



## Gateway Review 1

### Business Justification

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Authority Name: West Yorkshire PTE and Leeds City Council  
Project Name: NGT Trolley Bus

Local Partnerships is jointly owned by



**Version number:** Final

**Date of issue to PO:** 5 February 2013

**Project Owner:** Kieran Preston

**Gateway Review dates:** 29 to 31 January 2013

**Gateway Review Team Leader:**

Chris Dale

**Gateway Review Team Members:**

Peter Adams

Graham Hughes

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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/Green**

This Review has been undertaken during a period of high activity with work on-going on the Transport and Works Act Order (TWAO) Design and public consultation.

There is a great deal of confidence in the Project Team and the Review Team has been impressed by the commitment and enthusiasm of the team and most of the stakeholders interviewed. The Review Team have found that this project is being well managed from a standing start where the team has had to be re-formed at short notice.

The Review Team is conscious that there is still a lot of work to do on some key issues that include:

- updating documentation;
- stakeholder engagement;
- scoping and communicating the benefits;
- outline design;
- procurement strategy.

There are a number of recommendations contained within this report that require attention. The Review Team has given this project an Amber/Green status but if the recommendations in this report are not acted upon in a timely manner, the project is at risk of moving towards Amber given that this is a complex project with a number of risks and interfaces.

This is an exciting project and has the potential to offer significant benefits to the people of Leeds if managed properly.

The Delivery Confidence assessment RAG status should use the definitions below.

<b>RAG</b>	<b>Criteria Description</b>
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.

<b>Ref</b>	<b>Recommendation</b>	<b>Critical /Essential / Recommended</b>
1.	Roles, responsibilities and reporting lines in the Project Team should be clarified.	Critical
2.	The composition, terms of reference and meeting frequency of the Project Board should be reviewed.	Recommended
3.	The development of the procurement strategy should consider a wide range of factors with a focus on the capital costs.	Essential (within 6 months)
4.	The procurement function should be reviewed to ensure appropriate resources are in place to prepare for the procurement stages.	Essential (within 6 - 9 months)
5.	Market engagement should be undertaken as soon as possible, with a particular reference to operational issues.	Essential (within 3 months)
6.	The Joint Venture Agreement (JVA) should be completed.	Essential (within 3 months)
7.	The benefits of the scheme should be clearly defined and promoted.	Essential (within 3 months)
8.	Engagement with a specialist PR / Marketing organisation should be considered.	Recommended
9.	Project Champions should be identified.	Essential (within 3 months)

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

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

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

## Background

The Leeds New Generation Transport (NGT) project is being promoted by Metro (West Yorkshire PTE) and Leeds City Council to provide a high quality, highly segregated rapid transit service with greater reliability and faster journey times than existing bus services.

It is proposed that NGT will serve two corridors in Leeds to the North and South of the city linking Park and Ride sites with the city centre and other key facilities such as the Universities, the new Leeds Arena and the Royal Armouries museum. The NGT system will be operated by modern electrically powered trolleybuses.

In summary the project aims to meet the following key objectives:

- Maximise growth of the Leeds economy
- Support and facilitate the sustainable growth of Leeds
- Support and facilitate targeted regeneration initiatives and economic growth in deprived areas
- Improve the efficiency of the City's public transport and road networks.
- Reduce transport's emissions of CO2 and other greenhouse gases
- Promote quality of life through a safe and healthy built and natural environment
- Contribute to enhanced quality of life by improving access for all to jobs and services

### **The driving force for the programme:**

The Strategic Case for NGT was set out in detail in the Major Scheme Business Case submission in October 2009 and updated in the Best and Final Funding Bid (BAFFB) submission document in September 2011.

The key transport issues that the project aims to address include congestion particularly in peak times, unreliable and slow bus journey times and poor public transport capacity in some locations. The scheme also aims to address wider issues through promoting regeneration, linking people with job opportunities and addressing issues of social inclusion.

