Construction of the new Bexhill to Hastings Link Road is in progress and being delivered through an NEC target cost contract with a joint venture (JV) comprising Hochtief and Taylor Woodrow. The contractor is re-mobilising after the winter and has made a number of changes to their team that aim to improve delivery. East Sussex County Council (ESCC) has in place solid contract management processes and technical advisors, as well as sound escalation processes. The Department for Transport have provided a grant to the project and are supporters of the scheme.

[REDACTED]

[REDACTED] There is recognition of the risks to this associated with weather factors, the complex of the site and the current position on contractual issues.

The site had substantially more archaeological finds than initially anticipated which is of some national interest with post excavation analysis awaited. ESCC has recognised and supported the archaeology process for the wider public benefit and satisfactory completion of this is part of meeting the planning consent conditions.

[REDACTED]

[REDACTED] Commercial discussions, their interdependencies and relationships with road opening planning conditions are being considered. ESCC is currently mobilising to meet the challenge of compensation events and adjudication, which needs to be closely aligned with commercial advice.

The scale of activities to complete the road, uncertainties about the completion date, the potential for cost increases and compensation events indicate that ESCC need to revisit arrangements for the ownership and direction of the project. These should balance delivering the construction project with achieving a good outcome on compensation events.













Urgent action is needed to ensure these risks and issues are addressed.

The Delivery Confidence assessment RAG status uses the definitions below.

RAG	Criteria Description
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

Summary of report recommendations

The review team makes the following recommendations which are prioritised using the definitions below.

Ref	Recommendation	Critical /Essential / Recommended
1.	Prepare likely cost scenarios to inform the commercial strategy for the opening of the road and completion of the contract	
2.		
3.	Review the dependencies between delinking planning conditions tied to the road opening 	
4.		
5.	Confirm Senior Responsible Owner arrangements for the remainder of the project	
6.		
7.	Review the project governance and reporting structure to ensure that these are closely aligned with future activities on road opening, contract completion and compensation events management	
8.	Prepare an ESCC plan for the management of all activities through to road opening, contract completion and conclusion of compensation events management	

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

Essential (Do By) – To increase the likelihood of a successful outcome the project should take action in the near future.

Recommended – The project should benefit from the uptake of this recommendation.

Background

The aims of the programme

The Bexhill to Hastings Link Road (BHLR) is a scheme to construct a 5.6km long single carriageway road between the A259 in Bexhill and the B2092 Queensway in Hastings. BHLR's primary purpose is economic regeneration of the two towns it links and the land between.

The driving force for the programme

The BHLR has a long history stretching back in one form or another for some 40 years. The justification for the road is based on:

- The need to regenerate the economy of the Hastings and Bexhill area.
- A recognition that the lack of connectivity between the two towns themselves and other parts of the south east is a major factor in the overall economic and structural problems facing the area.
- Relieving congestion on the A259 coastal road, the only east west link road between the two towns.

In recent years, the road has featured in:

- The South Corridor Multi-Modal Study (SoCoMMS) commissioned by the government in 2001 to develop a 30 year transportation strategy for the coastal corridor between Southampton and Ramsgate. As a result of this study, the Secretary of State for transport invited ESCC to develop proposals for the construction of a local link road between Bexhill and Hastings and to work closely with the Statutory Environmental Bodies in doing so.
- The County Council's Local Transport Plan 2011-2026.
- The South East Local Enterprise Partnership (SELEP) 's Strategic Economic Plan (as part of the A21/A259 Hastings-Bexhill growth corridor).

The BHLR is a key component of an established long term strategy to address the economic performance of one of the most deprived areas in the South East. The BHLR will unlock a significant new employment-generating development in an area covered by the SELEP. The SELEP along with the local business community, fully support the BHLR and significant levels of Growing Places funding has been allocated to support the provision of employment space to stimulate economic growth in the area.

As part of the A21/A259 Hastings – Bexhill Growth Corridor, outlined in the SELEP's Strategic Economic Plan, the BHLR will support the delivery of housing and employment growth in both towns. The Link Road opens up and supports the early release of land identified in the Rother Local Plan for commercial and housing development – over 50,000sqm of employment space creating up to 2,000 jobs, and at least 1,300 new homes – in the North East Bexhill area and hence represents the most significant housing site and opportunity for job creation in the area.

The procurement/delivery status

The scheme was designed under the standard two-stage NEC3 Option C contract. ESCC entered into a phase 1 contract with a joint venture partner comprising of Hochtief and Taylor Woodrow on 5 June 2009 and the phase 2 construction contract was awarded on 11 July 2013.

Current position regarding Gateway Reviews:

There has been one previous Gateway Review of this project. A Gateway Review (Stage 3 Investment Decision) was undertaken in April 2009. In 2010 ESCC undertook an internal independent peer review of the recommendations made by 4Ps and the actions that resulted. That review concluded the recommendations had been addressed satisfactorily by the project team.

Purposes and conduct of the Gateway Review

Purposes of the Local Partnerships Gateway Review

The primary purposes of a 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 Gateway Review 4.

Conduct of the Gateway Review

This Gateway Review 4 was carried out from 18/03/2015 to 20/03/2015 at East Sussex County Council, County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE. The team members are listed on the front cover. The people interviewed are listed in Appendix B.

The Review Team would like to thank the SRO, the Client Project Team and the interviewees for their support and openness, which contributed to the Review Team's understanding of the Project and the outcome of this review. The administrative arrangements for the review were excellent.