### **Current position regarding Gateway Reviews:**

There have been two previous Gateway Reviews undertaken on this project, although since the previous reviews there have been some fundamental changes to the scheme and these changes are included in this report. Given the time delays and the revisions to the scheme, it was agreed to undertake a repeat Gateway 1. The previous Reviews were undertaken as follows;

#### **Gateway 0 – July 2007**

#### **Gateway 1 – November 2009**

A summary of recommendations, progress and status from the previous Local Partnerships Gateway Review can be found in Appendix C.

## Purposes and conduct of the Gateway Review

### **Purposes of the Gateway Review**

The primary purpose of a Local Partnerships Gateway Review 1 is to confirm that the business case is robust – that is, in principle it meets business need, is affordable, achievable with appropriate options explored and likely to achieve value for money.

Appendix A gives the full purposes statement for a Local Partnerships Gateway Review 1.

### **Conduct of the Gateway Review**

This Local Partnerships Gateway Review 1 was carried out from 28 January to 31 January 2013 at Wellington House, Leeds. The team members are listed on the front cover.

The people interviewed are listed in Appendix B.

The Review Team would like to thank Kieran Preston, Dave Haskins and the people interviewed for their time and openness. In particular the Review Team would like to thank Louise Porter for her excellent organisation and support during the Gateway.

## Findings and recommendations

### **1: Business case and stakeholders**

The Leeds NGT Trolleybus is an innovative project and as the first of its type in the UK in recent years, is at the cutting edge of transport provision.

The Review Team found that good progress has been made in developing this project despite the difficult history of planned and then cancelled mass transit schemes for Leeds. In particular, the project team has been re-formed at short notice and it would appear that there is a high degree of continuity from previous teams working on the project and motivation within the current team is very good.

A particular strength is that the Major Schemes Business Case has been produced and Programme Entry has been secured. Positive discussions are on-going with the Department for Transport (DfT). The team is now working towards Conditional Approval for the scheme. In preparing this and the parallel process of scheme design and preparation for the forthcoming Transport and Works Act Order (TWAo) inquiry, the project team would appear to be building positively on the previous work that has been undertaken and have learnt lessons from previous schemes and will build these into the current processes.

Areas of the business case where further work is needed are the demand forecasts and capacity of the proposed system. The Review Team heard a number of different accounts of the expected patronage and how this relates to the capacity of the system and having clarity on these points will not only be important for the discussions with DfT but also for the public credibility of the project and in preparation for the inquiry.

The Review Team are aware that there is organised opposition to the proposals and this needs to be taken seriously as the scheme is developed.

The Review Team found that a significant amount of resource is currently being directed towards stakeholder engagement with a number of events around the City having already taken place with more planned. Communication and stakeholder management are a vital part of any major scheme and whilst the project team are aware of the need for good communications, the Review Team found that in some instances, the communication activity can be too focussed on technical detail, rather than the strategic need and importance. Focussing on the strategic need will be important if the 'hearts and minds' of the people and other stakeholders of Leeds are to be won over.

In particular, the Review Team is of the view that a clearer statement of the benefits that will flow from the scheme is needed as well as its strategic importance in the context of growth and development of the wider economy. It is also clear that there are a number of myths and mis-information being generated by the opponents of the scheme. The Review Team is of the view that a particular effort needs to be directed towards countering these and clarifying the scheme objectives and benefits. In short, the project team needs to consider how it can sell the benefits and create anticipation and excitement around the proposals.

Given the joint lead on the project between Metro and Leeds City Council, aligning political views on the benefits of the scheme and how best to manage stakeholder engagement is vital and so the Review Team are of the view that there would be great merit in establishing a joint Member Steering Group to guide this activity.

### **2: Review of Current outcomes and Wider Context**

Following the renewed Programme Entry in July 2012, the Project Team has been rapidly reconstituted, utilising many staff (from both Metro and Leeds City Council) with considerable experience of the former lengthy development stages. The Review Team found that the team had



widespread confidence from stakeholders and is well respected. All team members interviewed exhibited great enthusiasm and determination to succeed.

Through the interview process, the Review Team established that there is a lack of clarity in team roles and responsibilities which is exacerbated by the heavy workload. Reporting lines appear different in practice from those shown in the formal team structure. Due to the heavy workload, the Review Team has noted that the Project Director has needed to be involved in the day-to-day detail of the project. Going forward, the Project Director will need the time and space to focus more on the strategic direction of the project (for example stakeholder engagement, benefits realisation and procurement) rather than the day to day project issues that can be dealt with by others in the team. These issues need to be resolved quickly so that the team can function more effectively as a cohesive project team.

**Recommendation 1: Roles, responsibilities and reporting lines in the Project Team should be clarified.**

Work commenced rapidly on the critical path tasks of design and preparation for the submission of a draft Transport and Works Act Order (TWAO) very soon after mobilisation. Work is continuing on all key risk areas such as the University playing fields and Balm Road sidings. Some of these may not be resolved by the time of the planned Design Freeze 7 on 28 February 2013 but contingency plans are being made to maintain progress towards the TWAO submission. Experience gained in promoting the Leeds Station South Entrance TWAO is being applied to the project and the team has explored available knowledge from other comparable major projects (in Nottingham, Manchester and Bristol) to good effect.

Suitable project management tools are being implemented (following Prince 2 principles) and these may need to be tailored in future to suit the project's particular needs for rapid progress towards delivery.

As part of the mobilisation, the Project Board was re-established with a revised membership. The level of empowerment of Project Board members is appropriate to enable key decisions to be made. Board members were keenly engaged in the project and had a good grasp of key issues. The terms of reference of the Project Board were reviewed in June 2012. The Review Team has found there is some confusion amongst board members of the frequency of meetings. This needs clarifying to meet the intensive pre-TWAO process requirements. Some recent complex issues had proven difficult to close out despite reports being very detailed. Through the interview process, some stakeholders suggested that the Project Board may benefit from a greater level of political input.

**Recommendation 2: The composition, terms of reference and meeting frequency of the Project Board should be reviewed.**

There is a constrained capital funding ceiling from the DfT of £173.5m. There are risks that construction price inflation is greater than the assumptions in the Business Case or there is a delay to the programme which will increase costs. This is a complex project with significant interfaces and is a first for the UK; however its components are relatively standard. There is evidence of considerable thought being given to managing the interface risks, in particular in relation to future highway maintenance and ride quality and how best to manage them on a whole life basis. Consideration needs to be given to a wider range of factors with a renewed focus on capital costs.

**Recommendation 3: The development of the procurement strategy should consider a wide range of factors with a focus on the capital costs.**

The procurement strategy, which is currently in development, is key to delivering the project within the capital cost ceiling. Procurement options using one, two or three contracts are under consideration. A decision appears has been taken to use Competitive Dialogue which is appropriate to the complexity of the project. However the Negotiated Procedure under the Utilities Directive may also be considered if vehicle and operator procurement is separate from the infrastructure. Whatever route is

chosen the project team has a reliance on external advisors and needs to build up its own expertise with suitably experienced staff. Once clarity on procurement options is reached it would be helpful to discuss these with the DfT's procurement team.

There has been limited market engagement, which is understandable whilst the procurement strategy is being developed. This is planned to commence in the next three months. Market appetite is key to deliverability of some of the more complex procurement models under consideration. Operational input to the project would be helpful in providing the operator dimension to key decisions on infrastructure required for the TWAO process. This may also assist in engaging key local stakeholders such as bus operators.

**Recommendation 4: The procurement function should be reviewed to ensure appropriate resources are in place to prepare for the procurement stages.**

**Recommendation 5: Market engagement should be undertaken as soon as possible, with a particular reference to operational issues.**

The project partners have a well-developed draft Joint Venture Agreement (JVA) covering their financial, legal, staffing and property relationships. This remains incomplete.