Findings and recommendations

1: Business case and stakeholders

Cost and affordability

Since the original business case, the total project cost has increased significantly. It is recognised that this is a high cost road scheme, in part due to the environmental conditions set by the statutory consultees, the geology of the area making the construction complicated and the more extensive archaeological excavation.

[REDACTED]

[REDACTED]. The JV continues to have the ability to make compensation events up until project completion. [REDACTED]

[REDACTED]

Recommendation 1: Prepare likely cost scenarios to inform the commercial strategy for the opening of the road and completion of the contract

[REDACTED]

[REDACTED]. ESCC approved additional capital funding in February 2015 from their capital programme for the project of £2.9m. [REDACTED]

[REDACTED]

[REDACTED] The Department for Transport (DfT) provided a grant of £56.8m, which has been fully drawn down and no further funding is available from this source.

In January 2015, the ESCC Cabinet established a £10m Corporate Risk Management Resource Contingency to cover four sets of risks across the capital programme, one of which was the uncertainty about delivery of projects, including the Bexhill to

Hastings Link Road. [REDACTED]
[REDACTED]

Recommendation 2: [REDACTED]
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Recommendation 3: Review the dependencies between delinking planning conditions tied to the road opening

One of the planning conditions to be satisfied relates to archaeology.

The County Archaeologist has two roles in terms of both advising planning about signing off this condition and in determining the scope of the archaeological programme.

The project involves major land acquisition and while most of this has been undertaken, there remain some issues, for example, establishing ownership of certain plots and managing encroachment onto the Greenway route. While ESCC are aware of these, the issues will need to be resolved well ahead of the road opening.

Compensation events

Some of the compensation events made have been accepted.

Further compensation events are likely, as there remains a significant period up to completion.

Arbitration and adjudication is the NEC 3 route for resolution and the contractor is using an external quantity surveyor to support their position. The timeframes for this on each claim is relatively short and

[REDACTED]

Recommendation 4:

[REDACTED]

[REDACTED]

[REDACTED]

Recommendation 5: Confirm Senior Responsible Owner arrangements for the remainder of the project

[REDACTED]

These are reputation issues for both ESCC and the JV, which require handling at a senior level. The role should also include strategic management of the contractual relationship with the JV, using the partnering board and other approaches, and key stakeholder relationship management.

Recommendation 6:

[REDACTED]

[REDACTED]

[REDACTED]

Recommendation 7: Review the project governance and reporting structure to ensure that these are closely aligned with future activities on road opening, contract completion and compensation events management

Recommendation 8: Prepare an ESCC plan for the management of all activities through to road opening, contract completion and conclusion of compensation events management

3: Risk management

Risk registers are maintained in line with contract requirements, and headline key construction and archaeology risks and issues are summarised in a report to the Project Board. The risk register contains one red risk, which was unexpected archaeological discovery. [REDACTED]

[REDACTED] These should also cover the interdependencies between risks and be used to inform the commercial strategy.

Risks are escalated in ESCC through the department risk register and the strategic risk register. The Senior Management Team is briefed on risk, finance and performance assessment and then there is escalation to Cabinet and Council. The Chief Executive was well informed of the risks and understands the situation.

4: Readiness for next phase – benefits evaluation

The next phase is taken to be the period after road opening and contract completion. On the operational side, ESCC will be owning and operating the road, although the JV has responsibility of maintenance for the first 5 years. The Assistant Director responsible for operations is already engaged in the project and hence has an appreciation of the conditions necessary for handover and operation.

As well as current Board reporting, regular monitoring reports are provided to the DfT. The DfT are very supportive of the scheme. In the next phase, attention turns to benefits realisation both in terms of the road itself and the wider economic, transport and environmental benefits. Formal processes for evaluation and benefits realisation are included in the project plan and there are good relationships and links with the SELEP.

Development of East Bexhill Business Park, which is adjacent to the road, is happening concurrently and is a key part of the Seachange Sussex plans to generate economic and employment benefits.

At a site level, lessons are being learned about and re-used in the construction programme. Wider lessons learned about the project management and delivery need to be captured by the Project Board in the current phase, as well as the lessons learned process at the end of the project. This can be used to inform the delivery of other ESCC projects and other road projects.

Next Gateway Review

This Gateway 4 Review is a readiness for service review and normally the next Gateway Review, Gate 5 benefits realisation and operational delivery would be after the post project monitoring and evaluation, approximately a year after opening. The SRO may wish to consider the value of a repeat Gateway 4 or a Healthcheck to revisit the readiness for service of the road later this year.

APPENDIX A

Purpose of 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.
- 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.

APPENDIX B

Interviewees

NAME	ROLE
Becky Shaw	Chief Executive and SRO, ESCC
Rupert Clubb	Project Board Member and Director of Communities, Economy & Transport, ESCC
Casper Johnson	County Archaeologist, ESCC
Robert Fox	Local Major Transport Projects, Department for Transport Project Sponsor
Bob Pape	Project Manager BHLR, ESCC
Chloe De Renzy Martin	Engagement Officer BHLR, ESCC
Mark Foster	Supervisor, BHLR, Mott MacDonald
Steve Trett	QS Team Leader BHLR, Mott MacDonald
Karl Taylor	Project Sponsor and Project Board Member, Assistant Director, Operations and Contract Management, ESCC
James Harris	Assistant Director, Economy including Economic Regeneration Strategy, ESCC
Tony Cook	Project Board Member, Head of Service, Planning and Environment, ESCC
Robert Freeman	Solicitor, ESCC
Mo Hemsley	Project Board Member and Assistant Director, Business Services, Strategic Projects, ESCC
Warwick Smith	Head of Communications, ESCC
John Shaw	Chief Executive Officer Seachange Sussex