**Recommendation 6: The Joint Venture Agreement (JVA) should be completed.**

### **3: Risk management**

The Review Team recognises that with a project of this scale and complexity, there are inevitably a number of key risks that need to be addressed. A comprehensive risk log has been developed by the Project Team, and they have undertaken comprehensive risk workshops. Key risks are part of the standing agenda of the Project Board. As the project moves towards procurement and into construction, the Project Board will continue to have a key role in supporting the Project Director and the Project Team in managing key risks.

Through the interview process the Review Team asked a range of stakeholders what they considered to be the top three risks. The following is a list of risks identified by the interviewees (in no particular order):

- Residents and Public objection to the scheme
- A reduction in Political support due to public objections
- Scheme being diluted to appease residents / objectors
- Affordability and design creep
- Delays to the programme (resulting in cost increases)
- Operators reaction / quality contracts
- Management of the procurement phase
- Loss of momentum / delays due to public consultation
- Delays to DfT approvals
- The on-going funding gap of £20m
- Disruption during the construction phase

These are identified on the Risk Registers, demonstrating that the process of risk management is working.

The Project Team is aware of the recent announcement of the Northern routes for High Speed 2 (HS2).

#### **4: Readiness for next phase – procurement strategy**

The Review Team found that there is a broad understanding within the Project Team of the benefits that the scheme should deliver however further work is still needed to clarify these to enable the Project Team to convey consistent messages. There are external stakeholders and members of the public who do not fully understand the benefits of the current scheme and do not see NGT as the preferred option. To redress this, there needs to be a renewed focus on the advantages of the current scheme by promoting it for the benefits it will deliver. This should include:

- The substantial reliability and journey time benefits that will result;
- That the scheme is part of a wider range of transport improvement schemes, including on-going bus priority measures and highway improvements;
- That the scheme is high quality, unique and city defining.

#### **Recommendation 7: The benefits of the scheme should be clearly defined and promoted.**

There is on-going stakeholder engagement through a communications plan and a range of events and information and collecting feedback. There needs to be proactive engagement with key parties such as residents, potential users, businesses, universities and local transport operators, particularly as the project progresses into detailed design and construction. The Project Team should consider the benefits of engaging with a specialist PR / Marketing organisation (internal or external) to:

- Develop a marketing strategy to promote the benefits of the scheme;
- Reviewing the name and branding;
- Identify the most suitable means of supplementing the resources in the team.

#### **Recommendation 8: Engagement with a specialist PR / Marketing organisation should be considered.**

There is strong support for this scheme from local MPs, local members and business leaders. Given that there are likely to be particular challenges as the scheme progresses, this support needs to be developed and maintained. The Review Team understands the Project Board is considering establishing a joint member steering group and this would help to improve awareness and on-going support for the scheme. The Review Team considers this to be good practice. In addition consideration should be given to establishing a number of champions at a political level but also with key stakeholders such as the Chamber of Commerce, University and other supporters. Consideration should also be given to establishing an effective means of communication with the Champions.

#### **Recommendation 9: Project Champions should be identified.**

**The next Gateway Review is expected before the appointment of the Preferred Bidder(s).**

## APPENDIX A

### **Purpose of Gateway Review 1: Business justification**

- Confirm that the business case is robust – that is, in principle it meets business need, is affordable, achievable, with appropriate options explored and likely to achieve value for money.
- Confirm that appropriate expert advice has been obtained as necessary to identify and/or analyse potential options.
- Establish that the feasibility study has been completed satisfactorily and that there is a preferred way forward, developed in dialogue with the market.
- Confirm that the market's likely interest has been considered.
- Ensure that there is internal and external authority, if required, and support for the project.
- Ensure that the major risks have been identified and outline risk management plans have been developed.
- Establish that the project is likely to deliver its business goals and that it supports wider business change, where applicable.
- Confirm that the scope and requirements specifications are realistic, clear and unambiguous.
- Ensure that the full scale, intended outcomes, timescales and impact of relevant external issues have been considered.
- Ensure that there are plans for the next stage.
- Confirm planning assumptions and that the project team can deliver the next stage.
- Confirm that overarching and internal business and technical strategies have been taken into account.
- Establish that quality plans for the project and its deliverables are in place.

## APPENDIX B

### Interviewees

<b>Name</b>	<b>Role</b>
Kieran Preston OBE	Project Executive and Chief Executive Metro
Dave Haskins	Metro – NGT Project Director
Andrew Wheeler	Metro - NGT Project Manager
Gary Bartlett	LCC - Chief Highways Officer – Deputy Chair of Project Board
Nigel Featham	Arriva - Regional Director
Colin Newbury	Arriva – Operations Director
David Reid	Metro - NGT Communication and Stakeholder Manager
Angela Taylor	Metro – Resources Director
John Henkel	Metro – Director of Passenger Services
Louise Porter	Metro – NGT Programme Manager
Councillor James Lewis	Chair of the ITA
Alan Gay	LCC – Chief Finance Officer
Neil Chadwick (+)	Steer Davies Gleave – Economics / modelling
Rob Smith (+)	DLA Piper
John Turton (+)	KPMG – Procurement
Steve Gilley	Leeds University – Head of Estates
Ian Williams	Chamber of Commerce
Tom Gifford	Metro – NGT TWAO Manager
Councillor Richard Lewis	LCC - Transport Portfolio Holder
Mark Philpott	LCC - NGT Highways Manager
Callum Gibson	Mott MacDonald Design / Engineering
Charlie Sunderland (+)	DfT
Bob Collins (+)	DfT
Dave Alexander	First Group
Paul Turner	First Group
Steve Speak	LCC – Deputy Chief Planning Officer
Bill McKinnon	Friends of Woodhouse Moor

(+) = Phone Interview

APPENDIX C

**Recommendations from previous Gateway Review**

Recommendation	Progress/Status
The Project should develop a formal Stakeholder Management Plan	A PRINCE 2 compliant Communications Management Plan has been developed. As part of the remobilisation of the project a Stakeholder and Consultation Manager has been appointed to the NGT team. The purpose of this post is to oversee all engagement/consultation activities and ensure these are properly implemented and coordinated.
The Joint Venture Agreement needs to be revisited, and formalised into an inter-authority agreement in moving forward to the next stage	A PRINCE 2 compliant Communications Management Plan has been developed. As part of the remobilisation of the project a Stakeholder and Consultation Manager has been appointed to the NGT team. The purpose of this post is to oversee all engagement/consultation activities and ensure these are properly implemented and coordinated. Work was progressed following the original Programme Entry Approval in March 2010. However due to the project pause this was halted. Discussions are now underway and a revised JVA has been drafted. The intention is to have this fully signed off within the next two months.
A project benefits realisation strategy needs to be developed	A draft Benefits Realisation Strategy has been developed. A detailed plan of monitoring activities is under development . The current focus is on considering how to align the proposed activities with the requirements set out in the DfT's new Monitoring and Evaluation Framework.
In conjunction with a review of the project programme, a full assessment of the required staff and advisor resources needed should be undertaken. Additionally, a skills and capacity audit of available internal	A full review was undertaken as part of the remobilisation of the project in Summer 2013. As a result of this a strengthened Project Team has been created which has brought more skills in-house rather than relying on

<p>resources, especially LCC's technical staff and delivery resources would be beneficial</p>	<p>external consultant support (e.g. legal resource, project management expertise, stakeholder management). The number of LCC posts in the Project Team has also been increased in key technical areas.</p>
<p>The project should review and develop its project governance and reporting protocols to ensure they are fit for purpose in moving forward</p>	<p>A full review was undertaken as part of the remobilisation of the project in Summer 2013. As a result of this a strengthened Project Team has been created which has brought more skills in-house rather than relying on external consultant support (e.g. legal resource, project management expertise, stakeholder management). The number of LCC posts in the Project Team has also been increased in key technical areas.</p>

